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*President:* Mr. S. Amjad ALI (Pakistan).

*Present:* The representatives of the following countries:

Argentina, Belgium, Canada, China, Cuba, Czechoslovakia, Egypt, France, Iran, Mexico, Pakistan, Philippines, Poland, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay.

Observers from the following countries:  
Chile, Netherlands, Turkey.

The representatives of the following specialized agencies:

International Labour Organisation, International Bank for Reconstruction and Development, International Monetary Fund.

**Economic development of under-developed countries (*continued*): (c) Annual report of the International Bank for Reconstruction and Development (E/2168<sup>1</sup> and Corr.1 and E/2168/Add.1) (*concluded*)**

[Agenda item 5 (c)]

1. Mr. SCHEYVEN (Belgium) associated his delegation with the others which had praised the annual report of the International Bank (E/2168) and the statement made by the President of the Bank at the previous meeting.

2. He was glad to note that the Bank had extended its operations to financial markets to which it had not

previously had recourse; it had borrowed money outside the United States and had arranged for private banks to sponsor bond issues. It was thus widening the range of its sources of financing and was giving evidence of its desire to explore all new sources of capital and do everything in its power to help the under-developed countries by lending them capital, by stimulating the mobilization of domestic capital or by providing them with technical assistance.

3. The countries which had benefited from the Bank's loans were almost exclusively those considered economically under-developed, and the Bank thus appeared to have acted in accordance with the desires of the Council. Belgium had obtained two loans from the Bank, to a total of \$70 million, to help in financing its ten-year development plan for the Belgian Congo. That plan represented a total investment of \$1,000 million, or about \$600 per inhabitant of Belgium. He expressed his country's thanks for the assistance thus received.

4. The Belgian delegation approved of the choice the Bank had made among the projects to be financed. Those projects were related to major work of general economic development and showed the Bank's desire to assist those countries whose economic framework allowed for general industrial development, rather than merely assisting in the building up of specific industries, which could more easily be financed by small or medium sources of capital.

5. His delegation had also noted with interest the remarks of the President of the Bank with regard to the necessity of a long-term co-ordinated plan for the economic development of each country. Belgium had

<sup>1</sup> Sixth Annual Report to the Board of Governors, 1950-1951, Washington, D. C.

made a detailed study of the implications of its ten-year plan for the Belgian Congo and it was thus in a position to realize the great value of such studies in promoting harmonious economic development. In that connexion, he would draw attention to the importance of co-ordinated and harmonious development on a world-wide scale. The United States delegation had already pointed out the favourable effects of basic investment in increasing the deficient food supplies of the world.

6. The Bank could also make a valuable contribution to the satisfactory implementation of the Expanded Programme of Technical Assistance. On that subject he, too, would like to be provided with some supplementary information on the Bank's activities taken in conjunction with the competent bodies of the United Nations.

7. It appeared from the Bank's supplementary report covering the period from 1 July 1951 to 31 March 1952 (E/2168/Add.1) that the increased activity noted during the financial year 1950-1951 had not been maintained and that if the financial activity during the whole twelve months of the financial year 1951-1952 was calculated on the basis of the figures given for the first nine months of that period, the total would be less than that of the preceding year. If that were the case, he felt that the representative of the Bank might provide some explanation of the figures contained in the report.

8. His delegation was satisfied, in general, with the Bank's work and hoped that its activities particularly those favouring the under-developed countries, would increase in years to come.

9. Mr. NOSEK (Czechoslovakia) stated that the Bank's report and supplementary report bore witness to increased credit activity in the period covered. Loans granted by the Bank up to the end of March 1952 amounted to some \$1,326 million. Compared with the amount of capital at the Bank's disposal, however, that sum was very small and the Bank's meagre credit activities had given rise to justifiable dissatisfaction among Member States which were in urgent need of credit.

10. An examination of the list of countries which had received loans showed that the credit policy of the Bank was discriminatory. No Eastern European country had been granted a loan, although those countries had suffered greatly from the war and two of them—Poland and Czechoslovakia—had been among the first to request loans. Another characteristic of the Bank's credit policy was the small proportion of the loans granted to economically under-developed countries. Seventy-five per cent of the Bank's loans had been granted to the war economies of the members of the aggressive North Atlantic Treaty bloc and their allies, or had gone to increase the production of strategic raw materials in the colonies and dependent territories. Only some 25 per cent had been given to the under-developed countries and those loans were for the most part designed to finance the increased production of strategic raw materials.

11. It was a well-known fact that the \$50 million loan granted to the Union of South Africa for the construc-

tion of electric power stations had only been approved because it made possible an increased production of uranium.

12. The Council's discussion of the world economic situation had already shown how little progress had been made in the economic development of the under-developed countries. The statement made by the representative of Pakistan at the Council's 590th meeting and that of the representative of Argentina at the 594th meeting bore witness to that fact.

13. The Bank's general attitude towards the problem of the economic development of under-developed countries was illustrated by certain passages in its report. There was the statement, for example, on page 7, that "In the past year the Bank has increasingly interested itself in helping member countries to assess their total economic resources and to set up priorities to be followed in their development programmes" and the cautious admission that defence needs were incompatible in the immediate future with the execution of development programmes. It was apparent from the Bank's activities hitherto that it was the Bank, and not the respective countries, which established the priorities to be followed. An example of the Bank's preferences and the way in which it imposed its decisions on under-developed countries had been given by the Indian representative at the Council's thirteenth session.<sup>2</sup> The Bank had given the Indian Government certain assistance, at high rates of interest, and India, instead of using the loan to buy machinery which would have enabled it to manufacture the goods it needed, had been compelled to buy the goods.

14. Another feature of the Bank's report which was characteristic of its attitude was that it dealt at length with the increase in the income of under-developed countries as a result of the demand for raw materials following the outbreak of the American aggression in Korea, while devoting no more than a single sentence to the increase in the prices of consumer and capital goods, although the temporary increase in the incomes of under-developed countries as a result of the increase in the prices of raw materials had been largely offset by the increase in the price of consumer goods. As the Iranian representative had indicated (594th meeting), the relationship between the prices of raw materials and those of manufactured goods was often to the disadvantage of the under-developed countries.

15. The Bank's increased interest in sources for the supply of raw materials and its expanded activities in the countries considered important from the point of view of United States policy proved that the Bank had become an instrument of the foreign policy of the United States. Further proof was to be found in the activities of the Bank's missions and the way in which they attempted to influence the domestic affairs of States and to bring about their economic subjugation. In the case of Guatemala, for example, the report of the Bank's mission had recommended that the 1947 Act on industrial development should remain in force and that no new Act should be passed in that field.

<sup>2</sup> See *Official Records of the Economic and Social Council, thirteenth session, 484th meeting.*

The mission had said that the former Act was relatively simple and realistic, whereas the new act submitted to Congress in 1950 would not be satisfactory; it had further recommended that the Guatemalan Government should revise existing legislation relating to the oil industry and decide whether it was really satisfactory to the country. The mission had indeed admitted that it was for Guatemala to decide whether or not foreign interests should be admitted into the oil business, but had added that it would be to the advantage of Guatemala if it removed restrictions on foreign capital, so as to provide more attractive conditions for foreign firms.

16. Mr. ARDALAN (Iran) noted that during the past financial year the Bank had granted twenty-one loans, amounting to \$297 million, to a total of eleven countries and another fourteen loans totalling \$213 million. During the entire period of its operations the Bank had granted loans totalling \$1,326 million.

17. The Bank's procedure for dealing with loan applications was the outcome of much experience and it constituted an important innovation in the annals of credit institutions. The Bank's missions, its seminars and the experts sent to the countries concerned to observe economic development plans in operation were all measures designed to promote the systematic advancement of all countries, and particularly of the under-developed countries. The Mediterranean Vocational Training Centre at Ankara, which had taught the representatives of participating countries methods for preparing agricultural development programmes, had been most useful and the Iranian Government hoped that centres of that kind could be set up for the benefit of other regions.

18. The assistance extended by the Bank to other credit institutions to enable them to assist private borrowers was another important function through which it could encourage private initiative and foster increased production, while encouraging domestic savings for investment in the national economy. In recent years, the Bank had also been successful in placing its bonds in various countries such as the United States, the United Kingdom, Canada and Switzerland. The total International Bank issues outstanding was equivalent to \$449,858,586, of which \$400 million was denominated in United States dollars and the remainder in sterling, Swiss francs and Canadian dollars.

19. Those operations, in conjunction with the sale of bonds from its loan portfolio amounting to more than \$40 million, had increased the Bank's lending power, which in the past had been limited to the funds specifically earmarked for that purpose. The Iranian delegation was gratified to note that the Bank's credit policy was such as to make possible the achievement of its principal objectives, namely, the development of ever-increasing credit facilities for its members and, in particular, for the under-developed countries.

20. While realizing that the Bank's resources were limited, however, the Iranian delegation considered that, with the assets available to it, the Bank had not succeeded in carrying out its primary obligations to the extent desirable. In recent years the Bank had gradually broadened the concept of its duties, but much remained

to be done especially from the point of view of the under-developed countries.

21. Almost two-thirds of the Bank's loans had been granted to industrialized countries. The countries of Western Europe had largely recovered from the effects of the Second World War and, according to the Bank's report, their level of production had increased, so that they were in a position to offer capital to the under-developed areas of the world. The reasons for granting priority to their loan applications having therefore more or less disappeared, it was to be hoped that the Bank's attitude towards granting assistance to the under-developed countries would change.

22. It was clear that poverty and backwardness in some countries of the world would in the long run adversely affect the others. A great step forward would be taken when the standards of living of peoples everywhere moved closer together. For the present, however, he could only note from the figures submitted to the Council that unfortunately the gap between living conditions in the developed countries and those in the under-developed countries was increasing day by day.

23. The Bank had sent several missions to Iran to study the plans for the economic development of the country, for which the Iranian Government was grateful. The last mission had arrived early in 1951 and after prolonged discussion, agreement had been reached on five projects, calling for a sum of between \$19 and \$21 million. The Bank had recognized the utility of the projects and had agreed in principle to grant the necessary loan. After the approval had been reached in principle, however, the loan had not been granted and the projects had remained in the planning stage. In its report the Bank had commented that "events in Iran since March 1951 have made it necessary for the Bank to wait until the situation has clarified sufficiently to enable the Bank to make a re-assessment of Iran's position" (E/2168, page 22). The reason for that attitude was apparently to be found in the nationalization of the petroleum industry in Iran and in the temporary interruption of revenue from that source. It was unfortunate that the Bank had linked the question of the loan intended for projects whose economic soundness had been recognized to the oil question; the Bank had perhaps thought that oil revenues had played an essential part in Iran's economy and that, deprived of those revenues, the Iranian Government would be unable to meet its obligations, even in the case of such a small loan. The Bank had taken the attitude that the granting of a loan would depend on the settlement of the oil question, whereas the Iranian Government felt that that problem had been disposed of once and for all and could not but deeply regret the Bank's attitude.

24. From 1931 to 1941 the revenue derived from the oil industry in Iran had been deposited in a special account in London and had not figured in the general budget of the State in any form whatsoever. None of that money had appeared in the State's revenues or been used to finance economic development programmes. Yet the studies undertaken by the Bank on the economic situation in Iran had undoubtedly con-

vinced it that Iran's economy had made great progress during that period. For example, 25,000 kilometres of roads, four textile factories, five chemical factories, eight sugar refineries, one large tobacco and cigarette factory, seven silos, several electric power stations, numerous smaller factories and, above all, the Trans-Iranian Railway, had been built during that short period. All those projects had been completed without the Iranian Government contracting any foreign or domestic debt or using any of the oil revenue. It was therefore obvious that the economic reconstruction of Iran and the execution of its development projects had nothing to do with the income from the oil industry.

25. Iran's economic difficulties were the direct result of the Second World War and of the sacrifices made by the Iranian people to ensure the victory of the allies. Those sacrifices, recognized by the three great Powers at the Teheran Conference, had considerably reduced Iran's economic vitality. To give only one example, it had been necessary to circulate paper money during the war, to satisfy the daily needs of the allied forces stationed in Iran; that had caused unprecedented inflation, lasting for several years after the conclusion of hostilities. The note circulation had increased from 1,350 million rials to 7,762 million rials between 1940 and 1943, with a resultant rise in the cost-of-living index from 162 in 1940 to 1,030 in 1944.

26. In order to offset the loss of its oil revenues the Iranian Government had completely revised its general budget and was attempting by a system of commercial agreements with various countries to maintain its international balance of payments and to deal with the reduction in its supplies of foreign currencies. The total amount of trade on the basis of compensation had already increased from approximately 1,403 million rials in 1950 to 3,155 million rials in the first eleven months of 1951 and Iranian exports, which had totalled 115,000 tons in 1949, had amounted to 189,000 tons in 1950 and 250,000 tons in 1951.

27. It was to be hoped that the Bank would view the problem from the point of view of the Iranian people and Government, who were determined to carry out their reconstruction and economic development projects; and that it would grant the financial assistance to Iran which had already been approved in principle.

28. His comments on the Bank had been prompted solely by the desire to see that great international agency more firmly established and to help it to achieve its primary objectives and become a centre of assistance for suffering mankind.

29. Mr. GOROSTIZA (Mexico) congratulated the Bank on the work it had undertaken in its short existence. It was winning an increasingly important place in the development of the world's economy.

30. From the very outset the Bank had played an important role in the economic development of the Latin-American countries. Its operations in that area had at first been confined to Brazil and Mexico but the latest report showed that Bank loans had been granted to an increasing number of Latin-American countries and that technical assistance missions from the Bank had visited various countries of the Western

Hemisphere, studying the possibility of setting up economic development plans in those regions.

31. The assistance Mexico had received from the Bank had been particularly useful, for it had enabled the Government to undertake an increasing number of development projects. By the end of August 1951 Mexico had obtained loans from various banks amounting to \$399 million, of which \$272 million had been disbursed and a total of some \$84 million had been amortized. Mexico had concluded five transactions with the Bank, four of which had involved loans for the development of electric power. There was still an acute shortage of electric power, for the development of these resources had not kept pace with the increasing population and industries. As was stated in the addendum to the Bank's report (E/2168/Add.1), Mexico had received three loans totalling \$268,050 made under the \$10 million industrial line of credit opened by the Bank in October 1950. That money would be used to finance small enterprises. His Government hoped to conclude further transactions of that type.

32. The Bank had offered a type of co-operation adapted to Mexico's needs, and he stressed, in that connexion, that no charges had been deducted from the loans received from the Bank and that those sums had been granted for buying machinery and equipment. Only a small part of the money had been devoted to financing local projects. Moreover, no conditions had been attached to the granting of the loans.

33. His Government was in favour of increasing the Bank's operations. The experience gained from them was an indication of what the proposed international finance corporation would be able to do.

34. Mr. BLACK (President of the International Bank for Reconstruction and Development), after thanking the members who had expressed appreciation of the report and the activities of the Bank, said that he would limit his remarks to the specific questions that had been addressed to him, for he did not think that the Council would want him to discuss the Bank's policy.

35. At the previous meeting the Swedish representative had asked about the possibility of the Bank contributing to the maintenance of a steady rate of investment. That problem would be discussed when the Council considered the group of experts' report on *Measures for International Economic Stability* (E/2156).<sup>3</sup> The Bank would participate in that discussion after consultation with its Board of Governors; in the meantime he would reserve the position of the Bank on the question.

36. In reply to the Pakistani representative's questions (605th meeting) about the Bank's profits and its rate of interest, he explained that the interest rate charged by the Bank was determined by the interest the Bank paid on the money it borrowed and that the ability of the Bank to borrow sufficient money at the lowest rate of interest depended upon the attitude of the market towards the Bank's bonds, which in turn depended upon the amount of reserves held by the Bank. He must

<sup>3</sup> United Nations Publications, Sales. No.: 1951.IIA.2.

emphasize that the Bank could build its reserves only from its earnings. While, therefore, it was anxious to do its utmost to reduce its charges to borrowers, and had in fact reduced its earlier stand-by commission of 1½ per cent to 0.75 per cent two years previously, it would be dangerous to jeopardize the building up of the necessary reserves against possible future losses.

37. In reply to the French representative, who had asked about the co-ordination of the Bank's activities with those of the United Nations Expanded Programme of Technical Assistance (605th meeting), he stated that representatives of the Bank attended the meetings of the Technical Assistance Board and that there was a constant exchange of information. The Bank was in direct contact with the United Nations and the specialized agencies, some of which, including FAO, WHO, the International Monetary Fund and UNESCO, had taken part in the Bank's various missions. Furthermore, joint training centres had been set up by the Bank in conjunction with the United Nations and FAO, and other joint activities were under discussion. On the whole, he could claim that co-ordination was proceeding well.

38. The Belgian representative had pointed out that, on the basis of the figures given in the Bank's annual report, it appeared that the loans granted by the Bank in the year under review would fall below those granted the previous year. That was probably true of the amount lent, but the actual number of loans granted would exceed that of the previous year. It was difficult to make any accurate estimate at the present stage, for since the issue of the supplementary report (E/2168/Add.1) a further two loans, to a total of \$23 million, had been made, while additional loans totalling from \$75 million to \$80 million might come before the Board for action before the end of the present month.

39. The PRESIDENT moved the following formal resolution:

*"The Economic and Social Council*

*"Takes note of the Sixth Annual Report of the International Bank for Reconstruction and Development."*

*The draft resolution was unanimously adopted.*

**Economic development of under-developed countries (continued): (a) Report of the International Bank for Reconstruction and Development on the question of creating an international finance corporation (Council resolution 368 (XIII), paragraph 13) (E/2215<sup>4</sup>); (b) Methods of financing economic development: report by the Secretary-General under Council resolution 368 C (XIII), paragraph 14 (b) (E/2182, E/2234, E/2242 and Add.1)**

[Agenda items 5 (a) and (b)]

40. The PRESIDENT invited the Council to consider the above two items simultaneously, but sug-

gested that emphasis might be laid on the former, so that advantage could be taken of the presence of the President of the Bank.

41. Drawing attention to the statement on page 25 of the Bank's *Report on the proposal for an international finance corporation* (E/2215)<sup>4</sup> that "the President of the Bank could be Chairman, *ex officio*, of the Board of the Corporation, with the authority to nominate its President for the approval of the Board", he asked the President of the Bank for some elucidation of the relationship there would be between the two Presidents.

42. Secondly, the proposal in the report was that the Executive Directors of the Bank would constitute the Board of Directors of the Corporation. He wondered whether an Executive Director of the Bank whose country decided not to be associated with the Corporation would still be entitled to serve on the latter's Board of Directors.

43. Mr. BLACK (President of the International Bank for Reconstruction and Development) welcomed the opportunity of introducing the *Report on the proposal for an international finance corporation*.

44. He had often expressed the opinion that the private capital potentially available in individual member countries and abroad, and the private technical and managerial skill that such capital might bring with it, could make a crucial contribution to development, given the right atmosphere to attract them. The fact that the creation of such an atmosphere was no easy matter should not deter efforts to remove some of the many obstacles that restricted the flow of private capital into under-developed areas, nor should it lead to an underestimation of the important role that capital could play once those obstacles were removed.

45. The Bank, for its part, had endeavoured to find appropriate procedures, within the requirements of its Articles of Agreement, for drawing capital into private development enterprises. The statutory requirement of a government guarantee, however, made it difficult for the Bank to expand its lending to private interests. Even the development bank technique, which it intended to pursue, had been slow to show results and had inherent limitations.

46. Considerations of that nature had led to the proposal of an international finance corporation, affiliated with the Bank, which would make equity investments and loans, without government guarantee, to private enterprise. Such an institution could stimulate the flow of private capital and skill into private undertakings in the under-developed countries in three ways: first, it would enable private investors, both domestic and foreign, to undertake projects which were at present held up for want of capital; secondly, it might induce private investors to enter the development field by bringing to their attention investment opportunities of which they would otherwise remain unaware; thirdly, it should be able to encourage investors to embark upon projects from which they were deterred by lack of confidence rather than lack of capital. All those possibilities had led to the conclusion in the report that, if organized and operated on the principles assumed in the report, the corporation should be able

<sup>4</sup> *Report on the proposal for an international finance corporation*, International Bank for Reconstruction and Development, April 1952.



to give effective stimulus to the growth of private enterprise and thus contribute to development. The measure of the corporation's success would be the flow of capital generated directly and indirectly from private investors; its ability to generate that flow in actual practice was a matter that could be determined only by experience.

47. The proposed corporation had at times been referred to as an equity financing corporation. That term was, however, misleading. As the report stated, it was impossible to foresee whether loans or equity investments would predominate in the corporation's operations. The important fact was that the corporation would not be restricted to either method: it could adapt its financing techniques to the needs of particular cases and thus make available to the international community the range of financial tools with which business men normally attacked similar problems. Such flexibility was essential; without it, it was doubtful, for example, whether the corporation would be able to deal with one problem frequently encountered by the Bank: namely, the financing proposal that offered the guarantor a preponderant share of the risks but that would yield the promoter very rich profits if it succeeded.

48. The report was only a preliminary study, but that fact increased the importance of its discussion by the Council. Only after the most careful consideration of the views of governments and potential investors would the Bank be able to determine whether it was desirable and practicable to proceed with the presentation to its member countries of concrete proposals for the organization of an international finance corporation.

49. The report had already been transmitted to members of the Bank and the Bank was endeavouring to ensure that it would be brought to the attention of representatives of business and financial communities throughout the world. The response received, together with the views expressed in the Council, would largely determine whether the Bank should proceed with the proposal, and would guide its consideration of the many complex problems that had yet to be solved if the finance corporation was to be transformed from an idea into a reality.

50. In reply to the points raised by the President, Mr. Black stated that, as President of the Bank, he himself would propose a President for the corporation, for the approval of the Board. As for the question of member countries of the Bank serving on the board of the corporation if they did not associate themselves with the corporation, that was a matter that would need careful study.

*The meeting was suspended at 4.15 p.m. and was resumed at 4.40 p.m.*

51. Mr. GARCIA (Philippines) pointed out that, whereas it was stated on page 7 of the report that "membership in the corporation would be open to all members of the Bank", the reference on page 25 to the possibility of "substantial divergence between the membership of the Bank and that of the corporation" would seem to imply that membership of the corporation might not be confined to members of the Bank.

52. Secondly, he drew attention to the statement on page 21 that, in order to stimulate private investment, the corporation would have to act like a private investor and avoid fields that offered little or no opportunity for profit and would not be able to invest in projects solely on the basis of their economic priority, although, as a matter of principle, it should only invest in productive undertakings welcomed by the governments of the countries in which the investments were made. In under-developed countries like the Philippines, private enterprise usually operated in fields in which the government was unable to invest; nevertheless, such countries drew up integrated programmes of economic development and there were certain priorities prescribed by the government which, while not binding, were criteria of the importance of the various projects. He wondered whether the proposed international finance corporation would be animated solely by motives of profit, with no regard to economic priority.

53. His third comment concerned the statement on page 26 of the report to the effect that a total capital equivalent to \$400 million was proposed but that operations could begin with a smaller paid-in capital. He asked the representative of the Bank what would be the smallest paid-in capital with which the corporation could begin to operate.

54. The PRESIDENT called upon the representative of Chile who had asked to address the Council on that item.

55. Mr. SANTA CRUZ (Chile) thanked the Council for allowing him, as representative of a State which was not a member of the Council, to take part in the discussion of a subject of great interest to his country.

56. It would be remembered that General Assembly resolution 400 (V) recommended that the Council should "consider practical methods, conditions and policies for achieving the adequate expansion and steadier flow of foreign capital, both private and public, and pay special attention to the financing of non-self-liquidating projects which are basic to economic development". The Secretary-General had, at the request of the Council, appointed a group of experts to study methods to increase the flow of public and private capital; the experts had reported to the Council (E/1986)<sup>5</sup> with a series of recommendations, of which the two principals were, first, in the case of public finance, that an international development agency should be set up to assist under-developed countries by the distribution of grants-in-aid for specific purposes, and, secondly, that the United Nations should explore the possibility of establishing an international finance corporation to make equity investments and to lend to private undertakings operating in under-developed countries. The Council had examined the report and the recommendations at its thirteenth session and had discussed, in very general terms, the idea of an international finance corporation.<sup>6</sup> The

<sup>5</sup> *Measures for the Economic Development of Under-Developed Countries*, United Nations Publications, Sales No.: 1951.II.B.2.

<sup>6</sup> See *Official Records of the Economic and Social Council, thirteenth session*, 498th to 505th, 507th to 509th, 511th and 514th plenary meetings. See also Economic Committee meetings 109 to 115.

Chilean delegation had put forward the proposal that the Bank should be requested to submit plans for an international finance corporation to the Council. That proposal had, however, been rejected by a large majority, which had included all the representatives of the industrial countries. Finally, the Council had done no more than request the Bank to consider what contribution such an international finance corporation could make.

57. He would like, therefore, to ask the representative of the Bank whether the Bank contemplated the establishment of an international finance corporation affiliated with the Bank, without waiting for a recommendation of the Council. It was always possible that the Council might decide to entrust the establishment of such a corporation to some other organ.

58. Mr. BLACK (President of the International Bank for Reconstruction and Development), replying first to the Philippine representative, explained that the reference to the possibility of a divergency between the membership of the Bank and that of the proposed corporation simply meant that, although all members of the Bank would be invited to join the corporation, there might be some who would not wish to do so.

59. With regard to the question of profit versus priorities, the answer lay in the question itself: the important thing being to stimulate private investment,

it would be necessary to offer as attractive a basis for investment as possible, with good opportunities for profit.

60. He was not yet prepared to estimate what would be the smallest paid-in capital upon which the proposed corporation might begin to operate; his own feeling was that it would be wise to start on a very modest scale and to learn by experience how much it was possible to do.

61. In reply to the representative of Chile, he stated that the Bank had merely been asked to study the proposal for an international finance corporation. It had submitted its report and would wait to hear the decision of the Council before deciding whether it wanted to go any further in the matter.

62. Mr. STERNER (Sweden) asked the representative of the Bank whether he could give the Council some idea of the advantages, such as lighter overhead expenses, that might accrue from affiliation to the Bank.

63. Mr. BLACK (President of the International Bank for Reconstruction and Development) was unable to answer the question without having studied it, although it was unquestionable that affiliation to the Bank would mean considerable economy from the point of view of staff and administration.

The meeting rose at 5.10 p.m.