

INTERNATIONAL BANK AND FUND

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First Annual Meeting

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(The following address by Honorable Eugene Meyer, President of the International Bank for Reconstruction and Development, before the Board of Governors of the Bank is scheduled for delivery at the First Annual Meeting of the Board of Governors at 11:30 A.M., E.S.T., Monday, September 30, 1946, and is for release at that time.)

The report by the Executive Directors, submitted to the Board of Governors today, had its genesis over three years ago during a war in which nearly all mankind was engaged. At that time members of the United Nations were by no means sure when or how the war would end. But they were vividly aware of the vast destruction that was taking place over the world and of the need for common action after the war if currencies were to be stabilized and if international investment was to approach in volume the needs that would exist for the reconstruction of the world economy.

By the summer of 1944, when the Bretton Woods Conference was convened, UNRRA had been established and there was reasonable assurance that the immediate relief and rehabilitation requirements would be met following the liberation of areas then occupied by the enemy. It was frankly recognized that relief was not the appropriate object of international investment.

The International Bank was created to assist in the reconstruction and development of the territory of its members by facilitating the investment of capital for productive purposes. This is the only sound basis on which any international lending institution can be conducted.

You have in your hands now the first annual report by the Executive Directors which reflects the progress made by the Bank in readying itself for business. The structure of the Bank has been established, most of the key personnel has been appointed, and working procedures and relationships have been successfully developed. At the same time the Executive Directors have examined, together with the staff, the policy and operational questions which lie ahead and they have made preparations to meet them as and when they arise,

I am happy to say that on every matter which has come before the Executive Directors it has been possible to resolve all differences of opinion. Action has been unanimous on each item of business. The Executive Directors have impressed me as a group of unusually able men who are guided by the high purposes expressed in the Articles of Agreement of the Bank and who are working together in a spirit of harmony with good-will toward each other and toward the staff.

The Bank fixed June 25 as the date for the formal commencement of its operations. By this action the first two percent of the subscriptions of each of the members, payable in gold or United States dollars, became due within sixty days--by August 24th. An additional three and five percent of the capital subscriptions have been called, payable in local currencies of the members on or before November 25th. The members also have been notified that the Bank intends to make two further calls of five percent each, payable in their local currencies on or before February 25 and May 26, 1947, respectively.

Of the first two percent of the members' subscriptions, the Bank has received in gold and United States dollars nearly \$144,000,000, and under the Articles of Agreement partial postponements have been authorized for seven countries which were occupied by the enemy during the war. Also, pursuant to the Articles of Agreement, requests for postponement of the balance of the first two percent of subscriptions are under consideration in the case of two countries.

The United States had paid in full the three percent call and Chile and Costa Rica have paid in full the three percent and five percent calls.

As a result of the various payments the Bank had at the time of the report capital resources of about \$242,000,000. Except for approximately \$3,000,000 represented by local currencies, this amount was composed entirely of gold or United States dollars.

The Executive Directors have authorized the investment of the United States dollars received by the Bank in payment of the first two percent of the subscriptions of the members in bills, notes and certificates of the United States Treasury having a maturity when purchased of not more than twelve months. Under this authorization, we have already completed the investment of \$125,000,000 in such securities. Funds received in payment of the further calls will be represented by currencies of the members, who are entitled to substitute non-interest bearing notes, payable on demand, for such funds to the extent that they are not needed by the Bank in its operations.

I have been surprised in recent weeks to find that there are those who think it curious that the Bank has not already negotiated a number of loans. The fact is that, at the date of the annual report, letters requesting loans had been received from only two countries, and in neither case has the Bank yet received such properly documented applications as would make it possible for us to act. Since then, a letter has been received from a third country which indicates that its representatives are prepared to begin discussions, and informal advices indicate that the same may be true of several other countries. It is impossible to know at the moment how rapidly the necessary information in these cases will be developed and how speedily the negotiations can be conducted.

The Bank can, of course, supplement its capital by borrowing the additional funds necessary for its lending operations. I have spent a good deal of time in discussions of the problem of marketing the Bank's

securities. Commercial bankers, investment bankers, representatives of insurance companies and savings banks, dealers in securities and officers of the Federal Reserve banking system have been consulted. I have also requested the Executive Director of the Bank representing Canada to take up with his Government the possibilities of marketing the Bank's securities in Canada. As circumstances justify, we will study the marketing possibilities in other countries.

In the United States, the laws of some of the states will have to be revised before insurance companies and savings banks can invest their funds in the Bank's securities, and steps must be taken by the United States authorities and others to secure the necessary changes. These changes will, of course, take some time. Naturally, every effort will be made to coordinate our borrowing with our program as to loans, and I am confident that any amount that may be required immediately can be promptly obtained.

I have been asked what the form of the Bank's securities will be and what interest we shall pay on them. It would be futile and misleading if I were to pretend that I knew the exact answers to these questions. But it does seem to me that, if the Bank acts prudently in its lending operations and the general economic conditions of the world continue to develop along the lines envisaged in the Bretton Woods Agreements, the Bank's securities will be attractive enough to command a reasonable rate of interest.

We have moved carefully in the recruitment of the Bank's staff because it is essential that the officers and employees of the Bank have a high order of competence. If we should fail to select people who meet the highest standard of character and competence, we would most certainly find the Bank's operations seriously hampered in the future.

It has been our desire to recruit personnel as rapidly as was necessary for the proper functioning of the Bank, but not to build up a large staff before it was clear precisely what would be needed. We have, however, made arrangements which will permit us to call upon engineers and other technically qualified personnel on a consulting basis should this prove necessary. This procedure also will be useful in the period before the permanent staff is fully completed. I feel that we are in a position to handle properly any formal loan applications which we will receive, and we will proceed with the permanent staffing of the Bank as circumstances require.

Our desire to build soundly has led us to the conclusion that we should let our experience in operations determine the form and nature of our cooperation with other international organizations whose activities complement or affect those of the Bank. We have had representatives in attendance at meetings of the Food and Agriculture Organization and the Economic and Social Council and its subcommissions. We have been especially anxious to coordinate our activities with those of the Fund, and we are now establishing a joint standing committee of the

Executive Directors of the two institutions to assure the maintenance of continuous contact. It is not possible yet to establish formal arrangements for cooperation with the Economic and Social Council. But we have every desire to give and receive cooperation and will develop practical working relationships wherever these prove advantageous either to the Bank or to the United Nations.

We have included in the annual report financial statements based on an audit as of June 30 and additional financial statements as of August 31. Naturally, these cover little more than the first payments of subscriptions to the capital of the Bank and the operating expenses already incurred. We have, however, established an accounting procedure within the Bank and we engaged an outside auditing firm to make an audit of the Bank's financial position as of June 30, the end of our fiscal year.

We expect to be lending large sums of money. This will entail the borrowing of large amounts from private investors. The accuracy of the Bank's accounts therefore must be beyond question and there must be confidence in our auditing procedures. We have set up a chart of the Bank's accounts which we believe will be adequate to reflect fully the operations in which we will engage, and periodic outside audits of our accounts will assure the closest scrutiny of our accounting procedures.

I shall not review in any further detail the material included in the report submitted to you today. It is a report of the early stages in the life of an institution to which the people of the world look for help in reconstructing their devastated lands and in assisting them to engage in productive activities which will increase their standards of living.

We in the Bank and in the Fund are working in organizations whose purposes are to promote peace and prosperity through the machinery of monetary stabilization and through restoration of international credit on a large scale by the member nations. It is unnecessary to tell you that these institutions do not operate in a vacuum. They are part of a plan for general international organization to improve the lot of humanity. Their activities are rooted in the fundamental relations between the nations of the world, great and small. Stability, to be achieved, must be desired and struggled for. We must realize that after the great storm of war, a calm cannot be expected immediately. Still, if the fundamental desire of the nations is for peace and understanding, there is hope that the stability we desire may be attained.

The Executive Directors of the Bank and I welcome this opportunity to meet with the Board of Governors and discuss the proper service which the Bank can render. I believe in its ability to serve the world, and I am sure that the Executive Directors and the staff have only one objective--to carry out the purposes which the founding nations had in mind when they created this International Bank for Reconstruction and Development.

I think the Bank is well begun and that the year ahead will be one of progress in the fulfillment of its mission. I cannot close without paying tribute to the men of the various nations who first conceived the idea of creating these two great world organizations-- the Bank and the Fund--and proceeded to make their dream come true. Whether or not these institutions will fully attain the objectives of all their hopes and expectations, the world certainly will be vastly better for the fact that such high ideals were crystallized into united action by the great group of nations which conceived them.