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TREASURY DEPARTMENT
Washington

STATEMENT BY SECRETARY OF THE TREASURY ROBERT B. ANDERSON,
GOVERNOR FOR THE UNITED STATES AT THE JOINT MEETING OF
THE BOARDS OF GOVERNORS OF THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT, THE INTERNATIONAL MONETARY
FUND, AND THE INTERNATIONAL FINANCE CORPORATION, SHERATON-
PARK HOTEL, WASHINGTON, D. C., MONDAY, SEPTEMBER 28, 1959,
ABOUT 11:00 A.M., EDT.

Mr. Chairman, Governors:

I wish to join, both personally and on behalf of my Delegation, in the welcome extended to all of you by the President of the United States. We hope your stay here will be pleasant and that these deliberations, so notably inaugurated, Mr. Chairman, by your thoughtful address, will be highly productive.

At last year's meeting, the Governors considered the need for both the Bank and the Fund to increase their financial capacity in order to assist more effectively with the problems of economic development and financial and economic stability. The member countries have acted with dispatch to approve the proposals formulated by the Executive Directors. I am sure that not only the financial response itself but also the clear expression of confidence in the Bank and the Fund will greatly enhance the usefulness of these two institutions in their future operations.

We have seen in recent years intensified efforts in the less developed countries represented here to move ahead economically. The Fund and the Bank, in their respective roles, have done much to help, and as a result of their new resources they will be in a better position to meet appropriate demands on their funds. However, the needs of the less developed countries to attain sound and sustainable growth, still further challenge the economic and financial statesmanship which this group, coming here from the many nations of the Free World, has shown in the past.

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Those of us from the industrial countries have seen impressive gains in our economies. New and higher levels of economic activity have been achieved. This has been reassuring to the United States since our international activities over many years have been directed toward cooperating in the post-war reconstruction of other industrial countries as well as in helping the efforts of the less developed areas. We welcome the return of these other industrial countries to an economic position where they are capable to an increasing extent of participating, both directly and through international financial institutions, in supplementing the basic efforts of the developing countries themselves.

I do not think it appropriate for me to comment on the mechanisms of carrying out direct financial relations between other countries. I would like, however, to say that the very character of development financing requires longer term lending than has been available from many existing national financial institutions.

There is a need, in addition to these direct efforts of each of us, for further joint action by those represented here to help progress of the less developed areas in a way which will not bear heavily on their external payments. I refer to the International Development Association, which is on the agenda of the Bank meeting. You will recall that at last year's meeting, at the direction of President Eisenhower, I stated the view of my Government that an International Development Association as an affiliate of the International Bank warranted serious study. I had no definite course of action to suggest at that time for such an association, but expressed the hope that you would all give thought to this matter.

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The subsequent informal discussions with many of you and your representatives encouraged my Government to feel that this institution would be both feasible and desirable. As a result of our further study, and greatly aided by the valuable opinions received in our consultations, we have outlined our thoughts on the basic framework of an International Development Association. These ideas were circulated by the President of the Bank to each of you early in August. In forwarding that letter to you, Mr. Black expressed his view that such an Association could be a valuable supplement to the efforts of the International Bank.

We all realize that there are situations in the less developed countries where a sound project may require financing which cannot be provided under the criteria of our established international lending institutions. It would be unfortunate if we did not help in these situations, where often only a relatively small margin of capital is needed. It would be equally regrettable if, in jointly meeting this responsibility, we set up an organization which competed or conflicted with the operations of our other proven international institutions. It is, therefore, of great importance to accomplish this purpose by establishing the new institution within the framework of the IBRD. In this manner we will not impair this existing lending institution which can meet the needs of bankable projects. We also want to be sure that we are sufficiently imaginative and resourceful to bring about effective use of two forms of credit and at the same time sufficiently discriminating so that we add to, rather than take from, the capacity of existing sound organizations.

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It is equally important that an effort of this nature be made through an institution the membership of which consists of the community of free nations subscribing to the sound monetary policies represented by the IMF and adhering to the belief that the maximum accomplishment of any society can be attained within the framework of free economies. If we can accomplish these objectives, we can make a contribution of lasting benefit to the less developed countries.

We recognize that we are breaking new ground in an international undertaking of this sort. Because it is new we need to approach it with an attitude of flexibility. The Executive Directors of the IBRD have the experience and resourcefulness to develop effective policies and we can confidently rely on them in their task of carrying out the operations of this new institution.

The proposed International Development Association provides the opportunity for member countries to join together to further economic progress in the less developed areas. The positive effort we will be making through this new institution will be an additional and effective answer to the challenge before us. The need for it is clear. Accordingly, the United States has introduced a resolution asking the Bank's Executive Directors to formulate articles of agreement for the International Development Association after full consideration of all aspects which they deem pertinent. The Executive Directors have more than adequately demonstrated their ability in the past to pursue this kind of task expeditiously. I urge your approval of this resolution when it is presented for action.

(From National Advisory Council Report published August 1959)

PROPOSED INTERNATIONAL DEVELOPMENT ASSOCIATION

THE SECRETARY OF THE TREASURY,
Washington, July 31, 1959.

HON. EUGENE R. BLACK,
President, International Bank for Reconstruction and Development,
Washington, D.C.

MY DEAR MR. BLACK: At the opening joint session of the 1958 annual meeting of the International Bank for Reconstruction and Development and the International Monetary Fund at New Delhi, I called attention to the fact that the United States was studying a proposal to establish an International Development Association as an affiliate of the International Bank. President Eisenhower had earlier asked me to ascertain the attitudes of member governments toward the proposal, and, if the creation of an International Development Association appeared feasible, to initiate negotiations to that end.

The New Delhi meeting offered an opportunity for fruitful contacts among the Governors of the Bank, and the preliminary responses to the International Development Association proposal voiced there were encouraging. Since last October, we in the U.S. Government have been engaged in further study of the International Development Association in an attempt to formulate a more specific project. We have had subsequent discussions with other members of the Bank, and many members have shown a favorable attitude toward the concept of an International Development Association. We are continuing our discussions with other Bank members.

You will recall that as a basis for these discussions the U.S. Executive Director of the Bank recently circulated to all the other Directors an informal paper giving the major outlines of an International Development Association as we presently visualize it. We realized that in many cases a Director would be in a position to give only his personal views, and would not have the considered views of the government or governments he represents. Nevertheless, the reactions of Directors to this informal paper were useful and illuminating, and we have kept these in mind in drawing up the memorandum which I have attached to this letter.

We have been much impressed, as I am sure you also have been, with the role played by the Executive Board of the Bank in bringing to fruition several complex proposals in the recent past. The International Finance Corporation, for example, came into being after a proposal was formulated in the Board of Executive Directors and submitted to the member governments for approval. Just last year, the Executive Directors were charged with the task of submitting an appropriate proposal for increasing the Bank's resources. This task was successfully discharged, and governments are now acting on the resolutions drafted in the Executive Board. I believe the Executive Directors, in the case of the International Development Association, can again perform the invaluable function of taking the basic outline of an idea and fashioning it into a specific proposal. I am convinced that there exists a sufficiently broad base of support for an International Development Association among the member governments that a plan carefully worked out by the Executive Directors would meet with widespread acceptance.

It is my hope that this year's meeting of the Governors will be the occasion for taking definite steps looking toward the establishment of an International Development Association along the lines of the attached paper. As Governor for the United States, I am planning to place before the Board of Governors in September a resolution calling upon the Executive Directors to study carefully the question of establishing an International Development Association and, if feasible, to formulate articles of agreement for appropriate submission to the member governments. I would appreciate it, therefore, if you would place the subject of the International Development Association on the agenda for the September meeting.

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The formal text of a resolution will be transmitted to the Bank by the United States at the proper time.

If the Executive Directors make their recommendations within a reasonable time and if these recommendations are expeditiously presented to member governments, the matter could be acted upon formally by member governments early in 1960. In the case of the United States, this would mean that the Congress would consider the International Development Association during the 1960 session.

I am certain you will agree with me that the question of establishing an International Development Association is a matter of the first importance, and that the assent of the Governors at the annual meeting to a resolution calling for a study and recommendations by the Executive Directors would be a significant step toward the desired goal. It is my hope that between now and September the idea will receive earnest consideration within the member governments, and that the Governors will be in a position to support the U.S. resolution when it is offered. In this connection, I request that you forward a copy of this letter to each of the Governors, together with any comments you might consider appropriate.

Sincerely yours,

ROBERT B. ANDERSON,
*Governor for the United States,
International Bank for Reconstruction and Development.*

Attachment: Guidelines for Use in IBRD Executive Directors' Study of a Proposed International Development Association.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT,
Washington, D.C., August 3, 1959.

MY DEAR GOVERNOR: The Governor for the United States has requested me to forward to you and the other Governors of the Bank the attached letter concerning the International Development Association. The letter expresses the Governor's intention to introduce a resolution on that subject at the next annual meeting and requests that the matter be placed on the agenda for that meeting.

I have often said that in many less-developed countries the achievement of reasonable rates of growth will require more external capital than can properly be provided by conventional loans of the kind which the International Bank is authorized to make, and that there would be substantial advantage in channeling a large part of such further external aid through a soundly organized international institution. This is the essential concept of the proposed International Development Association. It is my opinion that, given suitable resources and functions, such an institution would be a valuable supplement to the International Bank's efforts to meet the pressing problems of development financing in the world today.

Without expressing any views at this stage on specific aspects of the proposal, I can say that I am fully in accord with the suggestion of the Governor for the United States that our meeting in September should be the occasion for taking action looking toward its consideration and, as I would hope, toward the establishment of an International Development Association.

Yours sincerely,

EUGENE R. BLACK, *President.*

Attachments. (The attachments consist of the letter from the U.S. Governor to the President of the Bank and the "Guidelines" paper appended thereto.)

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GUIDELINES FOR USE IN IBRD EXECUTIVE DIRECTORS' STUDY OF A PROPOSED INTERNATIONAL DEVELOPMENT ASSOCIATION (IDA)

To facilitate the consideration of the IDA by the Executive Directors, the United States submits herein certain guidelines which it hopes will form the basic framework of the proposed organization.

1. *Purpose.*—The purpose of the International Development Association would be to promote, by financing sound projects of high priority, the economic development of less-developed member countries whose needs cannot be adequately met under International Bank lending programs.

2. *Structure.*—IDA should be a close affiliate of the IBRD; membership in IDA would be open to all members of the IBRD. IDA should be a separate financial entity, but should be manned by IBRD personnel.

3. *Voting.*—Voting should be on a weighted basis, according to capital subscribed.

4. *Size.*—The authorized capital of IDA should be \$1 billion. Members would pay in 50 percent of their subscriptions initially, and the remainder in equal installments over 5 years.

5. *U.S. subscription.*—The U.S. subscription would be proportional to the U.S. subscription in the International Bank, taking into account the proposed increases in the IBRD. This would amount to about \$320 million.

6. *Replenishment.*—At 5-year intervals the Governors of IDA should consider the desirability of increasing the capital of the institution. Any increase would require approval of three-fourths of the total voting power. Each member would have the right, although not the obligation, to subscribe to a portion of the increase in accordance with its proportion of the initial capital. The Board of Governors could also, by three-fourths vote, approve an increase in capital at any other time, provided prior capital obligations of members have been substantially discharged.

7. *Currency subscribed.*—Members would make their subscriptions in part in gold or fully convertible currencies, and in part in their own national currencies. Each payment made under the installment arrangements mentioned in paragraph 4 would consist in part of gold or fully convertible currencies, and in part of national currencies, in the proportions set forth in paragraph 8. The basis on which each part of a member's subscription may be used by IDA is also outlined in paragraph 8.

8. *Use of currencies subscribed.*—Twenty percent of each payment by each member should be in gold or in fully convertible currencies which would be freely disposable by IDA. The remaining 80 percent should be in national currencies and should be usable at a minimum for procurement of nationally produced goods and services for use in connection with IDA-financed development projects within the country concerned, or for procurement of nationally produced goods and services for export and use elsewhere in connection with IDA-financed projects. In no event would IDA engage in financing trade in commodities not related to IDA-financed development projects.

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In addition to the basic minimum usability of the 80 percent of subscriptions paid in national currency, there should be provision in regard to this 80 percent for—

(a) The convertibility of 30 percent as required by IDA. The obligation to make this portion of its national currency convertible on demand should extend to all members except those to whom IDA granted a suspension of the obligation. This suspension would not be given to any of the industrialized countries, and countries receiving suspensions should not have an aggregate of more than about a quarter of total subscriptions.

(b) The convertibility of the remaining 50 percent of subscriptions paid in national currency by the industrialized countries if and when all of the industrialized countries agree to such a move. The United States would make this portion of its subscription available on a fully convertible basis so long as the other industrial countries do the same.

Under these arrangements, the IDA would have the responsibility for taking account of the economic position of a less-developed country in using such a country's currency, from whatever source acquired. An operating principle of IDA would be that IDA would maintain reasonably uniform rates of usage among the subscriptions in national currencies which become convertible as provided in (a) or (b) above, after first using the holdings of the currency of the country of procurement.

9. *Borrowing authority.*—IDA should have authority to borrow from member governments, or other sources.

10. *Special resources provided in local currencies.*—Arrangements should be made to permit IDA to receive from one member the currency of another member. Transfers of such currency would be over and above the member's subscription to the regular capital of IDA. Currencies so transferred should be available on terms which impose no greater restrictions on their use by IDA than previously applied to their use. Efforts would be made to secure the agreement of member countries, in accepting the IDA charter, to cooperate in facilitating reasonable transfers to IDA of their currency which another country wishes to make available.

The member would receive nonvoting "special development certificates" in exchange for currency provided. These certificates would carry a right of recovery of any such currency remaining upon liquidation of IDA. In addition, holders of certificates would be eligible to receive half of net operating profits derived from use of the resources provided.