FROM: ISR

TO: Mr. H. D. White ____

Miss Bassett ____
Mr. E.M.Bernstein ✓
Mr. deBeers ____
Mr. Delaney ____
Mr. Dickens ____
Mr. Fisher ____

Mr. Friedman ____
Mr. Glendinning ____
Mr. Hannay ____
Miss Kistler ____
Mr. Kramer ____
Mr. Mikesell ____

Miss Mikulich ____
Mr. Ness ____
Miss Nielsen ____
Mr. Ostrow ____
Mr. Pollack ____
Miss Richardson ____

Mr. Salera ____
Mr. Silverman ____
Mr. Southworth ____
Mr. Taylor ____
Mrs. Tenenbaum ____
Mr. Tomlinson ____

STRICTLY CONFIDENTIAL B-18

TREASURY DEPARTMENT
Washington

October 4, 1943

Guiding Principles for a Proposed United Nations Bank for Reconstruction and Development

Purposes of the Bank

The Bank will encourage private financial agencies to provide long-term capital for the sound development of the productive resources of member countries, and when necessary will cooperate with and supplement private capital for such purposes.

Capital of the Bank

The capital of the Bank would amount to approximately $10 billion subscribed by member countries according to an appropriate formula. Member countries will make an initial payment of 20 percent on their shares.

When the Bank needs additional funds for its operations, it may make calls upon the unpaid portion of subscriptions as needed, but not exceeding 20 percent in any one year. A large part of the capital would be reserved, in the form of uncalled subscriptions, as a surety fund against securities guaranteed or issued by the Bank.

The initial and subsequent payments are to be made partly in gold and partly in local currency. The proportion paid in gold, not exceeding 20 percent of the payment, will be fixed by a schedule which takes into account the adequacy of the gold holdings of each member country. The local currencies held by the Bank are to be repurchased by member countries with gold at the rate of 2 percent of the subscriptions annually.

Powers and Operations of the Bank

The Bank may guarantee loans made with private capital to any member government, and through the government to any of its political subdivisions and to business and industrial enterprises in the member country.

The Bank may participate in loans made with private capital or make loans out of its own resources only when the borrower is unable to secure the funds from private investment sources on reasonable terms.

The decisions of the Bank will be based exclusively on economic considerations. In passing upon any application to guarantee, participate in, or make a loan, the Bank shall give consideration to the soundness of the investment project or program, to the budgetary position of the member government guaranteeing the loan, and to the prospective balance of payments of the member country.

All loans which the Bank guarantees, participates in, or makes must fulfill the following general conditions: (a) payment of interest and principal must be fully guaranteed by the national government of the member country; (b) The investment project or program must have been investigated and approved by a competent committee; (c) The terms of the loan must be reasonable, and (d) On guaranteed loans the Bank must be compensated for the risk it assumes.

The Bank will impose no conditions as to the member country in which the proceeds of a loan are to be spent. When a loan is made by the Bank, it will credit the account of the borrower with the amount of the loan, and payments in the appropriate currency or currencies will be made from this account to meet audited expenditures. No loan may be made in the currency of any country without its approval.

Payments of principal and interest must be made in free currencies, or by agreement, in the currency in which the loan was made. In the event of an acute exchange stringency, payments of interest or principal may be made for a reasonable period in local currencies to be replaced subsequently with free currencies.

The Bank will deal only with or through the governments of member countries, their central banks and fiscal agencies, and with or through international financial agencies that are owned predominantly by member governments. However, with the approval of the member countries, the Bank may guarantee international loans placed in their countries, and may sell or pledge any of its own securities, or securities taken from its portfolio in the markets of such countries. With similar approval, the Bank may sell gold or foreign exchange held by the Bank after consultation with the International Stabilization Fund.

The resources of the Bank shall be used for the benefit of the member countries.

Management of the Bank

The administration of the Bank will be vested in a Board of Directors consisting of one director, or his alternate, appointed by each member government. The Board will appoint an Executive Committee, and an Advisory Council, and such other committees as it finds necessary for the work of the Bank. The voting power of the member countries will be closely related to their share holdings.

A country may withdraw from membership by giving one year's notice. The shares of any member country that withdraws from membership would be repurchased by the Bank over an appropriate period at par or at book value if that is less than par.

One-fourth of profit should be applied to surplus until surplus equals 20 percent of the capital. The remaining profits will be distributed in proportion to shares held.