

**ECONOMIC  
AND  
SOCIAL COUNCIL**

**CONSEIL  
ECONOMIQUE  
ET SOCIAL**

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E/C.1/SR.58  
19 September 1947  
ORIGINAL: ENGLISH

COMMITTEE ON NEGOTIATIONS WITH SPECIALIZED AGENCIES

SUMMARY RECORD OF THE FIFTY-EIGHTH MEETING

THIRD JOINT MEETING OF THE COMMITTEE ON NEGOTIATIONS WITH SPECIALIZED  
AGENCIES OF THE ECONOMIC AND SOCIAL COUNCIL AND THE REPRESENTATIVES  
OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT  
AND THE INTERNATIONAL MONETARY FUND

Held at Lake Success, New York, on Friday, 15 August 1947, at 5:15 p.m.

Present:

Chairman: Mr. Papanek (Czechoslovakia)

Rapporteur for United Nations:

Mr. Kotschnig (United States of America)

Mr. Blais (Canada)

Mr. Sang (China)

Mr. Clermont-Tonnerre (France)

Mr. Lunde (Norway)

Mr. Veysey (United Kingdom)

Trusteeship Council: Mr. Heyward (Australia)

Mr. Noriega (Mexico)

Secretariat: Mr. Owen (Department of Economic  
Affairs)

Mr. Schachter (Department of Legal  
Affairs)

Mr. Chudson (Department of Economic  
Affairs)

Mr. Kremery (Joint Division of  
Co-ordination and Liaison)

International Bank for Reconstruction and Development:

Mr. McCloy

Mr. Demuth

Mr. Lopez-Herrarte

/International

International Monetary Fund:

Mr. Gutt

Mr. Van Campenhout

Mr. Williams

Conclusion of Negotiations for Relationship Agreements between the United Nations and the International Bank for Reconstruction and Development and the International Monetary Fund

Article I - General

Mr. KOTSCHNIG (United Nations) stated that although the Negotiating Committee had not been happy about the redraft of paragraph 2, in a spirit of co-operation and a desire to arrive at an agreement, it was willing to accept the sentence of the Bank's draft which read: "By reason of the nature of the character of its international responsibilities and the terms of its Articles of Agreement, the Bank is,.... and is required to function as an independent international organization."

He stated that the Committee was willing to accept the redrafted text of paragraph 3 on the condition that it be made reciprocal. He pointed out that the United Nations also had highly confidential information in its possession which must be safeguarded.

Mr. McCLOY (Bank) stated that this reciprocity would be perfectly acceptable. He suggested that it be effected by substituting the words "The United Nations and the Bank" for "The Bank" and the words "of either of them" for the word "it" as appropriate.

DECISION: Article I was adopted as amended.

Article II - Reciprocal Representation

Mr. KOTSCHNIG (United Nations) read the following text of paragraph 1, which he stated had been very carefully worded by the United Nations Negotiating Committee: "Representatives of the United Nations shall be invited to participate, without vote, in meetings especially called by the Bank for discussing matters of concern to the United Nations."

Mr. McCLOY (Bank) was unable to accept the text and suggested the following wording: "Representatives of the United Nations shall be invited to attend meetings especially called by the Bank for the purpose of discussing with the United Nations matters which concern the United Nations." The text suggested by the United Nations Negotiating Committee would not meet the requirements of the Bank. He cited the case of the recent Dutch loan. The Bank had held a special meeting on this loan to which it certainly would not have wished to invite the United Nations.

/However

However, it might be arguable that this loan was of concern to the United Nations. He stated that he wished that a statement of his opinion should be written into the record.

Mr. KOTSCHNIG (United Nations) said that the position of the Bank should certainly be included in the record, but in addition there should be an article in line with the one proposed by the Committee.

Mr. McCLOY (Bank) expressed concern with the effect that such a clause might have on public opinion. He felt that an alternative would be to leave out the paragraph altogether, but include the whole matter into the record.

Mr. KOTSCHNIG (United Nations) felt that the Economic and Social Council would not be satisfied with a situation whereby the United Nations was only represented at one or two meetings of the Bank a year. He pointed out, however, that the United Nations would, of course, not expect to be invited to send representatives to every special meeting called by the Bank or Fund.

Mr. McCLOY (Bank) suggested the words "...meetings especially called by the Bank for the purpose of discussing matters of mutual concern."

The CHAIRMAN pointed out that in fact the Negotiating Committee and the Bank and Fund were in agreement, the difference lying simply in a matter of words.

Mr. McCLOY (Bank) was not in agreement. Since every meeting of the Bank could be interpreted as being of concern to the United Nations, it might mean that representatives of the United Nations would be involved in all the business of the Bank.

Mr. CHERNYSHEV (Union of Soviet Socialist Republics) was of the opinion that representatives of the United Nations should be invited to meetings of the Board of Governors and Executive Directors of the Bank and Fund, when these organs dealt with questions which were of interest to the United Nations.

Mr. KOTSCHNIG (United Nations) informed the representative of the USSR that the text proposed by the Committee had already been accepted by the Negotiating Committee of the United Nations. Therefore, any amendment which his government would like to make would have to be brought up in the Economic and Social Council.

Mr. McCLOY (Bank) suggested the text "...in meetings especially called by the Bank for the particular purpose of considering the United Nations point of view in matters of concern to the United Nations."

DECISION: This text was adopted.

#### Article III - Agenda Items

Mr. KOTSCHNIG (United Nations) stated that the Negotiating Committee felt  
/strongly

strongly that there should be a paragraph on agenda items, and proposed the following text: "Subject to such preliminary consultation as may be necessary, the Bank shall include on the agenda of meetings of the Board of Governors and other appropriate meetings items proposed to it by the United Nations. Similarly, the Council and its Commissions and the Trusteeship Council shall include on their agenda items proposed by the Bank."

He pointed out that the reference to meetings of the executive directors was replaced by reference "to other appropriate meetings" bearing in mind the changes made in the article on reciprocal representation.

Mr. McCLOY (Bank) stated that he would have difficulty in accepting this proposal. If the United Nations had the right to put an item on the agenda of the Board of Governors, it might be interpreted in some quarters as a type of control. This would not be helpful in administering the affairs of the Bank. The public would not understand the differences between the Board of Governors and the Board of Directors. To the public it would appear that the Board of Governors actually directed the policies of the Bank, which was indeed the case. Although the placing of items on the agenda of the Board of Governors would not interfere with the administration of the Bank, he would not be willing to recommend it to the Board of Governors.

Mr. GUTT (Fund) enquired whether items submitted by the Bank and Fund were placed on the provisional or the definitive agenda of the Economic and Social Council.

The CHAIRMAN stated that the items would automatically be placed on the provisional agenda. He explained that there was a special Agenda Committee which selected the items to be placed on the definitive agenda. However, he felt that there would be no difficulty in placing items submitted by the Bank and Fund on the definitive agenda.

Mr. KOTSCHNIG (United Nations) stated that the Article should be absolutely reciprocal. He pointed out that there was no possible implication of control of one organization by the other. When the United Nations received an agenda item from the Bank or Fund, it did not fall under the control of these organizations. The right to place items on the agenda of the specialized agencies was written into each of the agreements with the other specialized agencies.

Mr. McCLOY (Bank) stated that he was afraid of any suggestion of political control over the Bank, for the life of the Bank actually depended upon the fact that it should be known throughout the world as a non-political body.

/Mr. KOTSCHNIG

Mr. KOTSCHNIG (United Nations) suggested that by using the words "subject to such preliminary discussions as may be necessary, the Bank may include on the agenda..." would take out of the article any suggestion that recommendations regarding specific loans were put on the agenda of the Bank.

Mr. McCLOY (Bank) proposed the following text: "In preparing the agenda for the Board of Governors, the Bank would give due consideration to the inclusion on their agenda of items proposed by the United Nations." It was his understanding that the representative of the International Monetary Fund would agree to this phrase.

Mr. KOTSCHNIG (United Nations) agreed to the following text: "In preparing the agenda for the meetings of the Board of Governors, the Bank (Fund) will give due consideration to the inclusion on its agenda of items proposed by the United Nations. Similarly, the Council and its Commissions, and the Trusteeship Council will give due consideration to the inclusion on the agenda of items proposed by the Bank (Fund)."

DECISION: This was approved.

#### Article IV - Consultation and Recommendations, Paragraph 2

Mr. KOTSCHNIG (United Nations) stated that in connection with paragraph 2, the Negotiating Committee suggested the following redraft: "The Bank agrees to arrange, subject to prior consultation, for submission as soon as possible to its appropriate organs, of formal recommendations which the United Nations may make to it."

Mr. McCLOY (Bank) thought that paragraph 2 of Article III in the Bank's draft (document E/C.1/20) should be retained. He felt that there should be no submission of recommendations until and after reasonable consultation had been effected.

Mr. KOTSCHNIG (United Nations) felt that the Negotiating Committee and the Bank and Fund agreed in principle. Paragraph 2 of the Bank's draft would be retained and the following redrafted text would be added as the second sentence of paragraph 2:

"Any formal recommendations made by either organization after such consultation will be considered as soon as possible by the appropriate organ of the other."

DECISION: This was agreed.

#### Paragraph 3

Mr. KOTSCHNIG announced that the United Nations Negotiating Committee had accepted paragraph 3 in essence.

Mr. McCLOY (Bank) wished to include the phrase: "It would be sound  
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policy for the United Nations and its subsidiary organs" in the second sentence.

Mr. KOTSCHNIG (United Nations) in answer to a question from Mr. McCLOY (Bank) further stated that the Economic Commission for Europe and the Economic Commission for Asia and the Far East, being in a position somewhat different from the other Commissions of the Economic and Social Council, also had the right under their terms of reference to make recommendations to specialized agencies, but that this was covered by the words, "United Nations".

Mr. GUTT (Fund) stated that although technically speaking the Fund did not make loans, he would not like the wrong impression to be gained from the absence of this paragraph from the Fund agreement. He wished to state that the philosophy underlying this paragraph equally applied to the Fund. The following text of paragraph 3 was adopted:

"The United Nations recognizes that the action to be taken by the Bank on any loan is a matter to be determined by the independent exercise of the Bank's own judgment in accordance with the Bank's Articles of Agreement. The United Nations recognizes therefore that it would be sound policy to refrain from making recommendations to the Bank with respect to particular loans or with respect to terms or conditions of financing by the Bank. The Bank recognizes that the United Nations and its organs may appropriately make recommendations with respect to the technical aspects of reconstruction or development plans, programmes or projects."

#### Article V - Exchange of Information

This article was acceptable as modified in the previous meeting.

#### Article VI - Security Council

Mr. KOTSCHNIG (United Nations) stated that the Negotiating Committee would accept the draft of this Article including the reference to Article 42 of the Charter. However, it was the opinion of the Committee that the first line should contain the following sentence: "The Bank recognizes the obligations assumed by the Member States of the United Nations."

Mr. McCLOY (Bank) wished to substitute "takes note" for "recognizes" for he felt the word "recognizes" had a technical connotation in law of the assumption of an obligation. He also stated that the obligation to be noted by the Bank was that assumed by such of its members as were also members of the United Nations.

Mr. KOTSCHNIG (United Nations) assured the representative of the Bank that no such connotation existed in this case, and accepted the words "takes note".

## Article VII - Assistance to the Trusteeship Council

Mr. GUTT (Fund) in connection with the new draft of Article VII relating to the Trusteeship Council stated that, while the Fund was ready to co-operate by giving any necessary information, he could not see what relevant decision could be taken by the Trusteeship Council which would affect the Bank or the Fund.

Mr. HEYWARD (Trusteeship Council) stated that the Trusteeship Council might require some assistance, not of a financial nature. It might need technical assistance from the Bank or it might require advice on the relations of lending between metropolitan powers and trust territories.

Mr. GUTT (Fund) stated that the Trusteeship Council could be assured that it would receive any technical assistance which it required from the Bank and Fund, but it would not necessarily be following a decision of the Trusteeship Council. He suggested that the text should read: "The Bank (Fund) agrees to co-operate with the Trusteeship Council in the carrying out of its functions by furnishing information and technical assistance upon request, and in such other similar ways as may be consistent with the Articles of Agreement of the Bank (Fund)".

DECISION: This was accepted.

## Article X - Administrative Relationships

Mr. KOTSCHNIG (United Nations) in referring to paragraph 3, was of the opinion that the words: "and that the appropriate authorities of the Bank exercise the sole competence over the form and content of such budget..." should be replaced by the words "...and that the appropriate authorities of the Bank shall enjoy full autonomy in deciding the form and content of such budget."

Mr. McCLOY (Bank) accepted this text. He stated that the representatives of the Bank and the Fund had agreed to this provision on the understanding that no recommendations concerning their budgets should be made by the United Nations.

Mr. KOTSCHNIG (United Nations) stated that this declaration would be put on record as a statement of the representatives of the Bank and the Fund.

## Article XI - Agreements with Other Organizations

Mr. KOTSCHNIG (United Nations) suggested the deletion of the qualifying phrase "of a general character" in connection with formal agreements.

Mr. McCLOY (Bank) wished to retain these words. He explained that there was a good deal of interplay between the Bank and the Fund which it would be undesirable to release to the public. He felt that this clause should be limited to agreements of a substantial nature, and that the Bank

/and Fund

and Fund should be free in their day-to-day exchange of papers and memoranda.

Mr. KOTSCHNIG (United Nations) felt that the phrase: "...any formal agreement" should cover this point.

Mr. GUTT (Fund) agreed that this would exclude routine agreements, but he also wished to exclude technical agreements of a routine character.

Mr. McCLOY (Bank) agreed to strike out the phrase: "...of a general character" on the understanding that it be written in the record that this article did not apply to the routine exchange of information between the Bank and Fund, and to similar types of arrangements with other international organizations.

The CHAIRMAN thanked the members of the Bank and Fund for their co-operation during the negotiations.

The meeting rose at 6:45 p.m.

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