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TREASURY DEPARTMENT
Washington

September 27, 1943

# Summary of the Principal Provisions of the Proposal for a United Nations Bank for Reconstruction and Development

## I. Purposes of the Bank

1. To cooperate with private financial agencies in providing long-term capital for the sound development of the productive resources of member countries.

2. To provide capital for reconstruction and development when private financial agencies are unable to supply the needed capital for such purposes on reasonable terms.

## II. Capital of the Bank

1. The capital of the Bank shall consist of non-transferable and non-assessable shares amounting to about $12 billion, subscribed to by member countries according to an appropriate formula. The subscription of the United States would be approximately $4 billion.

2. Member countries will make an initial payment of 20 percent on their shares before the operations of the Bank begin. When the Bank needs additional funds for its operation, it may make uniform calls upon the unpaid portion of subscriptions, but not exceeding 20 percent in any one year. Similarly, when the resources of the Bank are substantially in excess of prospective needs, it may return, subject to future call, uniform proportions of the subscriptions.

3. The initial payment and all payments on subsequent calls 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 determined by a formula which takes into account the adequacy of the gold holdings of each member country. The local currencies paid on subscriptions are to be repurchased by member countries with gold at the rate of 2 percent of the subscriptions annually.

4. The facilities and resources of the Bank shall be used exclusively for the benefit of member countries.

## III. The International Monetary Unit

1. The accounts of the Bank shall be kept in terms of the unitas, equal in value to 137-1/7 grains of fine gold, $10. The local

currency assets of the Bank are to be guaranteed against any depreciation in their value in terms of unitas.

## IV. Powers and Operations of the Bank

1. The Bank may guarantee, participate in, or make loans to any member government, and through the member government to any of its political sub-divisions, and to business and industrial enterprises in the member country. The Bank may not use its facilities or resources for such loans unless the borrower is unable to secure the funds from private investment channels on reasonable terms.

2. The decisions of the Bank shall 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 project, to the budgetary position of the member government guaranteeing the loan, and to the prospective balance of payments of the member country.

3. 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 project and the loan must have been investigated and approved by a competent committee of the Bank; (c) Rates of interest on loans guaranteed, participated in, or made by the Bank must be reasonable.

4. The Bank shall 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 shall credit the account of the borrower with the amount of the loan, and payments in the appropriate local currency shall be made from this account to meet audited expenses.

5. The representative of a member country in which the proceeds of a loan are to be spent may request postponement of action on the application for the loan. The Bank may grant the loan on the basis of an amended application if the proceeds are to be spent in other countries.

6. Interest payments may be made in gold or in any member currency acceptable to the Bank. Payments of principal shall be made in gold, 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 temporarily in local currency to be repurchased with gold.

7. With the approval of the representatives of the governments of the member countries involved, the Bank may sell or pledge

any of its own securities, or securities taken from its portfolio. With similar approval, the Bank may buy or sell foreign exchange after consultation with the International Stabilization Fund.

8. The Bank shall deal only with or through the governments of member countries, their central banks and financial agencies, and with or through international financial agencies that are owned predominantly by member governments. However, the Bank may sell its own securities or the securities it holds to the public and to financial institutions in member countries, where approval has been given for such transactions.

## V. Management of the Bank

1. The administration of the Bank is 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 of not more than nine members, an Advisory Council of seven members, and such other committees as it finds necessary for the work of the Bank.

2. Each country will be given 1,000 votes plus one vote for each share of stock it holds. No country will cast more than 25 percent of the aggregate votes. All decisions will be made by majority vote, unless specifically required otherwise.

3. Any member country that fails to meet its financial obligations to the Bank may be suspended and then dropped from membership. A country may withdraw from membership upon giving one year's notice. The shares of any member country that withdraws or is dropped from membership shall be repurchased by the Bank at par or at book value if that is less than par.

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