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BANK

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SIXTH ANNUAL REPORT

1950-1951

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TO THE BOARD OF GOVERNORS

1950-1951

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT



WASHINGTON, D. C.

**INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT**


September 10, 1951

My dear Mr. Chairman:

In accordance with Section 10 of the By-Laws of the International Bank for Reconstruction and Development, I have been authorized by the Executive Directors to submit to the Board of Governors this Sixth Annual Report of the Bank. The report includes financial statements as of June 30, 1951, based on an audit of the accounts of the Bank made pursuant to Section 19 of the By-Laws. It also incorporates, pursuant to Section 19 of the By-Laws, an administrative budget for the fiscal year ending June 30, 1952.

The report as a whole covers the Bank's activities for the fiscal year beginning July 1, 1950 and ending June 30, 1951.

Sincerely yours,

A handwritten signature in dark ink, reading "Eugene R. Black". The signature is written in a cursive, flowing style with a large initial "E" and "B".

EUGENE R. BLACK,
President.

Chairman, Board of Governors,
International Bank for Reconstruction and Development.

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THE YEAR IN REVIEW

In the past fiscal year the Bank made 21 loans totaling the equivalent of \$297.1 million for developmental projects in 11 countries. This is the largest number of loans as well as the largest amount in value to be made by the Bank in any one fiscal year since the Bank started its lending activities in May 1947. The 48 loans made by the Bank up to the end of the fiscal year on June 30, 1951 totaled \$1,114 million; of this \$691.7 million had been disbursed, and \$17 million had been cancelled at the request of borrowers.

During the fiscal year loans for electric power development were made to Brazil, Colombia, Iceland, South Africa and Uruguay; for the expansion of transportation facilities — including roads, port development and railway rehabilitation and improvement — to Australia, Colombia, Ethiopia, Nicaragua, South Africa, Thailand and Turkey; for flood control and irrigation to Iraq and Thailand; and for agricultural machinery and grain storage to Nicaragua and Turkey. A loan to Ethiopia and part of one to Uruguay were for the improvement of telecommunications. The Australian loan was for the expansion of many kinds of productive facilities. For the purpose of providing medium and long-term assistance to small enterprises, the Bank made loans to newly organized financial institutions in Ethiopia and Turkey, and to a consortium of private banks in Mexico.

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 programs. The Fifth Annual Report contained a discussion of some of the methods being used by the Bank in this field. During the past year the Bank has experimented with new techniques, and has expanded its activities in this type of technical assistance.

Some of these new methods are the specialized mission, sent out to study specific aspects of a coun-

try's development program; the study group or "seminar," in which specialists from member countries exchange views with the staff of the Bank on specific development problems; and the sending of Bank staff to member countries for extended periods to aid in the analysis of the countries' development programs and in the effective carrying out of projects. In addition, the Bank participated in the first of a series of training institutes designed to acquaint government officials of underdeveloped countries with the techniques of programming and project control. In making use of these new methods the Bank has on occasion combined forces with other international and national agencies.

The Bank has continued its use of the comprehensive survey mission as a means of drawing up broad recommendations for a country's economic development. During the fiscal year the report of the comprehensive survey mission to Colombia was published. The report of a similar mission to Turkey was presented to the Turkish Government in June 1951. The reports of the Guatemalan and Cuban missions were scheduled for transmittal to the Governments of those countries in July and August respectively. At the end of the fiscal year the report of the mission to Iraq was being drafted, and survey missions to Ceylon and Surinam were being organized.

Throughout the year the Bank watched for signs of growing shortages in the supplies of capital goods needed by its member countries in carrying out their development projects. No shortages developed acute enough to impede the Bank's operations seriously, but it was expected that with the intensification of mobilization for defense, in the United States especially, the problem would become more grave. A special unit was set up in the Bank to follow developments in this field and to assist member countries in locating sources of supply in the United States, Canada, and the coun-

tries of Western Europe.

In May 1951 the Bank sold £5 million of its own bonds in the London investment market, and thus for the first time added to its lendable resources of pounds sterling by tapping private investment funds. At the close of the fiscal year, the Bank had also completed arrangements for its first public offering of Swiss-franc bonds in Switzerland. These transactions are an indication of the broadening international market for the Bank's bonds.

An increasing willingness of investors to associate themselves directly with Bank financing was shown by two other developments. In the past year, for the first time, the Bank sold bonds out of its loan portfolio to private investors without its guarantee. A total of \$4.5 million of such bonds, of short maturities, were sold.

In January 1951 when the Bank made a loan to the Union of South Africa for the development of transportation facilities, eight American commercial banks simultaneously extended to the Union Government a credit of \$10 million for purposes related to the Bank's loan. The two loans were, in

effect, one credit transaction in which the Bank and private investors cooperated.

With the countries of Western Europe now having a greater capacity to produce the goods needed for development, the Bank has found an increasing need for Western European currencies in the course of its operations. Some of the Bank's member countries are better able to meet loan service payments in non-dollar currencies. Accordingly, a desirable expansion of the Bank's activities may be prevented, unless greater resources of Western European currencies, obtained either from the 18% capital subscriptions of its Western European members or by Bank borrowings in the capital markets of Western Europe, are made available to the Bank.

In the past fiscal year the equivalent of 9.9 million United States dollars was released from 18% funds for use by the Bank in making loans. During the five years of the Bank's operations non-dollar 18% funds have been released in an amount equivalent to \$26.2 million.

THE BANK IN RELATION TO RECENT WORLD DEVELOPMENTS

In every year since its establishment in 1946 the Bank has faced new and changing conditions in the world. At no time in the Bank's experience, however, have the economic conditions of the world changed so abruptly as in the year just ended. New factors have provided underdeveloped countries with opportunities for growth, and have

created more favorable conditions for the Bank's lending operations. On the other hand, serious new problems have arisen. It is the purpose of this section of the Sixth Annual Report to examine the relationship between recent world events and the activities of the Bank.

ECONOMIC DEVELOPMENTS DURING THE PAST YEAR — THEIR EFFECT UPON THE BANK

The beginning of the fiscal year 1950-51 virtually coincided with the outbreak of war in Korea. Some of the major economic trends affecting the Bank's investment policy and operations in the past year had started in the early months of 1950 and cannot be traced to defense preparations or military action. It is clear, however, that some of these trends have become more pronounced since June 1950. The efforts of the industrial countries to mobilize their military defenses have stimulated heavy buying of raw materials; and there was a further reduction in the dollar shortage late in 1950 and early in 1951.

The demand for raw materials has increased the foreign-exchange earnings of many of the Bank's member countries. These increased earnings, combined with the disappearance of dollar deficits in many countries, have generally strengthened the underdeveloped countries in their ability to service foreign debts. At the same time, the increase in the prices of raw materials has worsened the terms of trade of many industrialized countries and thereby increased the strain on their resources.

In many countries the booming raw materials market has set in motion strong inflationary forces which must be controlled by vigorous measures if the gains in income are to be used to increase cap-

ital savings, to stabilize national accounts and currencies, and to promote development.

In addition to the trends mentioned, tightening in the supplies of capital goods has taken place and is expected to become more serious in the year ahead. Restrictions on the supply of capital goods will create difficult problems for the Bank's member countries. New effort and new approaches will be needed to make possible for member countries the maximum economic development within the limitations of funds, local resources, and equipment available from abroad. This means exploring the possibility of drawing upon the funds and resources of those industrialized countries whose economies and currencies have been strengthened in the postwar years. It means increased emphasis on the shaping of broad development programs and the careful setting up of priorities within those programs. It means making the most of new opportunities for productive loans to those countries whose increased foreign earnings have placed them in a position to proceed more rapidly with their own development.

Increased Earnings of Underdeveloped Countries

The sharp increase in the demand for industrial

raw materials and foodstuffs by the industrial countries of North America and Western Europe, combined with increases in the prices of most of these commodities, caused substantial improvements during the past year and a half in the balance of payments position of most countries producing primary materials. The primary producing countries of the sterling area, for instance, built up a sizable surplus of dollar earnings over dollar expenditures. On the other hand, claims on the United Kingdom increased, in the form of higher sterling balances among virtually all members of the sterling area.

Some countries, finding themselves with more gold and dollars, relaxed their restrictions against the import of dollar goods. In general, the improvement in foreign-exchange earnings has helped these countries to build up reserves, has improved their ability to service foreign loans, and has improved their financial position by providing a margin of safety against temporary balance of payments difficulties. Of greater importance, however, is the fact that increased exchange earnings should enable many of the primary producing countries to devote a larger share of their total income to economic development.

The increase in foreign-exchange earnings, which was especially pronounced in the summer and fall of 1950, was not an unmixed blessing. In many countries it led to a renewal of inflationary pressures. A number of countries have taken effective steps to curb these pressures by the introduction of higher export taxes and similar measures designed to siphon off a certain proportion of the gains resulting from the raw materials boom. It remains to be seen whether the increased foreign-exchange earnings will be used to the best advantage by these countries. If the earnings are used to increase reserves and pay off indebtedness, to finance sound development projects, and to encourage the expansion of agricultural and industrial production, the temporary profits will be converted into lasting economic benefits.

It would be a mistake, however, to appraise the

long-run prospects of the underdeveloped countries on the basis of the extraordinary price and demand conditions which prevailed in the last twelve months. Prices of primary commodities in the world market have declined to some extent in recent months, and prices of the consumer and capital goods that must be imported by the primary producing countries have increased. The prospect is for a continued high level of production of primary commodities and their sale at satisfactory prices for some time to come, but it will require careful husbanding of the additional earnings at the disposal of the economically underdeveloped countries for these countries to reap the full benefits of their favorable position.

Loans of Non-Dollar Funds

In earlier years the Bank's lending operations were almost exclusively confined to loans in United States dollars, since the United States was virtually the only country whose economy could afford a net outflow of capital and resources. The appraisal of the ability of the Bank's borrowers to carry increased debt had to be based on the prospects of these countries to service dollar loans — either by earning dollars in direct trade with the dollar area or by converting the necessary amounts from other currencies into dollars. During the past year the direct and indirect dollar earnings of many countries have improved; but there are still a number of countries that cannot service loans in dollars to the extent they can in other currencies. At the same time, the expansion of production and income in many of the Western European countries has created a reasonable expectation that these countries would find it possible to devote resources on an increasing scale to supply some part of the development needs of underdeveloped countries on long-term credit. The impact of the rearmament program on the economies of Western Europe has, however, for the time being, raised new difficulties. The Bank wishes to expand its loan operations in non-dollar currencies insofar as European member countries are able to release 18% funds and to

open their capital markets for the issue of the Bank's bonds. A good beginning has been made, and it is highly important that such operations be gradually expanded.

During the fiscal year the Bank has obtained currencies other than United States dollars both through releases of 18% funds and through borrowing operations. The currencies thus made available include mainly Canadian dollars and European currencies. The interchangeability of a portion of the funds obtained in Europe within the framework of the European Payments Union enables the Bank to use them to finance purchases in most of the countries of Western Europe. Loans of funds in currencies other than United States dollars should clearly be to the advantage of those borrowers who, because of the pattern of their foreign trade and international payments, find it easier to discharge a non-dollar debt than one in dollars. But such loans may have more far-reaching consequences. To the extent that they contribute to the acceleration of economic progress in underdeveloped countries, they may eventually strengthen the ability of these countries to assume debts in all currencies, including United States dollars. In addition, in view of expanded industrial production in Western Europe and limitations on the availability of many types of equipment in the United States, it is quite possible that those countries which can afford to incur dollar indebtedness will increasingly use borrowed dollars for purchases in non-dollar areas.

The Importance of Economic Development

The improvement in the economic and financial position of most of the raw materials producing countries, together with increased industrial production in Western Europe, provide a new background for the efforts of the peoples of underdeveloped countries to raise their standard of living. The economically advanced countries have given increasing recognition to the urgency of providing aid and encouragement to these efforts — in spite of growing international tensions and the necessity of devoting a larger share of national

resources to the strengthening of defense.

Within the last year four documents of major importance reaffirmed the need for economic development in underdeveloped areas. In the United States, Mr. Gordon Gray submitted a Report on Foreign Economic Policy to the President in which he urged an expansion of United States assistance to underdeveloped countries. A report by the International Development Advisory Board, headed by Mr. Nelson Rockefeller, suggested concrete measures for carrying out the recommendation of the Gray Report that the United States make financial and technical aid available to underdeveloped areas and encourage the flow of private capital to these areas. Both reports expressed the conviction that the defense efforts of the industrial countries of North America and Western Europe are inseparable from the continuation of economic aid to underdeveloped countries.

The countries of the British Commonwealth likewise endorsed the urgency of the task of economic development in a report on the Colombo Plan for Cooperative Economic Development in South and Southeast Asia. The first steps have been taken to implement this plan through financial and technical aid and through international efforts to assist the countries concerned.

The United Nations, in a report by a group of experts, presented a comprehensive set of recommended measures for the speeding up of the rate of development in underdeveloped countries. These measures included international action by the United Nations and other international agencies, national action by developed countries, and national action by underdeveloped countries. It should be noted that, in reporting to the United Nations Economic and Social Council concerning the experts' recommendations, the Economic, Employment and Development Commission of that Council stated that, generally speaking, it did not consider the experts' statistical estimates of financial needs, and especially of needs for foreign financial assistance, to be substantiated.

There is a growing realization that the strength-

ening of defense undertaken by the economically advanced countries depends in large measure on the continued support and encouragement of the desire on the part of the peoples in Asia, Africa and Latin America to develop their resources. At the same time, it has been recognized that the immediate requirements for defense may cause shortages of certain types of equipment and materials and may therefore conflict, in the immediate future, with the carrying out of development programs. But this does not mean that economic development, which is a long-run and continuous process, will have to be interrupted or drastically curtailed. The industrial capacity of the United States, Canada and Western Europe has grown and continues to grow at a rate which could make it possible to satisfy both the increased claims on resources arising from military necessity and the essential needs of underdeveloped countries.

Need for Programming

The need for care in the planning of economic development exists at all times — regardless of economic trends and shifts in economic relationships among nations. However, at a time when the income of many underdeveloped countries has increased sharply, and when goods available for development are limited, the need for careful planning — and particularly the careful selection of priorities — takes on new meaning.

The technique of development programming consists in essence of making an inventory of the sum total of the resources available to each economy, and then deciding the order in which various development projects should be undertaken within the limits of available resources. The inventory and the priorities must take into consideration the needs and possibilities for expanding facilities in the fields of education, technical training, public administration and health, as well as facilities for production and basic services.

The main instrument of all development is accelerated capital formation. For this purpose, all developmental activities carried on by the govern-

ment of an underdeveloped country, whether they are policies designed to foster private initiative or steps in the direction of expanding the government's own development expenditures, must be coordinated. In the attempt to accelerate capital formation, it is particularly important to take account of all the potentialities of both local and foreign investment. In many instances the Bank has found that borrowers are likely to consider specific development projects primarily from the point of view of their suitability for foreign financing, rather than according to the most pressing needs of the economy as a whole; consequently, too little consideration is given to the importance of local investment in economic development.

The Bank has always emphasized that economic development is a continuous process, and that its success depends to a large extent on the ability of the countries themselves to mobilize their total resources successfully and to use them to the best advantage. The Bank does not conceive of itself merely as a source of funds for a few isolated projects, but is prepared to take an active and continuing interest in the over-all development problems of a member country. In its lending operations the Bank has always evaluated requests for loans by assessing the contribution of a proposed project to the total economy of a country. This evaluation involves an appraisal not only of the technical and financial aspects of the project but also of its relative urgency and comparative value in accelerating a country's economic development. In the normal course of loan negotiations and administration the Bank sometimes finds itself in a position to make helpful suggestions on engineering and management problems, on marketing, and on methods of raising local capital.

Increasingly, however, the Bank is called upon to provide advice or assistance without reference to any immediate financial operation. In large part, these requests for assistance show a growing appreciation of the need for establishing long-term development programs. Member countries are seeking help in formulating and carrying out coordi-

nated programs, and in training personnel in the techniques of programming development as a whole and in the appraisal of specific projects.

The Bank endeavors to adapt the form in which assistance is given to the needs and problems of the particular situation. In the cases of Colombia, Cuba, Guatemala, Iraq and Turkey, the Bank has organized missions, at the request of the governments, to make comprehensive economic surveys to assist the government in working out the broad outlines of development programs.

As yet this aspect of the Bank's technical assistance activities is difficult to evaluate. Its success will be determined by the extent to which the survey reports are accepted and acted upon. In Colombia, where the first such survey was made, the Government established a non-partisan committee of leading private citizens to review the report of the mission and prepare recommendations for a national development program.

The Bank hopes that similar procedures will be followed in other countries to which survey missions have been sent, and is ready to provide further assistance whenever possible to help in working out concrete programs of action based on the reports.

Some countries have called for more specialized help. Uruguay and Chile, for example, have asked for the assistance of the Bank in formulating programs for agriculture; and the Bank is providing this help through missions undertaken jointly with

the Food and Agriculture Organization of the United Nations. The Bank has also stationed staff members in several member countries for varying lengths of time to advise the governments in formulating development programs.

Frequently the Bank is asked for advice or assistance on particular problems, projects, or industries important in development, without relation to any immediate financial operation. Aid of this kind, while usually concerned with economic or financial matters, covers a wide range of subjects. It may be rendered by members of the Bank's staff, or by consultants specially engaged or nominated by the Bank.

The varied needs of member nations have thus led to a growing diversity in the kinds of technical assistance provided, as the more detailed account of the Bank's operations will illustrate. It may be stressed here that many advantages are to be gained by underdeveloped countries if they begin the admittedly difficult task of formulating their long-run developmental aims with an unbiased appraisal of the relative urgency and the technical feasibility of the various parts of their programs. It is equally important for them to base their plans on sound monetary and fiscal policies. Objective and careful planning can greatly accelerate the speed of economic development. Moreover, the full utilization of a country's ability to make effective use of its own resources will contribute substantially to its ability to service foreign loans.

BANK LENDING: 1947-1951

The Bank has now been in existence for more than five years, and has been carrying on actual lending operations for more than four. It has made a total of 48 loans amounting to the equivalent of \$1,114 million, including \$17 million in cancellations by borrowers. The tabulation on page 14 shows the purposes for which the Bank's loans have been made.

The first loans were to France, the Netherlands, Denmark and Luxembourg, whose economies had suffered severely from the war. The postwar re-

construction efforts of these countries were seriously impeded and their economies critically menaced by the lack of adequate resources. Because of the magnitude of the problem and the need to take action on a large scale, these loans account for nearly one-half of the Bank's total lending. In making these loans the Bank assisted in the earlier phase of reconstruction, before the European Recovery Program was in operation.

Virtually all other loans have been granted to less developed countries for the purpose of accel-

International Bank Loans Classified by Purpose

as of June 30, 1951
(In millions of dollars)

Loans to France, Netherlands, Denmark and Luxembourg for post-war reconstruction..	497	
Other Loans	600	
Electric power — Machinery, equipment and construc- tion materials	271	
Transportation	119	
Railroads: locomotives, rolling stock, rails, and shop supplies	61	
Shipping: vessels and ma- rine equipment	12	
Roads: building machinery and materials	29	
Ports: docks, loading equipment and dredging machinery	17	
Communications—Telephone and telegraph equipment and supplies	30	
Agriculture and Forestry....	92	
Mechanization: general farm machinery and equipment	38	
Irrigation and flood con- trol: construction equip- ment and materials....	35	
Land clearing: machinery.	11	
Grain storage: construc- tion materials	3	
Timber production: ma- chinery and vehicles...	5	
Industry	67	
Manufacturing machinery.	60	
Mining equipment	7	
Development Banks	21	
 Total	 1,097	

erating the growth and improving the basic structure of their economies. By far the larger portion of the developmental loans has been applied to the expansion and improvement of electric power supply, communications and transportation. Loans of this type to 17 countries have helped to finance the construction of power plants and transmission systems, the rehabilitation and modernization of railroads, the purchase of merchant vessels and marine equipment, the acquisition of roadbuilding machinery and materials, the construction of port fa-

cilities, and the improvement and expansion of telecommunications.

It is only natural that, except for the early reconstruction loans, the Bank's lending operations have been concentrated in the field of basic utilities. An adequate supply of power, communications and transportation facilities is a pre-condition for the most productive application of private savings in new enterprises. It is also the first step in the gradual industrialization and diversification of the underdeveloped countries. These basic facilities require large initial capital outlays which, because of the low level of savings and the inadequate development of savings institutions, often cannot be financed wholly by the countries themselves. Moreover, most of the machinery and equipment used in the construction of these facilities must be imported. Therefore, the resources of the Bank are called upon to provide the foreign exchange necessary for the building of these vitally important facilities.

Loans for the expansion of agricultural and forestry production amount to \$92 million, or slightly more than 15% of the Bank's development loans. Of this \$92 million, the greater part represents investment in basic agricultural development — irrigation, flood control, and land clearing. In most instances, the agricultural projects financed by the Bank form a relatively small part of wider programs aimed at expansion of agricultural production and the improvement of productivity. Agriculture also benefits from many other projects financed by the Bank. Better roads and railways mean better markets for farm products; better port facilities result in lower costs of fertilizers and agricultural equipment; and more electric power holds the promise of a larger and cheaper supply of industrial products needed by farmers.

A special category of loans are those made to existing or newly established credit institutions to provide them with foreign-exchange resources which they in turn can put at the disposal of private borrowers engaged in small or medium-sized

businesses. In many countries, this important kind of business has not flourished, to some extent because the habit of free enterprise does not exist, and to some extent because development capital

is not available on reasonable terms. The Bank's purpose in making this type of loan is to encourage private initiative in activities which can do much to increase production and improve living standards.

FUTURE POSSIBILITIES

Production in the industrialized countries of Western Europe is well above the prewar level, and the United States has expanded its productive facilities even beyond the high capacity reached during World War II. The needs of the industrialized countries in Europe and North America for raw materials provide a strong demand for the products of the underdeveloped countries in Asia, Africa and Latin America; and there is every prospect that this demand will continue. These basic trends mean good earnings for many of the underdeveloped countries and — in the perspective of years and decades — a good supply of the equipment necessary to economic development.

In the year to come, however, the countries desiring to push ahead with their development face serious problems. Some kinds of goods they need are in short supply. This is true especially of power-generating equipment. It is true also of some types of construction machinery, such as draglines, shovels, heavy tractors and excavators. In the past year shortages have actually interfered little with the Bank's operations or with the process of economic development generally. As mobilization progresses, however, the difficulty of getting goods needed for development will undoubtedly increase.

In an effort to help member countries obtain the equipment they need, and to give them the information required for planning, the Bank has established a new unit to keep abreast of supply developments in the United States and in Western Europe, to assist borrowers in getting export priorities from the United States, and to keep member countries informed on government regulations affecting the availability of goods for export. While procedures for securing allocations of equipment for foreign economic development projects from the defense agencies of the United States Govern-

ment have not yet been fully established, it is clear that at all stages during the present period of shortages it will be necessary for borrowers to present full and complete statements on their projects to justify the filling of orders on American suppliers for critical items. The Bank will assist member countries, if they request such assistance, in drawing up their statements of justification.

The problem of obtaining the materials and equipment needed for development is concrete and tangible. But the progress of economic development depends upon intangible as well as tangible considerations. The people of a country must have a purposeful desire to develop their human and natural resources. They must place the interests of their country ahead of the interests of particular groups. They must be prepared to accept the sudden and sometimes painful adjustments in their social structure that come with economic progress.

In addition to the desire for development and the willingness to make the sacrifices involved in its achievement, skill in economic programming, knowledge of the techniques of financial control, competent public administration, and efficient management of specific projects are necessary. It is for this reason that the Bank has expanded its technical assistance activities. In the year ahead the Bank will continue to use the techniques it has developed for helping member countries plan their further development; and it will continue to experiment with new ways of sharing with them what it has learned from its own experience.

The Bank will watch with interest the progress made in putting into effect plans of the more advanced countries for aiding in the development of other nations. Investment and technical assistance by national agencies mean additional sources of funds, more trained personnel, and more inter-

est in the process of development. The Bank benefits by this increase of effort and stands ready to cooperate with national agencies in all phases of their development activities. It will also make every effort to work out with other development agencies, national and international, a clear understanding of the activities to be undertaken by each agency so as to avoid the waste of duplicated effort.

The speed of development will depend upon the effectiveness with which economic resources throughout the world are allocated and used; upon the skill with which development programs are designed; upon competence in the administration of specific projects and of policies affecting development; upon the success with which developing countries mobilize domestic capital; and upon the determination of both the advanced nations and the underdeveloped nations to give economic development its proper emphasis.

There is a sound basis for believing that conflicts in the allocation of scarce materials and equipment can be resolved without serious damage to the continuity of economic development. In the months immediately ahead, to be sure, it may be necessary

to modify or postpone certain projects. Yet the productive potential of the developed countries is immense, and current strains, although considerable, are those of a defense economy rather than of a war economy. It seems probable, in view of the mutuality of interest between the industrial and the underdeveloped nations of the world, that sufficient resources will be found and used to keep economic development on its course. The dependence of industrial nations on increasing supplies of primary materials from underdeveloped countries is great; and investment, especially in power and transportation, can increase those supplies. Income from raw materials exports is essential for providing to underdeveloped countries the capital necessary to their further economic progress. Even apart from broader considerations, these are compelling reasons why investment to increase productivity and raise living standards of less developed areas of the world should proceed in balance with the efforts of the more advanced nations to strengthen their own economies and military defenses.

THE BANK'S OPERATIONS

This section is a country-by-country description of the operations of the Bank in the past fiscal year. Information is given for each country on one or more of the following topics: loans made; negotiations and surveys looking forward to possible loans; reports of progress made on Bank-financed projects; and technical assistance to member countries.

Preceding the account of operations in each country is a list of loans made to that country. Un-

less otherwise indicated, the respective governments are the borrowers; loans to other borrowers are government-guaranteed. The interest rates shown include the 1% commission which, under the Bank's Articles of Agreement, is allocated to the Bank's Special Reserve. Additional details such as maturity dates of loans, amounts disbursed and repayments of principal are shown in a tabular summary of loans in Appendix C, beginning on page 54.

AFRICA

Belgian Congo

Following preliminary discussions earlier in the year between the Belgian Government and the Bank, the President of the Bank and members of the staff visited Brussels in May to explore the possibility of the Bank's participating in the financing of a development program for the Belgian Congo. During this visit, it was agreed that the Bank would try to work out two loans: first, a loan to the Belgian Congo to cover part of the cost of goods and equipment which will be imported from countries other than Belgium as a result of public investment in the Congo; and second, a loan to Belgium to cover the impact on the Belgian foreign-exchange position of the additional exports which she will provide to the Congo under the program. Both loans would be linked to projects forming part of the Congo program. A Bank mission visited Brussels at the end of June, en route to the Congo.

The Ten Year Plan for the Economic and Social Development of the Belgian Congo envisages public investment equivalent to \$500 million, with private investment of roughly the same amount. About half of the investment covered by the public investment plan is for transport and communications, and about one-tenth for electric power

plants, the remainder being largely for agriculture, housing, public health and education.

Egypt

At the invitation of the Egyptian Government, the Bank sent a mission to Egypt in June 1951 to examine projects for which Bank participation might be requested and to discuss with the Egyptian authorities the methods of financing proposed investment. The projects to be examined include improvement and expansion of irrigation in Upper and Lower Egypt, and hydroelectric power combined with industrial development at Aswan. The Bank mission, first to visit Egypt since March 1949, will also bring up to date the Bank's first-hand knowledge of economic and financial conditions in the country.

Ethiopia

Fiscal 1951: \$5 million 20-year 4% Loan of September 13, 1950 for rehabilitation of roads.

\$2 million 20-year 4% Loan of September 13, 1950 for establishment of Development Bank.

\$1.5 million 20-year 4% Loan of February 19, 1951 for development of telecommunications.

The Bank's highway loan to Ethiopia was made to pay the foreign-exchange costs of a program for road rehabilitation and maintenance to be carried

out by a new Ethiopian Highway Authority. Proceeds of the loan will help pay for materials, equipment and services needed in the program.

The improvement of roads is a prerequisite to the economic development of Ethiopia. A large part of the country's export goods must be transported by truck for part or all of the way to ports on the Red Sea. In addition, both export and import goods travel by truck over feeder roads to and from main stations of the railway which links the capital city of Addis Ababa with the port of Djibouti, in French Somaliland. Lack of funds and of experienced personnel to supervise highway maintenance have caused deterioration of the roads. Transportation costs have been high and deliveries of goods slow.

The Highway Authority, established by the Government in 1951, has the responsibility for planning, repairing and maintaining the national road system. In consultation with the Bank, the Government has selected for the Authority a management of experienced administrators and technicians from the United States Bureau of Public Roads. An important function of the Authority is to train Ethiopian personnel in highway work.

The loan for the Development Bank of Ethiopia was made by the International Bank to help provide original working capital for this new institution. The Government established the Development Bank in 1951, and merged with it the Agricultural and Commercial Bank of Ethiopia, which, with small resources, had pioneered in the field of agricultural credit. The International Bank's loan provides foreign exchange for the new institution; the Government has subscribed the local capital, which ultimately will amount to Eth. \$11 million (U. S. \$4.4 million).

The Development Bank affords Ethiopia for the first time a credit institution adequately capitalized for the purpose of making medium and long-term loans on reasonable terms for projects contributing to agricultural or industrial development. The management of the Development Bank, selected in consultation with the International Bank, will in-

vestigate projects to be financed, and will assist prospective borrowers in the preparation of projects. Projects requiring the use of foreign exchange from the International Bank loan to pay for imported equipment and services will be presented to the International Bank for approval.

The Bank's \$1.5 million telecommunications loan will finance the import of equipment needed for the expansion and improvement of three different communications systems: the local telephone service at Addis Ababa; an interurban system; and an international radio-telephone and radio-telegraph service. In 1950, there were less than 2,000 telephones in Ethiopia to serve a population estimated officially at 15 million persons, and fewer than 100 communities in the country could be reached by telephone or telegraph. Successful completion and operation of the projects contemplated under the Bank's loan would enable producers to get quicker and wider knowledge of market conditions, would help shippers and traders to keep track of goods moving on the roads, and would give the Government additional channels for communicating both with outlying centers of population and with other countries. The Government intends to establish a new Telecommunication Authority to carry out the project and to train Ethiopian personnel, and will select suitable management for the Authority in consultation with the Bank.

Ethiopia's current balance of payments account has been approximately in equilibrium since the end of World War II. The value of exports has been well maintained; a market for hides and skins is well established in the United States and the present high price of coffee has greatly increased the income from the coffee crop, while the Government is making efforts to expand its export trade in other commodities.

French Overseas Territories

Bank participation in the financing of development in French Overseas Territories has been discussed from time to time with the French Govern-

ment. The Bank understands that documentation is being prepared and may be presented informally to the Bank later in 1951.

Southern Rhodesia

At the request of the Prime Minister of Southern Rhodesia, the Bank plans to send a mission in the autumn to examine the possibilities of Bank lending for development.

Union of South Africa

Fiscal \$30 million 20-year 4% Loan of January 23, 1951 to the Electricity Supply Commission for power development program.

\$20 million 15-year 3¾% Loan of January 23, 1951 for expansion of transportation facilities.

At the time of last year's Annual Meeting, a Bank mission was in South Africa. While there it reviewed the economic and financial position of the Union and worked out the details of two loans, which were concluded in Washington in January.

A loan of \$30 million, guaranteed by the Union, was made to the Electricity Supply Commission, an autonomous state agency, to assist in the expansion of its generating, transmission and distribution system. The Commission supplies about three-quarters of the electricity consumed in the Union. It serves an area of 73,000 square miles which includes the more industrialized parts of the country. It has greatly increased its generating capacity and its transmission and distribution network since the end of the war. Nevertheless, present facilities are inadequate for current needs, and will be still less able to meet the much greater demands foreseen for the future. The Commission is accordingly engaged on an expansion program for the six-year period from 1950 through 1955, which is designed to keep pace with the economic development taking place in all parts of the Union. The Bank's loan will assist in financing imports of equipment required for this program during the years 1951 and 1952.

A loan of \$20 million was made to the Union

for the expansion and improvement of the state-owned transport system operated by the South African Railways and Harbors Administration. To handle the great increase of traffic brought about by the expanding economy of the war and postwar years, the Administration has embarked on a comprehensive program of improvement and expansion to be carried out from 1950 through 1955. Under this program, existing railway lines will be improved, new lines constructed, rolling stock purchased, road services improved, and harbors and airports modernized and expanded. The foreign-exchange costs of this program for 1951 and 1952 are estimated at the equivalent of \$41 million; and part of this amount will be covered by the Bank's loan.

Simultaneously with the Bank's loan, eight commercial banks in the United States extended a credit of \$10 million, maturing in 1954 and 1955, to the Union Government. The proceeds from this credit will be lent by the Union to the Railways and Harbors Administration for purposes complementary to those of the loan from the International Bank.

Since the end of World War II, several factors have combined to sustain a high level of investment and consumption in the Union of South Africa. At the end of the war, the assets of the banking system were very liquid and included ample reserves of foreign exchange. Investment funds and consumer demand, pent up during the war, were released. The discovery of new gold deposits in the Orange Free State created new demand for investment, both in mining and in the provision of services and amenities. The high level of activity throughout the country stimulated a continuation of the wartime growth of secondary industry, and required a general expansion of public utilities. The boom was accelerated by an exceptionally heavy flow of capital to the Union from the United Kingdom in 1947 and early in 1948, and by credit expansion within South Africa. During this period, internal savings were low; the high level of investment and consumption expenditure was maintained

by incurring large deficits on the balance of payments and covering them either by capital inflow or by utilization of foreign-exchange reserves. The total balance of payments deficits in 1946-1949 were S. A. £515 million; in this period foreign-exchange reserves fell from S. A. £266.8 million (\$1,160 million) to S. A. £104.6 million (\$293 million).

In 1950 various factors combined to bring about an improvement in South Africa's international accounts. There was a substantial increase in the value of exports, owing particularly to high wool prices and the rise (in terms of sterling) of the price of gold; imports remained at approximately the 1949 level owing to the continued operation of import control. Consequently, the deficit on the current balance of payments was reduced from S. A. £111 million in 1949 to S. A. £7 million in 1950. At the same time the inflow of capital from the United Kingdom led to an increase in foreign-exchange reserves of S. A. £61.4 million (\$173 million) during the year.

The size of the investment program, both public

and private, considered necessary by South Africa for the next few years, is considerably larger than can be financed out of local savings. Consequently, continued development of the economy at the desired rate requires foreign capital. The difficult position in which South Africa found itself in mid-1949, with its foreign-exchange position seriously weakened, was the result of a reduction of private investment from abroad during the second half of 1948 and the first half of 1949.

South Africa has reserves of foreign exchange which could be used if necessary to supplement the inflow of new capital. These reserves, however, are not high for a country which is developing rapidly on the basis of an irregular influx of private foreign capital. The Government has therefore wished to borrow dollars and other freely convertible currencies to meet its investment requirements, and has encouraged the inflow of private capital from hard-currency countries. The Government's borrowings from the International Bank and from private banks in the United States are an expression of this policy.

ASIA

Ceylon

A mission to Ceylon is presently being organized by the Bank to undertake a general survey of the economy of that country.

India

Fiscal \$34 million 15-year 4% Loan of August 1950: 18, 1949 for railway rehabilitation; reduced to \$32.8 million May 16, 1950 at request of borrower.

\$10 million 7-year 3½% Loan of September 29, 1949 for importation of agricultural machinery.

\$18.5 million 20-year 4% Loan of April 18, 1950 for power development project.

The Bank's railway loan to India has been fully disbursed. There has been an appreciable improvement during the past year in the efficiency of the railways which has contributed substantially to the strengthening of the Indian economy. The

financial position of the railways has also improved, and should be further strengthened by the increase in rates introduced in 1951. To reduce overhead costs and make more effective use of railway facilities, the Indian Railways are being reorganized and regrouped for administrative purposes into six regional zones.

Organizational and managerial difficulties in the execution of the project for land reclamation, partly financed out of the Bank's \$10 million loan, have continued. The clearance of lands infested with kans grass is proceeding at an increasing rate, but is still slower than had been expected. In the 1950-51 season 224,000 acres were cleared with Bank-financed equipment. The pilot project for the clearance of jungle land has been successfully carried out. On four occasions since the spring of 1950 the Bank sent technical experts to India to exchange views with the Government on meth-

ods to remove existing difficulties and ensure successful completion of the entire undertaking. It has been agreed between the Government and the Bank that the present fleet of tractors will not be increased; however, a part of the undisbursed balance of the loan will be used to finance the purchase of additional spare parts for tractors and auxiliary equipment.

The Bokaro-Konar power project in the Damodar Valley is progressing satisfactorily. The first thermal unit at Bokaro should be ready for operation at the end of 1952 as originally planned. Its operation through the subsequent dry season, however, will depend largely on the amount of cooling water provided by the Konar Dam; and completion of the dam will be delayed because of changes in design.

During the fiscal year, certain developments in the Indian economy were more favorable than in previous years. India built up a current balance of payments surplus, including substantial net dollar earnings. Foreign-exchange assets increased, in contrast to the steady decline prior to devaluation in 1949. Many of the difficulties arising from the protracted trade deadlock with Pakistan have been dispelled by the trade settlement between the two countries early in 1951. Greater availability of essential supplies from Pakistan, especially raw jute, should strengthen India's export position. However, a normal relationship between the two countries cannot be expected until a solution of the major political issues which exist between them has been found. In the year 1951 as a whole the Indian balance of payments position may be affected by heavy import requirements, particularly of grain needed to make up the deficiencies caused by wide-spread crop failures in 1950. The United States Government has authorized a long-term loan of \$190 million to finance part of the grain-import requirements.

Since the autumn of 1950, prices in India have been rising. The effects of devaluation have been reinforced by a sharp seasonal upswing in business activity, an export surplus, and increasing world

price levels. Production declined in the important jute and cotton industries in 1950 because of raw-materials shortages and some labor difficulties; but output increased in most other industrial fields as well as in power, transport and mining.

In spite of increased expenditure for economic development, the 1950-51 budget closed more favorably than was expected, and for the first time since the partition of India and Pakistan, there was no reduction in the Government's cash balances. For 1951-52 the Government again proposes to increase expenditures for economic development.

Iran

A Bank mission visited Iran in April and May of 1950 to make a survey of the economic and financial situation and to discuss with the Government the technical and financial aspects of a few specific projects. In August 1950 the Bank advised the Government that it was ready to open negotiations for a loan to rehabilitate and expand the port of Khorramshar. At the same time, the Bank informed the Government that it would require supplementary information before it could consider projects for the construction of cement plants and for a multiple-purpose dam on the river Karaj near Teheran. The Bank also asked for a statement of the policies of the new Government in fiscal, credit and monetary matters, and in the administration of the Seven Year Development Plan. With the deterioration of the budgetary situation which had set in during recent years, the Government had diverted from developmental investment a substantial part of its oil revenue. The result had been a serious slowing down of the pace of development contemplated in the Seven Year Plan.

In October 1950 the Government advised the Bank that it considered the cement and Karaj dam projects of high priority and gave certain general assurances regarding its financial policies and the administrative set-up of the Seven Year Plan.

An Iranian delegation, which arrived in Wash-

ington in November 1950 to negotiate with the United States Export-Import Bank, visited the Bank in January 1951. It submitted additional information on the projects under consideration and discussed other projects for possible Bank financing. After a preliminary exchange of views with the delegation, the Bank advised the Government in January 1951 that it was willing to consider a material contribution to the development of Iran and suggested that a Bank representative should visit Teheran to establish with the Government an appropriate basis for Bank assistance in the light of Iran's economic and financial situation and loan-servicing capacity. The Iranian Government accepted this suggestion and an exchange of views between the Government and the Loan Director took place in Teheran in February 1951.

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.

Iraq

Fiscal \$12.8 million 15-year 3¾% Loan of 1950: June 15, 1950 for flood control.

The Iraqi Government has called for bids on part of the construction of the Wadi Tharthar flood-control project to be carried out under the Bank's loan, and the arrangements necessary to make the loan effective were nearly complete. When the loan agreement was signed, the Government indicated to the Bank its desire to obtain further financial assistance for agricultural development. The Bank agreed to undertake studies on the ground to establish the suitability of selected projects, and for this purpose sent a technical mission to Iraq early in November 1950.

As a result of this mission, the Bank advised the Government in February 1951 that it was prepared to negotiate loans for the importation of agricultural machinery, for the construction of grain-storage facilities, and for flood control and irrigation on the Euphrates.

The grain-silo project would provide for the con-

struction at the Port of Basrah of a complete grain handling and storage plant of 40,000 tons capacity. Through its grading and cleaning facilities, the plant would contribute to an improvement of earnings from the export of grain. The proposed machinery loan would finance a short-term program of importing agricultural equipment, in part on government account for rental, and in part on private account for sale to individual farmers. Mechanical cultivation would help materially to expand production on dry-farming land and increase the exportable surplus of grain. Discussions on these projects are proceeding.

The Government has informed the Bank that no loan will be required for the Euphrates flood-control and irrigation project, which will be financed out of the resources of the Development Board established in 1950 for the purpose of planning and executing a program of economic development.

In response to a request submitted in January 1951 to finance a modern oil refinery, the Bank recommended that the Government undertake studies to determine how this project could be economically developed in conjunction with existing facilities. The Bank also notified the Government of its interest in the project, if it can be properly worked out.

Increased oil royalties, expanded agricultural production, and high export prices have brought about considerable improvement in Iraq's economic situation during the last two years. A surplus in Iraq's balance of payments was achieved in 1950 and the Government's fiscal position has been strengthened. Revenues from oil royalties have been assigned to the Development Board; and development should be greatly accelerated as the increasing revenues from a higher rate of royalties and the expanding oil production become available.

In October 1950 the Government requested the Bank to send a comprehensive survey mission to undertake a review of the country's economic potential and to make recommendations for the

most effective use of Iraq's physical and financial resources for a long-term program of development. In response to this request the Bank organized a mission of 14 technical and economic experts recruited on a broad international basis. The mission, headed by Dr. Ivar Rooth, left for Iraq in the latter part of February and returned to Washington in June 1951. It studied all major segments of the Iraqi economy, including public finance, agriculture, animal husbandry, irrigation, flood control and drainage, transportation, industry and power, public health, education, public administration and community planning and housing. The mission is now preparing its findings and recommendations.

Lebanon

Bank representatives visited Lebanon and had discussions with the Government in December 1950. The project for the development of hydroelectric power and irrigation on the Litani River, now being surveyed, may require external aid in its financing.

Pakistan

In October 1950 the Bank sent a mission to Pakistan to examine economic and financial conditions and to appraise projects on which the Government had submitted data during the previous summer.

In March 1951 the Bank informed the Government that it was prepared to enter into negotiations for Bank participation in financing the rehabilitation of the railways and the expansion of power, agriculture, industry and telecommunications. A delegation from Pakistan arrived during the last week of June to open loan negotiations.

While Pakistan has been confronted with difficult economic and financial problems since its creation as an independent nation, it produces an adequate internal food supply and exports substantial surpluses of basic agricultural products. Recent developments have been particularly favorable. Since the latter part of 1950 Pakistan's internal and external financial position has been bolstered

by the increased world demand and high prices for her exports. Early in 1951 the virtual trade deadlock with India was broken by the conclusion of a new trade agreement. However, the major political issues which exist between the two countries still hamper the establishment of normal relations. In the 1950-51 financial year Pakistan reached an over-all balance in its budgetary position and since September 1950 has substantially increased its foreign assets through a current balance of payments surplus. Economic development in Pakistan is already going forward and the general lines of emphasis appear well conceived.

From October to December 1950 Pakistan was host to a Training Institute on the Economic Appraisal of Agricultural Development Projects. Held in Lahore, the training institute was sponsored jointly by the United Nations, the Food and Agriculture Organization, and the Bank for the purpose of training government officials of member countries in the techniques of preparing and executing programs and projects. The institute was attended by representatives of Australia, Burma, India, Indonesia, Japan, Nepal, Pakistan and Thailand.

Syria

In August 1950 the Syrian Government advised the Bank of its intention to apply for a loan for the financing of various projects, including flood control, irrigation and drainage, hydroelectric power and port and railroad construction. A Bank mission visited Syria during November and December 1950 to make a preliminary survey of the economic and financial situation and to review specific proposals.

Two projects were submitted in January 1951 for Bank consideration. One provides for the drainage and irrigation of 10,000 acres of swamp land in the Roudj, near Aleppo; the other is for the improvement of roads, primarily in the Jezira, a rapidly developing agricultural area in the northeast. A third proposal, for the expansion of the port of Latakia to a minimum annual capacity of 400,000 tons to handle the increasing exports of

agricultural products, was submitted in May.

There are several other projects in preparation which may be presented for Bank consideration. In compliance with the desire of the Government, negotiations for the financing of irrigation and road improvement are waiting until the Bank has concluded its examination of the Latakia Port Project.

Since 1949 there has been a considerable improvement in Syria's economic situation, due principally to a remarkable increase in the production of cotton and grain, and to an expansion of exports, which have recently commanded greatly increased prices.

On the other hand, the Government budget has been showing deficits, which have been caused in part by heavy military expenditures. Only a part of the deficits has been met from accumulated reserves, the remainder being covered by borrowings from the Banque de Syrie et du Liban, which performs the functions of a bank of issue. These borrowings have had no appreciable effect on currency circulation, but they have resulted in a considerable reduction of Syria's foreign-exchange reserves.

Thailand

Fiscal \$3 million 15-year 3¾% Loan of October 27, 1950 for railway rehabilitation.

\$18 million 20-year 4% Loan of October 27, 1950 for irrigation project.

\$4.4 million 15-year 3¾% Loan of October 27, 1950 for port development.

The major part of the Bank's railway rehabilitation loan will be devoted to equipping the railway workshops at Makkasan according to plans prepared by consulting engineers retained by the Government. These workshops will provide for maintenance of locomotives and rolling stock. The balance of the loan will be used to purchase mechanical signaling equipment and spare parts. An autonomous government-owned agency, the Railways Authority of Thailand, was established by act of Parliament in May 1951 and was made responsible for the operation and development of

the railways system. Previously, the railways had been operated by a department of the Ministry of Communications. The railways are now governed by a board with a director in charge of management and operations.

The irrigation loan will finance the cost of imported equipment and materials for a project to provide an assured water supply to a rice-producing area of 2¼ million acres in the central plain. The project includes a barrage, with housing for the future installation of power-generating equipment, to partially retain the waters of the Chao Phya River at Chainat. The execution of this project, which is expected to take eight years, will be carried out by the Irrigation Department of the Ministry of Agriculture, which has retained the services of a foreign construction firm to furnish technical advice. Rice production in the area served by the irrigation project is expected to increase sufficiently to provide an exportable rice surplus of nearly half a million tons even after allowance is made for increased local consumption requirements.

The port construction and development loan will finance the acquisition of port equipment, and will help pay the foreign-exchange cost of dredging a channel through the sandbar at the mouth of the Chao Phya River to permit larger vessels to enter the port of Bangkok. The project should increase the port's capacity and reduce cargo-handling costs by the elimination of charges for lighterage and transshipment. In the interests of efficient operation, regulation and unified development of port and navigation facilities in the Bangkok area, a government-owned autonomous authority, the Thai Port, was created in May 1951. The Port is now governed by a board of commissioners and administered by a port director.

The Bank has cooperated with the Government in obtaining the services of technical experts for various duties in Thailand. Most of the experts have been retained to advise on projects financed by the Bank; one will advise the Government on fiscal administration.

During the year under review the economic situation continued to improve. The upward trend in production has continued, and a further increase in exports has been achieved. Thailand, with 1.5 million tons of rice exported in 1950, is the world's largest rice exporter. Rubber exports increased to more than twice the prewar level, and exports of

tin, which had lagged since the war, recovered to nearly the prewar average. Thailand achieved large trade and balance of payments surpluses with both the hard and soft-currency areas, and its gold and foreign-exchange reserves, which had been rising since 1948, reached a new high. The internal price level has remained relatively stable.

A U S T R A L I A

Fiscal \$100 million 25-year 4¼% Loan of 1951: August 22, 1950 for development program.

The Bank's loan to Australia followed negotiations which were initiated in Washington by the Commonwealth Prime Minister. The loan was made to help pay the cost of importing capital goods and equipment needed for development projects, both private and governmental, over the next two years.

Australia is embarking on a period of rapid economic development. A sharp rise in immigration has contributed to an annual rate of population increase of 3½%; and it is an aim of Australian policy to continue a high rate of immigration over the next decade. This gives rise to large investment requirements for new productive facilities, housing and public utilities. In addition, there are substantial investment needs resulting from unsatisfied demand during World War II, as well as from the normal industrial development of a young country with unexploited natural resources.

The development program which the Bank's loan will help finance forms one part of the Commonwealth Government's plan for dealing with the problems brought about by high demand for investment and production. Since the bulk of capital investment in Australia is undertaken by private enterprise, it is not possible to lay down beforehand the precise proportions of investment in different economic fields. Among other things, however, Australia's development plans provide for the modernization and expansion of agriculture, coal and non-ferrous metal mining, smelting and refin-

ing, iron and steel production, and a broad range of other industries; and, concurrently, the development of water conservation, hydroelectric power facilities, road and rail transport, housing and public utilities. The carrying out of this program should add substantially to the country's productive capacity and strengthen its long-run balance of payments position.

The major part of the Bank's loan will be used for equipment needed by farmers and private business concerns. Specialized agricultural machinery and equipment, such as crawler and special wheel tractors, are needed to increase farm mechanization, promote more intensive cultivation and make possible the introduction of the latest agricultural techniques. Heavy crawler tractors and earth-moving equipment will assist in opening up new areas, clearing land for cultivation, providing irrigation, conserving water resources and constructing hydroelectric works.

To meet the special operating conditions on the Australian railways — long stretches of line poorly supplied with water — diesel electric locomotives are being acquired. The expansion of strip mining in New South Wales will be assisted by heavy excavators, stripping shovels and specialized drills, and the modernization of underground mines by coal cutters, loaders and underground locomotives. Equipment for the mining, smelting and refining of non-ferrous metals will improve operating efficiency.

A substantial part of the loan will be used for urgently needed items of capital equipment for a wide variety of manufacturing industries. In the

steel industry the increase of pig-iron and steel-ingot capacity and the erection of a hot and cold continuous strip mill, a skelp mill and a cold reversing sheet mill all require dollar equipment which the Bank's loan is financing. Equipment will be procured for the production and processing of aluminum; modern mechanical foundry operations; gear-cutting and the manufacture of machine tools; the manufacture of roller chain and conveyor systems; food processing; and the manufacture of rayon filament.

When Australia attempted to satisfy investment demands which had been postponed during World War II, inflationary pressures began to appear, accompanied by shortages of labor and of many important materials and types of equipment. The

Commonwealth possessed large sterling reserves and received a substantial inflow of private sterling capital. Australia continued to have a surplus in its current balance of payments and increased its sterling reserves to a level much higher than at the end of 1945. However, these resources could not be used to import all the goods and equipment needed because adequate supplies were not available in soft-currency countries. In these circumstances, the Government decided that recourse must be taken to hard-currency sources of supply in order to obtain the goods urgently required for economic development. In view of the difficulty of obtaining hard currency within the sterling area, the Government approached the International Bank to obtain a loan in dollars.

EUROPE

Belgium

Fiscal \$16 million 20-year 4¼% Loan of 1949: March 1, 1949 for steel plants and electric power.

In April 1951 Bank engineers visited Belgium to observe the work on the projects financed under the loan. The slabbing and blooming mill of S. A. d'Ougrée-Marihaye has been in full operation for over a year and is producing at an annual rate of 900,000 tons. The cold rolling mill of the Compagnie des Fers Blancs et Tôles à Froid (Ferblatil) at Tilleur began operating in June 1950 and is now in production. The tinning line, which will produce high-quality tin plate, and is the only one in continental Europe using the electrolytic tin-plating process, started operations on March 15, 1951. The construction of the thermal power plant at Awirs of the Union des Centrales Electriques de Liège-Namur-Luxembourg (Linalux) is nearing completion. The first turbine was started on May 21, 1951 and the second should be in operation in September. It is expected that at the end of the year the plant will work at its full installed capacity of 100,000 kw. Total disbursements under the loan amounted to \$12.5 million at the end of the fiscal year.

As mentioned on page 17, discussions were started in June on a possible loan to Belgium to cover the impact on the Belgian foreign-exchange position of additional exports which Belgium may provide to the Congo for development purposes.

The declining levels of production, employment and prices which dominated the Belgian economic scene up to the summer of 1950, were abruptly reversed by the outbreak of hostilities in Korea. A wave of buying — both by domestic and foreign consumers — badly depleted normal inventory holdings and sent the index of industrial production to an all-time high. A new stimulus was given to the heavy industries in which production had declined markedly. The increase in demand, combined with price increases in world markets, caused a sharp rise in the level of domestic wholesale prices. Unemployment dropped sharply while government revenues rose. The combined effect of these developments materially improved the public finances, although the grave international situation increased rearmament needs and thereby imposed an additional burden on the country. The high levels of economic activity brought an increased demand for imports and caused a deficit in the current balance of payments of the Belgo-

Luxembourg Economic Union in all currencies equivalent to \$190 million during 1950. This, together with some outflow of capital, brought about a decline in the gold reserves of the National Bank which has since, however, been partly recovered. The dollar deficit of the Economic Union was reduced to \$200 million by means of increased exports and continued to be largely financed by ECA conditional aid.

Denmark

Fiscal \$40 million 25-year 4¼% Loan of August 22, 1947 for reconstruction.

It is now about two and one-half years since disbursement was completed on the loan made before the advent of the European Recovery Program, when there was urgent need for the Bank to help meet the problem of financing essential imports for postwar reconstruction.

Danish production has successfully recovered from dislocations caused by the war. Agricultural production is at present 10% above prewar levels and industrial output is almost 60% higher than in the best prewar year. The rate of exports is more than 20% above the prewar volume.

Unfortunately, these achievements have not brought Denmark the benefits which were hoped for two and a half years ago. The terms of trade deteriorated seriously after the currency devaluation of 1949. This development has been further accentuated since the outbreak of war in Korea. Since September 1949, the prices of Denmark's imports have risen by more than 60%. The prices of her exports, on the other hand, have increased only a few per cent, in part because exports to the United Kingdom are largely governed by long-term bulk-purchase contracts. The significance of the deterioration in the terms of trade for the Danish economy is illustrated by the fact that, but for these price changes, Denmark would have achieved a small surplus on her balance of payments account for 1950 instead of a deficit equivalent to about \$100 million. Although exports to the dollar area have risen considerably, Denmark still faces a seri-

ous dollar problem as a result of high prices for essential raw-material imports, declining ECA aid, and dollar payments to the European Payments Union to finance the Danish deficit with OEEC countries. At the same time, rearmament in other countries is making it more difficult for Denmark to obtain necessary supplies of important raw materials.

The Vice President of the Bank visited Denmark in September 1950 and discussed matters of common interest with representatives of the Government and other officials. The Bank has since continued to consult with the Government with regard to measures by Denmark to meet her present problems.

Finland

Fiscal \$12.5 million 15-year 4% Loan of August 1, 1949 to the Bank of Finland for development of power, woodworking industries and limestone powder production.

\$2.3 million 2-year 3% Loan of October 17, 1949 for timber equipment.

More than half of the \$12.5 million loan made to the Bank of Finland has been disbursed. Most of the equipment for the electric power program has been delivered and paid for, and the program itself is nearing completion. Of the relatively small amount for limestone grinding, most has been disbursed. Disbursement for machinery for the modernization and expansion of a number of plants in the woodworking industries has been slower. This has been due largely to the redistribution of orders to take advantage of changes in the price of equipment after the devaluation of European currencies.

Slightly less than \$2 million of the \$2.3 million loan to the Government to finance purchases of timber equipment had been disbursed by the end of the fiscal year, and withdrawals were continuing.

Brisk demand and high prices for paper, pulp and other wood products have raised Finland's production and exports to new high levels. Postwar reconstruction is virtually completed and rep-

arations deliveries, due to end in September 1952, are already tapering off. Finland's payments position, both with regard to dollars and other currencies, is satisfactory but is dependent upon a continuation of the present highly favorable terms of trade. Inflation — caused chiefly by a high level of investment and the heavy burden of reparations, and aggravated by rising money incomes of both farmers and workers — remains the most urgent economic problem. During the past year inflation has been given additional impetus by the rise in prices of imported raw materials. However, since January 1951 a stronger anti-inflationary policy has been adopted.

The Vice President of the Bank visited Finland in September 1950 and a small delegation from Finland came to the Bank in February 1951. As a result of discussions held at these times, several proposals have been made to the Bank for further lending. The Bank has indicated its willingness to consider these proposals after it has been supplied with information on Finland's over-all investment program.

France

Fiscal \$250 million 30-year 4¼% Loan of May 1947: 9, 1947 to Crédit National for reconstruction.

The Bank continued to maintain close contact with the French Government throughout the past year. The President of the Bank held numerous discussions with leading Government officials during his visits to Paris and members of the Bank's engineering staff visited France in the spring. Of the projects which the Bank helped to finance through its \$250 million loan, two steel mill projects are the last to be completed. The cold rolling mill at Montataire, completed in January 1950, has now been in regular production for over a year; and the quality of the sheets rolled by this mill is reported to be excellent. At Denain, the reversible slabbing mill was put into production on December 31, 1950; it is not expected to be in full operation, however, before the end of 1951.

Production in France has geared itself to a higher level of industrial activity than it had reached at the outbreak of war in Korea. However, the growing burden of rearmament, shortages and higher prices of raw materials, the budgetary deficit, and the inflationary rise in domestic prices remain serious problems. The external financial position continued to improve in 1950. The current account of the balance of payments of the franc area showed a deficit equivalent to \$238 million; the dollar deficit was \$419 million, but there was a substantial surplus with other continental European countries. In the first half of 1951, for metropolitan France only, the deficit in dollar trade was substantially lower than in the corresponding period of 1950. However, the position in trade with other areas, notably Europe, was less favorable so that the over-all trade deficit with foreign countries was approximately the same.

Iceland

Fiscal £875,000 22-year 4¾% Loan of June 1951: 20, 1951 for power development projects.

The loan of £875,000 (\$2.45 million) made this year to finance the cost of imported equipment for the expansion of electric power in Iceland is the first Bank loan consisting entirely of currencies other than United States dollars. It will be disbursed in sterling, French francs, Danish kroner and Norwegian kroner for purchases in Sweden, the United Kingdom, Western Germany, Denmark and Norway. The United Kingdom, France, Denmark and Norway have agreed to release, for this loan, portions of their 18% subscriptions to the Bank's capital. Part of these releases will be used for purchases in Sweden and Western Germany, which are not yet members of the Bank.

The loan will help to finance two hydroelectric projects which will further develop the resources of the Sog and Laxa Rivers. The entire cost of these two projects is the equivalent of \$13 million; the purchase of equipment in the United States in the amount of nearly \$5 million is to be financed

by ECA, and the Icelandic krona costs will be financed locally.

These projects are of high priority in Iceland's investment program. The existing supply of electric power is insufficient to meet present industrial and household needs; and in addition to meeting these requirements, an increased supply of power is needed to make possible the establishment of new industries which would tend to diversify the economy and help reduce dependence on fishing and related industries.

Iceland has, since the war, been engaged in a heavy investment program which has had considerable inflationary impact. Now, however, the Government has adopted policies to restrict credit and balance the budget. Certain institutional changes to enable Iceland to carry forward a well regulated investment program are also being considered. A Bank staff member visited Iceland in February 1951 to study investment requirements and the institutional changes needed for their most effective accomplishment. His findings and recommendations have been submitted to the Government. There is a continued exchange of views between the Government and the Bank on this and other matters of common interest.

Italy

The possibility of the Bank's assisting in the development of Southern Italy was mentioned in the Fifth Annual Report. In August 1950 the Bank informed the Italian Government of its willingness to participate in the financing of the 10-year program for that area. The purpose of Bank assistance would be to meet the additional demand for dollar imports arising from investment activity in the South. The technique would be for the Bank to select projects which would be financed by the lire counterpart of its loan.

In the spring of 1951, the Bank sent a mission to Italy to investigate the technical aspects of the program. The mission reported that the general conception of the program was sound, that the organization responsible for its execution (the Cassa

per il Mezzogiorno) was satisfactory, and that suitable projects had been selected. These projects are now being drawn up in a form which will make possible their detailed appraisal by the Bank. The Bank has indicated that its interest in the development of Southern Italy is intended to be a continuing one.

As indicated in the last Annual Report, the program for Southern Italy involves expenditures of public funds over a period of ten years at the rate of 100 billion lire (\$160 million) per annum, of which three-quarters will be spent on land reclamation, irrigation, and agricultural improvement, and the remainder on the construction of aqueducts, the rehabilitation of roads, and the development of tourist facilities. Funds are to be appropriated annually by the Treasury, including in the first two years of the program substantial amounts of the lire counterpart of United States aid. The program has been formulated by a committee of Cabinet Ministers responsible also for coordinating it with the programs of public works remaining within the competence of the ministries.

Luxembourg

Fiscal \$12 million 25-year 4¼ % Loan of August 28, 1947 for reconstruction; reduced to \$11.8 million on December 19, 1949 at request of borrower.

In April 1951 Bank engineers visited the steel mill projects of the Aciéries Réunies de Burbach-Eich-Dudelange (Arbed) at Dudelange, the foreign-exchange cost of which was financed under the Bank's \$12 million loan. Disbursement of loan proceeds was completed in December 1949. Both the hot and the cold rolling mills have been in operation since the spring of 1951. The annual capacity of the hot mill is 400,000 tons, and of the cold mill 180,000 tons, but it is not expected that the mills will operate at full capacity until the additional steel-producing facilities, now under construction, are completed.

Luxembourg has benefited greatly from the recovery in the demand for steel. Production reached 251,000 metric tons in April 1951, compared with

180,500 in the corresponding month of 1950, and was still rising. Total Government revenues during the first quarter of 1951 slightly exceeded those for the same period of last year.

The Netherlands

Fiscal \$195 million 25-year 4¼% Loan of 1948: August 7, 1947 for reconstruction.

Fiscal \$12 million 10-year 3-9/16% Loans of 1949: July 15, 1948 to N. V. Stoomvaart Maatschappij "Nederland" (two loans of \$2 million each), N. V. Vereenigde Nederlandsche Scheepvaartmaatschappij (one loan of \$2 million), N. V. Nederlandsch-Amerikaansche Stoomvaart-Maatschappij "Holland Amerika Lijn" (one loan of \$2 million), and N. V. Rotterdamsche Lloyd (two loans of \$2 million each), for purchase of ships.

Fiscal \$15 million 15-year 4% Loan of July 26, 1950: 1949 to the Maatschappij tot Financiering van het Nationaal Herstel N. V. (Herstelbank) for industrial development projects; reduced to \$8.8 million March 17, 1950 at request of borrower.

The administration of the \$195 million reconstruction loan, which has been fully disbursed, has proceeded satisfactorily. The \$12 million loan to four shipping companies has been reduced to \$9 million through repayments made to the private banks in the United States which, with the International Bank's guarantee, have purchased the loan in its entirety.

The loan to the Herstelbank, a finance corporation for national reconstruction, for the rehabilitation and modernization of a considerable number of manufacturing industries, is being utilized gradually. Total disbursements by June 30, 1951 amounted to approximately \$4 million; only three of the more than 30 individual projects have been reported completed.

As a result of the currency devaluations and the increasing availability of industrial equipment in Western Europe, the character of the original loan was substantially modified, some projects being eliminated, others changed, and new ones introduced. The loan now includes a larger share of

imports of Swiss machinery than before. It also allots a substantially larger proportion of loan funds to the textile industry.

The output of goods and services in the Netherlands has continued to increase, making possible a further slight rise in real per capita income in 1950. The level of domestic consumption continued to decline somewhat, allowing a higher rate of investment, largely in increased inventories. Considerable inflationary pressures developed, generated by a combination of internal credit expansion and the rise of prices in world markets. Owing to sustained high tax receipts the Treasury cash position developed favorably through 1950 but due to tightening of the market for Treasury securities, the cash position has considerably deteriorated during the first half of 1951. The balance of payments has suffered a sharp setback. The deficit on current account climbed from roughly the equivalent of \$74 million in 1949 to \$237 million in 1950 because of deterioration in the terms of trade and increased imports for inventory accumulations. The ratio of exports to imports fell from 72% in 1949 to 68% in 1950. The deficit with the dollar area, however, continued to decrease from \$191 million in 1949 to \$107 million in 1950.

The Netherlands faces serious problems in its efforts to balance its foreign accounts, while at the same time undertaking an expanded defense program. The Government is seeking by fiscal and monetary measures to bring about a reduction in consumption and a substantial cut in net investment, and thus to release resources for the defense effort and to overcome the deficit in the balance of payments.

Turkey

Fiscal \$3.9 million 18-year 3⅞% Loan of July 1951: 7, 1950 for grain-storage facilities.

\$12.5 million 25-year 4¼% Loan of July 7, 1950 for development of ports.

\$9 million 15-year 3¾% Loan of October 19, 1950 to Industrial Development Bank of Turkey for development of private industry.

Most of the projects under the grain-storage loan will be from six months to a year behind their scheduled dates. Delays also have occurred in the selection of engineering consultants on port development, but it is now expected that port projects will go forward.

As described in the Fifth Annual Report, the privately owned Industrial Development Bank was created as a result of discussions between the Turkish Government, private Turkish interests and the Bank, for the purpose of stimulating the growth of private industrial enterprise in Turkey. The Bank's loan of \$9 million is to finance the costs of imports for this program.

The Industrial Development Bank has now begun operations. By June 30, 1951 it had made loans for seven projects amounting to 2,762,000 Turkish liras and had approved additional loans totaling T.L. 4,180,000, of which slightly over half would be in foreign exchange to be requested from the Bank. So far, actual withdrawals from the Bank's loan have been for small administrative expenses incurred in foreign exchange.

On June 4, 1951 the report of the Bank's comprehensive economic survey mission headed by Mr. James M. Barker was presented to the President and Prime Minister of the Turkish Republic by the Vice President of the Bank. The report contains an analysis of the Turkish economy and its recommendations are designed to create the essential framework within which the Turkish Government can work out a sound long-term economic development program.

Three basic principles underlie the program proposed by the mission: the development of agriculture as the essential base for further industrialization; better utilization of the human and physical resources Turkey now has, in particular the training of technical, administrative and managerial personnel; and greater coordination of economic activity by the Government in order to ensure that the limited resources available for development will be applied to the areas of greatest economic need. Turkey has already made great progress in

developing the basic public utilities, the report points out, and this progress should make it possible, with careful planning, to increase the production both of agricultural and industrial consumer goods.

Turkey is carrying out a large development program, of which the projects financed by the Bank form only a small part. At the same time, she is building up her military defenses, which will continue to consume a large share of her economic resources. These programs, proceeding simultaneously, impose a heavy strain on Turkey's internal finances. The Government continues to show a deficit in its budget and inflationary pressure persists.

Turkey's current balance of payments situation has recently shown some improvement. Nevertheless, the import surplus remains substantial. Its financing has been provided largely by external aid.

Yugoslavia

Fiscal \$2.7 million 2-year 3% Loan of October 1950: 17, 1949 for timber equipment.

The loan was fully disbursed by December 31, 1950. Repayment of principal, as of June 30, 1951, amounted to slightly more than \$2.2 million.

In the Fifth Annual Report it was indicated that discussions were being held in Washington between representatives of the Bank and of the Yugoslav Government. Immediately after the Annual Meeting of the Governors of the Bank last year in Paris, the President of the Bank visited Belgrade to reappraise Yugoslavia's development and general economic policies. During this visit the Government presented its investment program, which subsequently was examined and discussed by the Bank with a Government representative sent to Washington for the purpose. As a result of these discussions a program of investment priorities was worked out which might form the basis for financing by the Bank.

L A T I N A M E R I C A

Brazil

Fiscal \$75 million 25-year 4½ % Loan of January 27, 1949 to Brazilian Traction, Light and Power Company, Ltd. for power and telephone development program.

Fiscal \$15 million 25-year 4¼ % Loan of May 26, 1950 to Companhia Hidro Elétrica do São Francisco for power development project.

Fiscal \$15 million 25-year 4¼ % Loan of January 18, 1951 to Brazilian Traction, Light and Power Company, Ltd. for power development program.

In January 1951 the Bank increased by \$15 million its loan of January 1949 to the Brazilian Traction, Light and Power Company, Limited. This was the second installment of a \$90 million loan which the Brazilian Congress, in 1948, authorized the Minister of Finance to guarantee.

The first installment of the Traction loan has been used for the expansion of hydroelectric power facilities in the Rio de Janeiro and São Paulo areas and of telephone facilities over a wider area in the central part of Brazil. A part of the first installment was used to divert water from the Paraíba River system to the Pirai River by means of a series of pumps, dams, tunnels and canals. The second installment will enable the Company, at an earlier date than was formerly planned, to take advantage of large investments now being made to increase water availability for the Rio system. The Company plans to spend a total of approximately \$260 million in its expansion program; the Bank's loans will provide the major part of the foreign-exchange requirements.

The projects of the Companhia Hidro Elétrica do São Francisco for the development of hydroelectric power at Paulo Afonso on the São Francisco River in northeast Brazil has been developing satisfactorily during the year under review. Construction schedules are being maintained and the work is being carried forward efficiently in accordance with the original plans.

The Bank has maintained contact with the Electric Energy Commission of the State of Rio Grande

do Sul, and was arranging to send a small mission to Porto Alegre during the summer to examine the Commission's plans for expanding service in the region.

The Bank has followed with interest the recent establishment under United States Point IV legislation of a Joint Brazil-U. S. Economic Development Commission. It will be the task of the Commission to work out an investment program for Brazil, to establish priorities within the program, and to assist in the technical preparation of projects for which priorities have been established. The Bank has indicated its willingness to work closely with the Commission.

Brazil's economic situation improved during the past year. Both agricultural and industrial production increased. Development of power, transportation facilities and domestic refining of imported liquid fuels was accelerated and heavy industry, an outgrowth of rising domestic production of steel, expanded. The world price of coffee continued high, and following the outbreak of hostilities in Korea, there was an increase in most other export prices and an urgent demand from abroad for greater production of strategic minerals. For the year 1950, foreign trade showed an over-all surplus of about \$250 million compared with a deficit of around \$25 million in 1949. The improvement was largely in dollars; it permitted the liquidation of former arrears on dollar remittances and the accumulation of substantial net dollar holdings at the end of the first quarter of 1951. Concurrently, by purchases from the International Monetary Fund and by special arrangements with the Bank of England, accumulated arrears in sterling were reduced. The improved dollar position and the rise in world food and raw-material prices permitted a considerable relaxation both of export licensing and of quantitative import restrictions which were introduced in 1948, and lessened the resort to barter trade as a means of moving certain exports. Accelerated foreign debt amortization, particularly

of the coffee loans, has brought about a sizable reduction in the external bonded debt. At the same time, there was a material increase in registered foreign private investment.

These favorable developments were, however, attended by a sharp rise in the budgetary deficit and in the monetary supply. It is the announced policy of the Government to bring under effective control this renewed tendency to inflation, which otherwise would diminish the benefits Brazil has derived from the rise in world prices of food and raw materials.

Chile

Fiscal \$13.5 million 20-year 4½% Loan of
1948: March 25, 1948 to Corporación de Fomento de la Producción and Empresa Nacional de Electricidad, S.A. (Endesa), for power development program.

\$2.5 million 6½ year 3¾% Loan of
March 25, 1948 to Corporación de Fomento de la Producción for importation of agricultural machinery.

Bank representatives visited Chile last May to review the progress of the projects being financed by the Bank under the two loans for agricultural equipment and for hydroelectric development and incidental irrigation. Practically all of the agricultural equipment had, as contemplated in the project, been sold to farmers. Work on the hydroelectric projects, including the first two units for the Los Cipreses plant, was on the whole proceeding satisfactorily.

The President of the Bank took advantage of his visit to Santiago in March to attend the meeting of the Economic and Social Council of the United Nations to discuss development problems with the President of Chile.

As a result of conversations between the Bank and representatives of Corporación de Fomento de la Producción early in 1951, the Bank had expressed an interest in possible loans to re-equip two privately owned coal mines and to add a third generating unit to the Los Cipreses hydroelectric plant now under construction by Endesa. The technical aspects of these projects are now being studied

by the Bank's engineering staff.

As a result of an investigation sponsored by the Government of a number of irrigation proposals, it was suggested that underground water resources of the Río Elqui Valley in the north central part of Chile might be sufficient to provide supplementary water for land already under irrigation and to irrigate new lands. The Government requested the Bank to consider financing the first of three steps in the development of these underground water resources. Accordingly, the Bank had a preliminary technical study made. This indicates that there is substantial ground water; but the volume and rate of recharge must be determined before sizable investments are made. The Bank and the Government are now considering further steps to be taken.

On the invitation of the Bank, representatives of the Government spent several weeks during April-May of this year in Washington discussing economic and technical problems involved in the preparation of a general development program.

At the request of the Government, the Bank and the Food and Agriculture Organization are sponsoring a joint group for the study of agricultural development in Chile. This group, which arrived in Chile at the end of May 1951, has been working in close collaboration with the Government and with other technical experts who have been studying various agricultural problems under the auspices of FAO and the Institute of Inter-American Affairs. The group is expected to return to Washington in September.

The problem of inflation remained still unresolved in mid-1951. Both the money supply and the cost of living rose about 17% during 1950, giving rise to labor unrest and to demands for compensatory wage increases. Wage raises granted to Government employees during the year were the principal cause of the fiscal deficit. Inflationary pressures were rendered more acute by a reduction of agricultural output due to serious drought in 1950 and by the fact that total manufacturing output did not expand. There was, however, encouraging

growth in some fields. Electric power production rose to a point that permitted rationing to be eased. Output from the Huachipato steel mill grew steadily and some steel products were exported.

The Chilean balance of payments improved during 1950, as a result mainly of reduction of imports. Export values were slightly lower than in 1949, despite an increase in copper prices in the latter part of 1950. The improvement continued in the first half of 1951. An agreement was reached with the United States Government regarding an increase in the export price of Chilean copper and there are good prospects for expansion of output of both copper and nitrate.

Colombia

Fiscal \$5 million 7-year 3½% Loan of August 19, 1949 to Caja de Crédito Agrario, Industrial y Minero for importation of agricultural machinery.

Fiscal \$3.5 million 20-year 4% Loan of November 2, 1950 to Central Hidroeléctrica del Río Anchicayá, Limitada, for power development project.

\$2.6 million 20-year 4% Loan of December 28, 1950 to Central Hidroeléctrica de Caldas, Limitada, for power development project.

\$16.5 million 10-year 3⅞% Loan of April 10, 1951 for highway construction and rehabilitation.

Disbursement of the loan for the purchase of agricultural machinery was completed on April 1, 1951 and an undisbursed balance of some \$75,000 was cancelled. Representatives of the Bank visited Colombia early in 1950 and their examination indicated that distribution of loan-financed machinery was progressing satisfactorily. The machinery appeared to be suitably employed and adequately maintained. While it is too early to assess the full results of the loan, agricultural production has already benefited in those areas where mechanization has been introduced. Most of the equipment imported under the loan is used in four main areas well suited to mechanized farming. In the Sinu River area, formerly devoted largely to cattle, the machinery imported under the loan is helping

to expand the production of cotton, thereby reducing the need for imported cotton for the textile industry. In the Department of Tolima there is increased production of rice and of sesame, which is important in supplying much-needed fats and oils. In the fertile Cauca Valley, loan-financed equipment is being used in the production of sugar cane, rice, beans and maize; and on the plain of Bogotá the cultivation of potatoes, wheat and vegetables is aided by the increase in farm mechanization.

The Fifth Annual Report mentioned loans under consideration for financing part of the foreign-exchange costs of three new hydroelectric projects, each of which would supply power to an important Colombian city. Loans have now been made for two of these projects, while the third, to provide additional electric power to the city of Bucaramanga in northeastern Colombia, is still under consideration pending completion of satisfactory arrangements for marketing the electric power that would be generated.

The loan of \$3.5 million made in November 1950 to the Central Hidroeléctrica del Río Anchicayá, Limitada was to cover part of the foreign-exchange costs of a hydroelectric project to serve the city of Cali, one of the four major industrial centers of Colombia. Power from this installation will also assist the economic development of the Cauca Valley, a rich agricultural region with potential for industrial development.

The loan of \$2.6 million made in December 1950 to the Central Hidroeléctrica de Caldas, Limitada was to cover the major part of the foreign-exchange costs of a plant that will supply electric power to the city of Manizales, and help in the development of the Department of Caldas, an important agricultural area of the country.

The report of the Bank-sponsored comprehensive survey mission referred to in the Fifth Annual Report was transmitted to the Government of Colombia on July 27, 1950. Shortly thereafter the Government appointed a non-governmental and non-partisan Economic Development Committee

to assist the Government in formulating an over-all development program based on the report and to recommend steps to be taken to assure the effective execution of the program. One member of the Bank's staff and two consultants who had been members of the mission returned to Colombia as advisers to the Committee. The Committee has submitted a number of recommendations which were adopted by the Government and translated into positive action. Inflation was checked, new regulations relaxing foreign-exchange controls were enacted, and the highway program mentioned below was adopted. The Government also reorganized the Banco de la República and announced a more liberal policy regarding the import and export of capital. Upon completion of its work, the Committee will submit plans for a comprehensive development program to the Government. In the meantime, a number of United Nations and United States experts have been invited to render special assistance in various fields and are now working in Colombia.

Although the Bank had intended to await the completion of the over-all program before determining in what direction its assistance would be most effective, it decided to support immediately a three-year highway rehabilitation program. Both the Economic Development Committee and the Government felt that, in view of the fact that the condition of Colombia's highways was seriously hampering the country's economic development, immediate action should be taken to rehabilitate the existing trunk highway system. The Bank also felt that a loan to finance this project would be justified, since it would unquestionably be an important part of any broad program. Accordingly, a loan of \$16.5 million was made by the Bank in April 1951 to finance the foreign-exchange cost of the highway work, to be done under contract by experienced firms. The project will consist of the construction of approximately 155 kilometers of new highways to provide connecting links in the trunk system; the rehabilitation of 2,906 kilometers of existing trunk highways; the establishment and

maintenance of repair shops; and the training of Colombian personnel in the repair and use of the equipment and in highway maintenance.

Recently the main sectors of the Colombian economy have been developing satisfactorily. Both agricultural and industrial production are now at a relatively high level. Receipts from coffee exports, the chief source of Colombia's foreign-exchange income, were higher in 1950 than in 1949, and have been at a high level in 1951. Since October 1950 inflation has been checked and the cost of living index has steadied. The fiscal position of the Government has improved. In March 1951, restrictions on imports were reduced and the Government set a new exchange rate for the peso.

Costa Rica

A Bank mission will visit Costa Rica in September to study the general economic situation and to examine the Government's development plans.

Cuba

A Bank mission under the leadership of Mr. Francis Adams Truslow, organized at the request of the Government, went to Cuba at the end of July 1950. The composition and objectives of the mission were described in last year's Annual Report. Briefly, the purpose of the mission was to make a comprehensive survey of the economy in order to determine its full potentialities, and to make specific proposals for future development. The mission spent 11 weeks in Cuba and traveled extensively throughout the country.

On January 10, 1951 the Bank and the Government made public a report entitled "Comment and Recommendations of the Cuban Mission with Respect to the Public Service Railways of Cuba." Because of the urgency of the railway situation, this report was submitted prior to the completion of the other sections of the mission's over-all report. It was recommended that the United Railways of Havana and the Consolidated Railroads of Cuba, which constitute practically all of the public service railways, be combined into a new company and

operated as a single railway system; that Cuban sugar companies acquire a substantial minority interest and participation in the control of the new railway company; and that the Government support the reorganization and provide such reasonable assurances as would permit the new company to carry out an appropriate program of rehabilitation and to operate on a self-sustaining basis under private management.

As of June 30, 1951 the full report was nearing completion, and was scheduled for presentation to the Government in August.

Ecuador

The President of Ecuador, during his visit to the United States in June 1951, discussed Ecuador's development plans informally with the Bank. A Bank mission will visit the country later this year to examine projects under consideration.

El Salvador

Fiscal \$12.5 million 25-year 4¼% Loan of
1950: December 14, 1949 to Comisión Ejecutiva
Hidroeléctrica del Río Lempa for power
development project.

In the Bank's Fifth Annual Report, details were given of the loan for the development of hydroelectric power on the Lempa River. Work was started by the contractor in October 1950, and since that date has been proceeding normally.

A local bond issue in the amount of 13,100,000 colones (\$5.24 million) was successfully floated in order to meet the local-currency costs of the project. Apart from some movement from commercial banks to the public, these bonds have been mainly retained by the original subscribers as investments, and there has been little trading in them.

The economic situation of El Salvador remains satisfactory. The high price of coffee, the principal export, has contributed to a steady increase of foreign-exchange reserves. Other exports, such as cotton, sesame and precious metals, have also increased, while imports have not risen to the same extent. The internal money supply has not been

allowed to increase in the same proportion as foreign-exchange reserves. Partly as a result of a new coffee export tax, the budget continues to be balanced.

Guatemala

An economic survey mission, headed by Dr. George E. Britnell, visited Guatemala between June and August 1950 to study the country's resources and potentialities and to make recommendations as to its further development. The mission consisted of six members whose fields of specialization included agriculture, industry, mining, transportation, power and economics. This group was assisted in the field by a number of additional specialists for varying periods of time. The report of the mission was completed in June 1951 and was to be presented to the Government early in July.

The general program proposed by the mission places primary emphasis on the improvement of agricultural productivity, particularly in coffee and low-cost food crops, and the expansion of transportation facilities, especially highways. Improvement in these two sectors would lay the foundation for the gradual diversification of the economy and the expansion of manufacturing industries.

In the opinion of the mission, the opening up of the Pacific coastal plains to mechanized agriculture offers the greatest possibilities for achieving a rapid and substantial increase in foodstuffs at reduced prices. The mission points out, however, that before further development of this area can be successfully undertaken a vigorous effort will be necessary to eliminate the malarial mosquito. The importance of improvements in marketing, storage and credit facilities is also stressed in the report. The mission urges an all-out effort to increase the production of coffee, Guatemala's most important export and the potential source of most of the funds for financing future development needs, and reorganization of the Fincas Nacionales (farms owned or controlled by the Government), to increase their production and reduce their costs.

The inadequacy of the transportation system is probably the greatest single barrier to Guatemala's economic development, the mission found. As a first step toward relieving this situation, it recommends the adoption of a basic national plan for the development and maintenance of highways. The report also suggests the expansion of domestic airlines to serve isolated areas and the establishment of a non-political public utilities commission to regulate rates and services for all forms of transport.

Other sections of the report deal with industry, mining, telecommunications and power, public policies affecting development, the financial resources available to Guatemala for carrying out its development program, and finally, three alternative programs of public investment.

Honduras

As mentioned in the Fifth Annual Report, the Bank at the request of the Honduran Government assigned a member of its economic staff for a period of eight months to assist in the organization of a new Development Bank and in the formulation of its credit and development policies. The assignment ended in December 1950, and the Development Bank is now in operation.

Mexico

Fiscal \$24.1 million 25-year 4½% Loan of January 6, 1949 to Comisión Federal de Electricidad and Nacional Financiera for power development.

\$10 million 1-year 4½% Loan of January 6, 1949 to Comisión Federal de Electricidad and Nacional Financiera for power development. (Refunded)

Fiscal \$26 million 25-year 4½% Loan of April 28, 1950 to Mexican Light and Power Company, Ltd., for power development.

Fiscal \$10 million (maturity date to be determined) 3½% Loan of October 18, 1950 to a Consortium of Eight Mexican Banks and Nacional Financiera for financial assistance to small enterprises.

The Fifth Annual Report referred to a proposal

by the Mexican Government for a moderate-sized loan to finance small and medium-scale projects undertaken by private enterprises. In order to carry out this proposal, it was necessary to devise a means whereby foreign credits, which had hitherto been granted almost entirely to finance major development projects carried out by Government or Government-sponsored enterprises, could be made available for the smaller projects of private enterprise.

In the summer of 1950 conversations were held between the Bank and Mexican private banks and Government officials to work out some method of financing which would not impose on the Bank the burden of screening a number of relatively small loan applications. The creation of an entirely new agency seemed superfluous in view of the existence of a well-developed private banking system. Consequently, a consortium was organized, by means of which a number of commercial banks and Nacional Financiera, a government financial agency, associated themselves to administer a line of credit for financing private enterprises.

The proposal finally took shape on October 16, 1950, in the Consortium Agreement, signed by eight of the principal commercial banks of Mexico and by Nacional Financiera. On October 18, 1950 the Bank entered into an agreement with the nine Consortium members, extending to them a line of credit of \$10 million. A covering guarantee agreement was signed with the Government of Mexico. The commercial banks participating in the Consortium are: Banco Nacional de México, S.A., Banco de Comercio, S.A., Banco Internacional, S.A., Banco de Londres y México, S.A., Banco Mexicano, S.A., all in Mexico City; and Banco Mercantil de Monterrey, S.A., and Banco Industrial de Monterrey, S.A., both in Monterrey, and Banco Comercial Mexicano, S.A., in Chihuahua.

Applications by Mexican firms for specific loans under the line of credit must be sponsored by one or more of the members of the Consortium. They are then scrutinized by the Nacional Financiera, which, if it approves, submits the applications to

the Bank. If the Bank approves a project, it makes a loan to such members of the Consortium as wish to participate, and they re-lend the proceeds to the applicant. Loans will normally range from \$25,000 to \$1 million, and their term will not as a rule exceed five years.

By this mechanism the Bank is able to delegate to members of the Consortium the greater part of the detailed screening of numerous small-scale projects. At the same time, the Bank retains the power to ensure that the loans conform to its general standards and objectives.

Mexico today is enjoying highly prosperous conditions. The expansion of both agricultural and industrial production which followed the stabilization of the peso in 1949, has now received the further stimulus of the urgent world demand for raw materials. The terms of trade have accordingly been moving in Mexico's favor; imports have expanded. Net receipts from tourism, an increasingly important source of Mexico's earnings of foreign exchange, rose steadily throughout 1950. In addition, the exchange reserves of the country have been considerably augmented through the inflow of short-term capital from abroad.

The Government has continued to carry out an active program of economic development. Over 17% of the 1950 budget, a total of 483 million pesos, was devoted to the development of internal transportation systems. Public investments in irrigation, electric power and petroleum have also continued on a high level. Nevertheless, a budgetary surplus was realized in 1950.

The general expansion of economic activity, and in particular the high level of export prices, has caused a steep rise in domestic prices. The index of wholesale prices has risen 43% since 1949. Recently, however, the Government has adopted a number of measures designed to check the growing inflation. In March 1951 the Executive was granted wide powers to control production, consumption, distribution and prices, and in May a new decree was passed limiting the total amount of credits to be issued by commercial banks.

Nicaragua

Fiscal \$3.5 million 10-year 4½% Loan of June 7, 1951 for highway construction.

\$1.2 million 7-year 4% Loan of June 7, 1951 to the Banco Nacional de Nicaragua for importation of agricultural machinery.

In November 1950 the Government of Nicaragua applied to the Bank for loans for farm-machinery, road-building and grain-storage projects. Representatives of the Bank had visited Nicaragua in 1949 and made a preliminary survey of the country's development possibilities. The Bank sent a second mission to Nicaragua in January 1951 to study the proposed projects, and arranged for the services of an expert from the Food and Agriculture Organization to study the country's grain-storage program. In June, the Bank made two loans, one to the Government for highway construction, and the other to the Banco Nacional for the importation of agricultural machinery.

The loan for highway construction will finance the import of equipment and materials for building eight roads. The roads will total 622 kilometers in length, will be asphalt-paved to permit year-round traffic, and should be completed in 3½ years. The total cost of the project is estimated at about \$5 million.

Lack of communications has been one of the most serious obstacles to the development of Nicaragua. Roads are urgently needed, both to provide access to hitherto untouched areas of rich agricultural land and to link the major centers of production, consumption and export.

The project consists of three separate groups of roads, the Northern, the East-West and the Western, which will complement the existing trunk roads and the Inter-American Highway. Completion of the Northern group should yield substantial returns by opening up new land in the rich coffee-producing region around Matagalpa. The East-West group will serve a fertile rural area; and by facilitating the marketing and exporting of cereals, vegetables, cotton and livestock, it should

reduce the wastage now prevalent in this area. Of the Western group, the most important highway will link Managua, the capital, with León, the second largest city. These two cities are now connected only by rail. In addition to stimulating commerce, the new road should open up a rich agricultural area, suitable for mechanized farming and capable of producing a wide variety of crops.

The agricultural loan will provide the foreign exchange required for the purchase and importation of agricultural machinery and spare parts. The machinery, which will range from small tractors to heavy land-clearing equipment, will be imported through normal channels of trade and will be sold to farmers who will have received credits from the Banco Nacional. A training program is being undertaken and arrangements are being made to provide facilities for the repair and maintenance of the equipment.

In January of this year, the Government asked the Bank for assistance in planning and carrying out various phases of a development program. The Bank indicated its willingness to send a special representative who, assisted by an engineer, would remain in Nicaragua for a period of eight months to a year to assist in formulating and executing a general economic program. In addition, technical experts will visit Nicaragua as needed. The Bank's special representative was to arrive in Nicaragua early in July.

Nicaragua today is in a more favorable economic situation than for many years past. With the exception of 1949, when the coffee crop was unusually poor, exports have expanded steadily in recent years, and in 1950 amounted to \$26.6 million, as against only \$6.9 million in 1945. Between 50 and 60% of Nicaragua's exports are sold to the United States, and substantially all the rest is sold for dollars or other convertible currencies. With improvement in transportation and methods of production, there are good prospects for increased exports of coffee and cotton, and of bananas, previously low on account of crop disease.

As a result of budgetary deficits, the expansion

of bank credit, and high export prices, Nicaragua has been experiencing a severe inflation. At the beginning of 1951, the money supply was 17% above that of the previous year and almost 70% higher than at the end of 1945. However, firm measures have been adopted by the Government to check this situation. In 1950 a small budget surplus was realized for the first time in several years and the budget for 1951 is expected to be in balance.

Panama

In April 1951 the Government of Panama requested the Bank to organize a general survey mission to study development possibilities. The Bank suggested that a small staff mission should make a preliminary survey which would indicate in what directions more specialized studies would be most fruitful. This Bank mission will visit Panama in the second half of 1951.

Paraguay

A Bank mission will visit Paraguay this summer to study plans for agricultural development and road construction.

Peru

Last year's Annual Report indicated that Peru had a number of development projects under consideration which might be suitable for financing. Following a brief visit to Peru by the President of the Bank in March, a Bank mission examined the merits and discussed the preparation of these projects. Those found to be most suitable for Bank consideration are projects for irrigation, highway construction and maintenance, agricultural machinery, equipment for the Port of Callao, and development of anthracite in the Santa Valley. Members of the mission completed their work by mid-June and their findings as well as general aspects of the country's position, are currently under consideration by the Bank.

Peru's balance of payments has continued to improve during the past year, making possible

removal of import restrictions. The Government is expected to operate with a balanced budget. On the whole, the prospects are good for increased production and continued economic development, provided that the renewed inflationary pressures, which have arisen mainly because of foreign-exchange inflow, are restrained.

Surinam

The Bank has agreed to organize a mission to review and make recommendations concerning a provisional program which has been formulated to promote the development of Surinam.

Uruguay

Fiscal \$33 million 24-year 4¼ % Loan of August 25, 1950 to Administración General de las Usinas Eléctricas y los Teléfonos del Estado for power and telephone development program.

The loan to Administración General de las Usinas Eléctricas y los Teléfonos del Estado (U.T.E.), an autonomous government agency, signed on August 25, 1950, was ratified on May 19, 1951 by the Uruguayan Parliament and became effective ten days later. As a result of the nationwide elections held last November, a new Parliament took office on February 15 of this year and active consideration of the agreements began in March.

The proceeds of this loan are being used to cover the foreign-exchange cost of increasing Uruguay's facilities for generating and distributing electric

power and for the expansion of telephone services which are operated by U.T.E.

At the request of the Government, a joint Bank-FAO technical mission was in Uruguay from October to December 1950 to make a survey of the country's agricultural problems and requirements, and to formulate recommendations for increasing and improving production. The mission was headed by Sir Maurice Hutton, and included specialists in production, marketing, animal husbandry, pasture and forage, dairying, soils and fertilizers, forestry, extension services and agricultural engineering. The mission's report was scheduled for transmittal to the Uruguayan Government in July.

Uruguay's balance of payments position improved substantially during the past year. Both the volume and the unit price of wool exports increased, resulting in considerably higher dollar earnings on trading account. At the same time there has been a relatively large movement of flight capital into Uruguay which has also contributed to a growth of exchange holdings, although introducing a possible element of future instability.

The authorities have not succeeded fully in controlling the inflationary pressures which were increased by the abnormal exchange inflow and by an unbalanced budget. The 1950 budget showed a deficit amounting to 7% of expenditures, arising mainly from increase of civil service salaries. The Government has, however, shown itself aware of the dangers of the situation.

FINANCIAL ACTIVITIES AND RESOURCES

EARNINGS, RESERVES, REPAYMENTS AND DISBURSEMENTS

Reflecting the growth in the volume of loans outstanding, the earnings of the Bank for the fiscal year showed a substantial increase over the earnings in 1949-50. Net income after all deductions, including interest and other bond expenses and the transfer of loan commissions to the Special Reserve, was \$15,156,947, which compares with a net of \$13,698,398 for the fiscal year ended June 30, 1950. Gross income from all sources amounted to \$34,591,085. Of this, \$28,456,318 represented income from interest, commissions and other charges on loans; and \$6,116,319 was income from investment.

In accordance with a decision of the Executive Directors and the Board of Governors all net income for the entire period of the Bank's operations has been placed in a general reserve against losses on loans and guarantees, and on June 30, 1951 this reserve was \$42,155,217.

Loan commissions for the year totaled \$6,388,543, and as required by the Articles of Agreement were credited to the Special Reserve for meeting the Bank's obligations. That reserve amounted to \$20,125,748 on June 30, 1951. Total reserves of the Bank on that date aggregated \$62,280,965.

Repayments of loan principal due during the year were all received on schedule and amounted to \$5,549,135. This amount does not include princi-

pal payments of \$1.2 million to investors holding the Guaranteed Serial Notes of four Netherlands shipping companies which were sold by the Bank in 1948-49 with its unconditional guarantee.

Total disbursements made on the Bank's loans to June 30, 1951 amounted to the equivalent of \$691.7 million, of which a total of \$77.6 million was made in the last fiscal year. Of total funds disbursed, \$666.6 million was repayable in United States dollars and the equivalent of \$25.1 million was repayable in Canadian dollars, Belgian francs, Danish kroner, French francs, Italian lire, pounds sterling and Swiss francs. Of the \$77.6 million disbursed during the year, \$53.3 million (68.6%) was spent in the United States and \$24.3 million (31.4%) in other countries.

The geographical distribution of total expenditures financed by the Bank from the start of its operations in 1946 to June 1951 is shown below:

<i>Area of Expenditure</i>	<i>Amount (Expressed in millions of U. S. \$)</i>
United States	\$505.6
Europe	78.2
Latin America	57.5
Canada	45.5
Near East	2.5
Africa	2.2
Far East2
Total	\$691.7

FUNDS AVAILABLE FOR LENDING

Funds available to the Bank for lending on June 30, 1951, in terms of United States dollars, are summarized below:

2% paid-in portion of subscriptions of all members	\$	163,175,000
18% portion of subscription of the United States.....		571,500,000
18% portion of subscriptions made available by other members		26,221,000
<hr/>		
Total available Capital		
Subscriptions	\$	760,896,000
Net available funds resulting from operations		43,000,000
Net proceeds of sale of bonds — excluding premium and discount		324,588,000
<hr/>		
Gross Total Available Funds	\$1,128,484,000	
Total loans committed \$1,113,525,000		
Less cancellations, loans sold and principal repayments available for re-lending ..	48,741,000	1,064,784,000
<hr/>		
Excess of Available Funds over Net Loan Commitments	\$	63,700,000
Undisbursed Balance of Loans.		404,085,000
<hr/>		
Excess of Available Funds over Net Loan Disbursements	\$	467,785,000

This table shows only those funds which have been utilized by the Bank or may be utilized without further approval of members. These funds include the entire 18% portion of the subscriptions of Ecuador, El Salvador, Honduras and the United

States, the equivalent of \$2 million from Belgium, \$16.6 million from Canada, \$125,000 from Denmark, \$1.3 million from France, \$120,000 from Guatemala, \$100,000 from Italy, \$2 million from Mexico, \$126,000 from Paraguay and \$2.9 million from the United Kingdom.

Many of the other member countries have expressed a willingness to consider releases of their 18% funds at such time as borrowing countries need goods which can be purchased with their currencies. The following countries, including some who already have made releases as mentioned above, have agreed, subject to further consultation in each particular case, to the use of all or part of their 18% currency for loans:

Colombia	Netherlands
Costa Rica	Norway
Denmark	Pakistan
Finland	Peru
France	Philippines
Greece	Syria
Iceland	South Africa
India	Thailand
Italy	United Kingdom
Lebanon	Yugoslavia

Currency releases are of greater or less usefulness to the Bank according to their degree of convertibility or to the ability of the releasing countries to export goods needed for development. It is not possible, however, to overstress the long-run importance of cooperation by member nations in releasing their capital subscriptions to add to the lendable resources of the Bank. Such action will enable the Bank to meet a larger proportion of the capital requirements of many members whose ability to assume United States dollar indebtedness is limited, and whose requirements therefore must be met by loans in other currencies.

SALES OF SECURITIES

During the year, the Bank sold new issues of its direct obligations in the United States and Great Britain, and was preparing for an issue in Switzerland. For the first time it sold without its guarantee bonds received from certain of its borrowers,

to European, Canadian and American investors.

There was evidence of a broadening of the market for the Bank's securities in the United States. The successful flotation of the sterling issue in the London market, together with the sub-

stantial quantities of the Bank's dollar bonds purchased outside the United States, shows the progress that has been achieved in developing markets for the Bank's bonds in the territories of other member countries.

The Bank does not consider such sales a substitute for releases of member countries' 18% currencies. The Bank does consider sales of its bonds in the traditional financial centers a means of developing potential sources of additional funds for lending. Where conditions are favorable, there are obvious long-term advantages in establishing the Bank's credit in the financial markets and in familiarizing local investors with its securities—even before all 18% funds are released. Such operations are important steps in building future markets, which should become increasingly useful as sources of investment funds.

Developments of far-reaching importance occurred in the United States bond market during the past fiscal year as the monetary authorities sought to reduce inflationary pressures through measures designed to curtail the expansion of credit. The resultant increase in interest rates in the United States appeared to accelerate and in some cases to initiate a trend toward higher rates in other financial centers. Following the sale of its dollar bond issue at the end of February, the Bank found these conditions reflected in higher interest rates in the United Kingdom and Switzerland. Despite the general decline of bond values, the market action of the Bank's issues in the United States has been favorable compared with other highly rated bonds, and confirms that the obligations are now considered seasoned securities and are generally in strong investment hands.

New Issues of the Bank's Bonds

On February 28, 1951 the Bank offered in the United States a new issue of \$50 million 3% bonds of 1951 due 1976. It was well received by investors in the United States, Canada and Europe. A new method of distribution was employed. A Sponsoring Group was formed, composed of 32 leading United States commercial banks and investment

banking firms, and managed jointly by The Chase National Bank, The First Boston Corp., C. J. Devine & Co., and Salomon Bros. & Hutzler. The function of this group was to consult and advise the Bank on the financing, arrange for group sales to large institutional investors and to offer the securities for subscription to a Selling Group of 421 members. A total of approximately \$26 million principal amount of securities was allotted as group sales to life insurance companies in the United States and Canada, pension and trust funds, savings banks and European financial institutions. The balance of the issue was allotted to 408 selling group members and was widely distributed both geographically and as to type of investor.

The Bank concluded its first financing in a member nation other than the United States when it sold an issue of £5 million 3½% stock 1966/71, to a London syndicate of banking firms composed of Baring Brothers & Co., Ltd.; Hambros Bank, Ltd.; Lazard Brothers & Co., Ltd.; Morgan Grenfell & Co., Ltd.; N. M. Rothschild & Sons; and J. Henry Schroder & Co. The securities were publicly offered in the London market beginning May 23, 1951, and the reception of the issue was highly favorable.

At the close of the fiscal year arrangements had been completed with a Swiss banking syndicate for the first public offering of the Bank's bonds in Switzerland, to be made early in July. The issue, of 12-year 3½% bonds, was to be in the amount of 50 million Swiss francs, equivalent to approximately \$11.6 million. On two previous occasions the Bank had borrowed in the Swiss market through the private sale of its bonds.

Sales of Bonds from the Bank's Portfolio

The Bank sold from its portfolio, with its unconditional guarantee, \$549,000 principal amount of bonds of Corporación de Fomento de la Producción (Chile). The securities were purchased by a large United States commercial bank. Another block of \$242,000 of these Chilean bonds was scheduled for sale early in July.

The Bank also sold — without its guarantee — the equivalent of \$4.5 million short-maturity bonds of the Brazilian Traction, Light and Power Company, Limited, Crédit National (France), Suomen Pankki (Finland), Herstelbank (Netherlands), Grand-Duchy of Luxembourg, and Kingdom of the Netherlands. The securities were purchased by American, Canadian and European investors. The transfer of those investments from the Bank's portfolio to private investors and the loan of \$10 million granted to the Union of South Africa by American commercial banks simultaneously with the loan from the Bank, are developments of considerable importance as they demonstrate methods by which the Bank can help promote private foreign investment.

Broadening Market for the Bank's Bonds

Substantial investments in the Bank's United States dollar bonds were made by non-United States investors during the last year. Purchases of bonds are known to have been made in Canada, Latin America, Europe, Asia and Africa. It is estimated that such holdings exceed \$39 million, including substantial amounts purchased by the central banking institutions of ten member nations. Including the Swiss franc and sterling issues, the aggregate amount of the Bank's direct and guaranteed indebtedness held by non-United States investors exceeds \$60 million.

This development may in large part be attributed to the cooperation of various countries in enacting legislation or issuing rulings or decrees to facilitate the introduction of the Bank's obligations in their capital markets. Several such actions are described in the Fifth Annual Report of the Bank.

During the past fiscal year, the Bank's position has been clarified in connection with borrowing operations and other activities in Switzerland, which is not a member of the Bank. Negotiations between the Swiss Federal Council and the Bank resulted in an agreement, signed in Berne on June 29, which recognizes the international personality and legal capacity of the Bank and grants it facilities which in part correspond to those which it enjoys in the territories of its members. The agreement will be submitted to the Swiss Federal Chambers for ratification.

The £5 million sterling issue, sold to a London syndicate of banking firms and publicly offered in the London market, was made possible by the approval of the United Kingdom Government as required under the Bank's Articles of Agreement.

The French Government authorized the listing on the Paris Bourse of the Bank's twenty-five year 3% bonds due 1972 and the twenty-five year bonds of 1951 due 1976. French foreign-exchange regulations permit residents of France to purchase, in the United States, International Bank bonds with dollars acquired through the sale in the United States of other securities. The Bank's bonds so acquired are officially traded on the Paris Bourse and may be purchased directly against French francs.

In March 1951 the Colombian Government issued a decree authorizing all national banks in Colombia to invest up to 10% of their capital and reserves in International Bank bonds or in Colombian bonds issued under loan agreements with the Bank. The same decree outlines a procedure whereby Colombian branches of foreign banks can increase their capital and reserves by investing in such bonds.

FINANCIAL STATEMENTS AND REPORTS

Appendices A through G provide a balance sheet showing the financial position of the Bank as of June 30, 1951, a comparative statement of income and expenses for the fiscal years ended June 30, 1950 and June 30, 1951, a complete

statement of loans up to the end of the fiscal year, an opinion of the auditor, and other schedules giving details about the assets and the capital structure of the Bank.

MANAGEMENT AND ORGANIZATION

Changes in Personnel

Mr. William A. B. Iliff, since February 5, 1948 the Loan Director of the Bank, was appointed Assistant to the President on April 3, 1951. In the absence of the President and Vice President, Mr. Iliff acts as Senior Executive Officer of the Bank. Mr. A. S. G. Hoar, who had been Assistant Director of the Loan Department since October 1, 1946, succeeded Mr. Iliff as Loan Director.

Mr. William L. Ayers, Director of Public Relations since November 1, 1949, suffered a heart attack while en route to the Bank's Fifth Annual Meeting at Paris. His death shortly thereafter was a major loss to the Bank. Mr. Harold N. Graves, Jr., of the Public Relations staff, was appointed to succeed him on November 20, 1950.

Mr. Norman M. Tucker resigned as Director of Marketing on October 31, 1950 to accept the position of General Manager of the Industrial Development Bank of Turkey, which is being financed in part by the Bank. Mr. Tucker died in Istanbul after a brief illness. His death was a serious loss to his many friends among the Executive Directors and staff of the Bank. Mr. Tucker was succeeded as Director of Marketing on November 1, 1950 by Mr. George L. Martin, who had been the head of the temporary Middle Western office of the Bank in Chicago for the term of its existence, from January to July, 1950.

Mr. Ansel F. Luxford, who had been a member of the Bank's staff since the start of its operations, resigned as Associate General Counsel on April 30, 1951 to enter private practice. Mr. Aron Broches of the Legal Department was appointed Assistant General Counsel on May 1, 1951.

The only major change in the functions of the various departments during the year was the assumption by the Loan Department of responsibility for assisting borrowers to procure capital equip-

ment in short supply as a result of the emergency situation.

As of June 30, 1951 the staff of the Bank consisted of 424 members from 30 countries.

Staff Retirement Plan

The consulting actuary to the staff retirement plan of the Bank made his second annual valuation as of December 31, 1950, and recommended that the current rate of contribution by the Bank, 12.26% of payroll should be continued. During the past year the plan was amended to provide certain retirement rights after three full years of eligible service, rather than five years as required heretofore. Also during 1950 provision was made for covering under the plan those staff members who are granted leave of absence from the Bank for emergency civilian or military service.

Training Program

The Bank has continued the training program which was inaugurated in 1949. For the third course under this program, beginning in January 1951, eight persons were selected, one each from Denmark, Finland, Iceland, Mexico, Pakistan, the Philippines, Turkey and Yugoslavia. The Bank plans to continue this program and is now in process of selecting a fourth group to begin training in January 1952.

Early in 1950 the Bank inaugurated a pilot program of training in public finance for selected officials of underdeveloped countries. The object of the program has been to assist governments to improve their financial and accounting procedures in accordance with the Bank's general purpose of furthering the development of its member countries. Two government officials, one from India and one from Thailand, have completed their training, which included the study of financial

procedures of United States federal, state and city governments. Two other officials, from Turkey and Honduras, are presently in the United States under this program. It is expected that the program will be continued on the present selective basis.

Administrative Budget

There is attached as Appendix H the Admin-

istrative Budget of the Bank for the fiscal year ending June 30, 1952. This budget has been prepared by the President and approved by the Executive Directors in accordance with Section 19 of the By-Laws. A special report on the budget is being submitted to the Board of Governors at the Annual Meeting.

MISCELLANEOUS

Relations with Other International Organizations

During the past year the Bank continued to maintain close relations with the International Monetary Fund, the United Nations and other international organizations. The Bank continued its practice of having representatives at meetings of the United Nations General Assembly and the Economic and Social Council. At the spring meeting of the Council in Santiago, the President of the Bank took an active part in the discussion of the general problems of financing economic development. During the course of the year, representatives of the Bank also attended meetings of the regional economic commissions — the Economic Commission for Europe, the Economic Commission for Latin America, and the Economic Commission for Asia and the Far East — and the Bank kept in close touch with the Consultative Committee on Economic Development in South and Southeast Asia and the Organization of American States.

In March a group of experts appointed by the Secretary-General of the United Nations visited the Bank to consult informally with staff members on problems relating to the economic development of less developed countries. Their report, "Measures for Economic Development of Under-Developed Countries," was considered at a meeting, in which officers of the Bank participated, of the Economic, Employment and Development Commission of the Economic and Social Council.

The President of the Bank attended several meetings of the United Nations Administrative Committee on Coordination, and staff members attended meetings of its subsidiary committees. The Bank is also collaborating with the United Nations Film Board in making short documentary records of several projects which have been partially financed by the Bank.

The Bank was represented at all meetings of the Technical Assistance Board of the United Nations and of the Technical Assistance Committee, which reviews the Board's activities on behalf of the Economic and Social Council. The Food and Agriculture Organization of the United Nations, as has been mentioned in another part of the Report, has joined with the Bank in sponsoring missions to survey agricultural development in Chile and Uruguay and has nominated experts on other survey missions as have the World Health Organization and the United Nations Educational, Scientific and Cultural Organization. Mention has already been made of the seminar for discussion of methods and techniques of economic development planning, jointly sponsored by the Economic Commission for Latin America and the Bank, and of the training institutes on the economic appraisal of development programs undertaken jointly by the FAO, the United Nations and the Bank.

Membership and Subscription

Ceylon became a member of the Bank in August 1950, bringing the total membership to 49. The Bank's total subscribed capital was \$8,338.5 million as of June 30, 1951. While the Bank's capital had increased by \$115 million through the admission of Pakistan and Ceylon in July and August 1950, it was reduced by \$125 million after the withdrawal of Poland by the repurchase by the Bank on September 14, 1950 of the 1,250 shares to which Poland had subscribed. The application for membership by Burma (proposed subscription \$15 million) was approved by the Board of Governors in May 1951, and that country will have until October 15, 1951 to accept membership in the Bank. The application by Sweden (proposed subscription \$100 million) was referred to the

Board of Governors for vote in June 1951. In addition, the applications of Jordan, Indonesia and the Federal Republic of Germany are being given consideration. The period in which Haiti and Liberia could have accepted membership expired in September 1950.

Additional Reports to Board of Governors

Reports in addition to this Annual Report are being submitted to the Board of Governors at the Sixth Annual Meeting. With regard to the Advisory Council of the Bank, the study of the Executive Directors is continuing. The additional reports cover:

- (a) Administrative Budget.
- (b) Allocation of Income by Executive Directors to Reserve.
- (c) Applications for Membership.
- (d) Resolution of United Nations Assembly 377 (V) entitled "Uniting for Peace."

- (e) Revised Loan Regulations Nos. 3 and 4.
- (f) Decisions of Executive Directors Interpreting Articles of Agreement.

Appendices

In addition to Appendices A through H containing the financial statements and reports and the administrative budget of the Bank, there are also included for the information of the Governors the following appendices:

Appendix I—Voting Power and Subscriptions of Member Countries as of June 30, 1951.

Appendix J—Governors and Alternates as of June 30, 1951.

Appendix K—Executive Directors and Alternates and their Voting Power as of June 30, 1951.

Appendix L—Principal Officers of the Bank as of June 30, 1951.

APPENDIX A

Balance Sheet—June 30, 1951

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

ASSETS

Due from Banks and Other Depositories (APPENDIX D)

—NOTE A

Member currency—United States.....	\$ 8,944,939	
Member currency—other than United States.....	111,922,773	
Non-member currency.....	4,273,280	\$ 125,140,992

Investment Securities

United States Government obligations (\$434,391,600 face amount; at cost plus accumulated discount and less amortized premium).....	\$ 434,143,650	
United Kingdom Government obligations (£1,175,000 face amount; at cost).....	3,286,955	\$ 437,430,605
Accrued interest		1,354,188
		438,784,793

Receivable on Account of Subscribed Capital (APPENDIX E)

Payable in member currency—United States		
Calls on subscription to capital stock—NOTE B.....	\$ 3,595,000	
Payable in member currency—other than United States		
Non-negotiable, non-interest-bearing, demand notes..	\$ 799,555,522	
Amounts required to maintain value of currency holdings—NOTE C.....	2,947,688	802,503,210
		806,098,210

Loans Outstanding Held by Bank—(APPENDIX C)—NOTES D and E.....

1,004,343,657

Accrued Interest, Commitment and Service Charges on

Loans—NOTE E..... 5,290,360

Other Assets

Receivable from sale of Sterling Stock.....	\$ 10,080,000	
Miscellaneous receivables and other assets.....	477,276	10,557,276

Special Reserve Fund Assets—NOTE F

Due from Banks—member currency—United States....	\$ 449	
Investment securities—United States Government obligations (\$18,626,900 face amount; at cost).....	18,626,900	
Accrued loan commissions—NOTE E.....	1,498,399	20,125,748

Staff Retirement Plan Assets

(Segregated and held in trust).....		1,481,634
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Total Assets \$2,411,822,670

Balance Sheet—June 30, 1951

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

LIABILITIES, RESERVES AND CAPITAL**Liabilities**

Accounts payable and accrued expenses, including \$3,411,257 bond interest.....			\$ 4,037,225
Undisbursed balance of loans			
On loans held by Bank.....	\$ 348,284,845		
On loans represented by obligations of borrowers sold under guarantee.....	3,450,450	351,735,295	
Funded debt—NOTE G			
Amount payable in United States Dollars			
2% Serial Bonds of 1950, due 1953-62.....	\$ 100,000,000		
Twenty-Five Year 3% Bonds, due July 15, 1972..	150,000,000		
Twenty-Five Year 3% Bonds of 1951, due March 1, 1976	50,000,000	\$ 300,000,000	
Amount payable in Pounds Sterling			
3½% Stock 1966-71 (£5,000,000).....		14,000,000	
Amount payable in Swiss Francs			
2½% Swiss Franc Serial Bonds of 1948, due 1953- 54 (Sw fr 17,000,000).....	\$ 3,955,788		
2½% Swiss Franc Serial Bonds of 1950, due 1953- 56 (Sw fr 28,500,000).....	6,631,763	10,587,551	324,587,551
Bonds called for redemption not presented.....	\$ 2,215		
Less funds on deposit with Fiscal Agent therefor....	2,215		

Reserves for Losses

Special reserve—NOTE F.....	\$ 20,125,748		
General (Supplemental) reserve—NOTE H.....	42,155,217	62,280,965	

Staff Retirement Plan Reserve.....

1,481,634

Capital (APPENDIX E)

Capital stock			
Authorized 100,000 shares of \$100,000 par value each			
Subscribed 83,385 shares	\$8,338,500,000		
Less—Uncalled portion of subscriptions—NOTE I	6,670,800,000	1,667,700,000	

Contingent Liability—Obligations of Borrowers Outstanding Sold under Guarantee—NOTE D \$22,098,550

Total Liabilities, Reserves and Capital....

\$2,411,822,670

APPENDIX B

**Comparative Statement of Income and Expenses for the Fiscal Years
Ended June 30, 1950 and June 30, 1951**

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

	July 1-June 30	
	1949-1950	1950-1951
Income		
Interest earned on investments	\$ 5,152,517	\$ 6,116,319
Income from loans:		
Interest	17,670,427	19,926,371
Commitment charges	2,491,707	2,053,197
Commissions	5,663,064	6,388,543
Service charges	141,281	88,207
Other income	8,133	18,448
Gross Income	\$31,127,129	\$34,591,085
Deduct—Amount equivalent to commission appropriated to Special Reserve (NOTE F)	5,663,064	6,388,543
Gross Income Less Reserve Deduction	\$25,464,065	\$28,202,542
Expenses		
Administrative expenses:		
Personal services	\$ 2,672,630	\$ 2,778,456
Expense allowances—Executive Directors and Alternates	12,194	4,317
Fees and compensation	334,958	406,976
Representation	46,713	57,589
Travel	437,257	597,011
Supplies and material	26,954	45,060
Rents and utility services	336,466	335,887
Communication services	89,522	106,860
Furniture and equipment	28,540	29,513
Motor vehicles	5,335	10,843
Books and library services	59,707	56,554
Printing	36,764	84,018
Contributions to staff benefits	266,126	300,322
Insurance	14,644	29,040
Other expenses	2,201	1,001
Total Administrative Expenses	\$ 4,370,011	\$ 4,843,447
Interest on bonds	6,811,798	7,248,276
Bond registration, issuance and other financial expenses	583,858	953,872
Gross Expenses	\$11,765,667	\$13,045,595
Net Income—Appropriated to General Reserve for Losses on Loans and Guarantees—		
NOTE H	\$13,698,398	\$15,156,947

Statement of Loans—June 30, 1951

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

<i>Borrower and Guarantor</i>	<i>Program or Project</i>	<i>Date of Loan Agreement</i>	<i>Maturities</i>
<i>Australia</i>	Equipment and materials for development	Aug. 22, 1950	1955-1975
<i>Belgium</i>	Equipment for steel and power industries	Mar. 1, 1949	1953-1969
<i>Brazil (Guarantor)</i>			
Brazilian Traction (First Installment)	Electric power development and telephone equipment	Jan. 27, 1949	1953-1974
Brazilian Traction (Second Installment)	Electric power development	Jan. 18, 1951	1955-1976
São Francisco Hidro Eléc. Co.	Electric power development	May 26, 1950	1954-1975
<i>Chile (Guarantor)</i>			
Fomento and Endesa	Electric power development	Mar. 25, 1948	1953-1968
Fomento	Agricultural machinery	Mar. 25, 1948	1950-1955
<i>Colombia</i>	Highway construction and rehabilitation	Apr. 10, 1951	1954-1961
<i>Colombia (Guarantor)</i>			
Caja de Credito	Agricultural machinery	Aug. 19, 1949	1952-1956
CHIDRAL	Electric power development	Nov. 2, 1950	1954-1970
Caldas Hidro-Eléc. Co.	Electric power development	Dec. 28, 1950	1952-1971
<i>Denmark</i>	Equipment and materials for reconstruction and development	Aug. 22, 1947	1953-1972
<i>El Salvador (Guarantor)</i>			
Comisión del Río Lempa	Electric power development	Dec. 14, 1949	1954-1975
<i>Ethiopia</i>	Rehabilitation of road system	Sept. 13, 1950	1956-1971
	Foreign exchange for Development Bank	Sept. 13, 1950	1956-1971
	Rehabilitation and extension of telephone and telegraph systems	Feb. 19, 1951	1956-1971
<i>Finland</i>	Equipment for timber production	Oct. 17, 1949	1950-1951
<i>Finland (Guarantor)</i>			
Bank of Finland	Electric power development and equipment for wood-working industries and limestone powder production	Aug. 1, 1949	1953-1964
<i>France (Guarantor)</i>			
Crédit National	Equipment and materials for reconstruction and development	May 9, 1947	1952-1977
<i>Iceland</i>	Electric power development	June 20, 1951	1956-1973
<i>India</i>	Railway rehabilitation	Aug. 18, 1949	1950-1964
	Agricultural machinery	Sept. 29, 1949	1952-1956
	Electric power development	Apr. 18, 1950	1955-1970
<i>Iraq</i>	Construction of a flood-control project	June 15, 1950	1956-1965
<i>Luxembourg</i>	Equipment for steel mill and railroads	Aug. 28, 1947	1949-1972
<i>Mexico (Guarantor)</i>			
Financiera and Comisión	Electric power development	Jan. 6, 1949	1953-1973
Financiera and Comisión	Electric power development	Jan. 6, 1949	July 1, 1950
Mexican Light and Power Co., Ltd.	Electric power development	Apr. 28, 1950	1953-1975
Consortium of Eight Mexican Banks and Nacional Financiera	Foreign exchange for small private enterprises	Oct. 18, 1950	To be determined
<i>Netherlands</i>	Equipment and materials for reconstruction and development	Aug. 7, 1947	1954-1972
	Equipment and materials for reconstruction and development (Supplemental Loan Agreement)	May 25, 1948	1953-1954

Statement of Loans—June 30, 1951

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

<i>Interest Rate (Including Commission)</i>	<i>Original Principal Amount</i>	<i>Loans Not Yet Effective</i>	<i>Cancellations and Refundings</i>	<i>Principal Repayments to Bank</i>	<i>Obligations of Borrowers Sold by Bank</i>	<i>Effective Loans Outstanding Held by Bank</i>	<i>Principal Amount Disbursed</i>	<i>Undisbursed Balance of Effective Loans</i>
4¼ %	\$ 100,000,000	\$ —	\$ —	\$ —	\$ —	\$ 100,000,000	\$ 9,057,902	\$ 90,942,098
4¼ %	16,000,000	—	—	—	16,000,000	—	12,549,550	3,450,450
4½ %	75,000,000	—	—	—	3,062,848	71,937,152	53,450,936	21,549,064
4¼ %	15,000,000	—	—	—	—	15,000,000	1,579,576	13,420,424
4¼ %	15,000,000	—	—	—	—	15,000,000	5,740,911	9,259,089
4½ %	13,500,000	—	—	—	—	13,500,000	3,910,815	9,589,185
3¾ %	2,500,000	—	—	473,000	549,000	1,478,000	2,500,000	—
3⅞ %	16,500,000	16,500,000	—	—	—	—	—	—
3½ %	5,000,000	—	74,559	—	—	4,925,441	4,925,441	—
4 %	3,530,000	—	—	—	—	3,530,000	263,715	3,266,285
4 %	2,600,000	—	—	—	—	2,600,000	1,782,516	817,484
4¼ %	40,000,000	—	—	—	—	40,000,000	40,000,000	—
4¼ %	12,545,000	—	—	—	—	12,545,000	2,485,548	10,059,452
4 %	5,000,000	—	—	—	—	5,000,000	472,178	4,527,822
4 %	2,000,000	—	—	—	—	2,000,000	—	2,000,000
4 %	1,500,000	1,500,000	—	—	—	—	—	—
3 %	2,300,000	—	—	1,565,009	—	734,991	1,983,739	316,261
4 %	12,500,000	—	—	—	57,010	12,442,990	7,400,775	5,099,225
4¼ %	250,000,000	—	—	—	50,000	249,950,000	250,000,000	—
4⅜ %	2,450,000	2,450,000	—	—	—	—	—	—
4 %	34,000,000	—	1,200,000	1,707,529	—	31,092,471	32,800,000	—
3½ %	10,000,000	—	—	—	—	10,000,000	4,051,632	5,948,368
4 %	18,500,000	—	—	—	—	18,500,000	6,132,889	12,367,111
3¾ %	12,800,000	12,800,000	—	—	—	—	—	—
4¼ %	12,000,000	—	238,017	151,983	632,000	10,978,000	11,761,983	—
4½ %	24,100,000	—	—	—	—	24,100,000	12,168,610	11,931,390
4½ %	10,000,000	—	10,000,000 (Refunding)	—	—	—	—	—
4½ %	26,000,000	—	—	—	—	26,000,000	11,123,634	14,876,366
3½ %	10,000,000	10,000,000	—	—	—	—	—	—
4¼ %	191,044,212	—	—	—	50,000	190,994,212	191,044,212	—
4¼ %	3,955,788	—	—	—	—	3,955,788	3,955,788	—
	<u>\$945,325,000</u>	<u>\$43,250,000</u>	<u>\$11,512,576</u>	<u>\$3,897,521</u>	<u>\$20,400,858</u>	<u>\$866,264,045</u>	<u>\$671,142,350</u>	<u>\$219,420,074</u>

Statement of Loans—June 30, 1951 (Continued)

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

<i>Borrower and Guarantor</i>	<i>Program or Project</i>	<i>Date of Loan Agreement</i>	<i>Maturities</i>
Brought forward			
<i>Netherlands (Guarantor)</i>			
N. V. Stoomvaart Mij. "Nederland"	Purchase of S.S. Raki and S.S. Roebiah	July 15, 1948	1949-1958
N. V. Vereenigde Schvrt. Mij.	Purchase of S.S. Almkerk	July 15, 1948	1949-1958
N. V. Ned.-Amer. Stoomvaart-Mij. "Holland-Amerika Lijn"	Purchase of S.S. Alblasterdijk	July 15, 1948	1949-1958
N. V. Rotterdamsche Lloyd	Purchase of S.S. Friesland and S.S. Drente	July 15, 1948	1949-1958
Herstelbank	Equipment for reconstruction and modernization of particular industrial plants	July 26, 1949	1952-1964
<i>Nicaragua</i>	Highway construction	June 7, 1951	1954-1961
<i>Nicaragua (Guarantor)</i>			
Banco Nacional de Nicaragua	Agricultural machinery	June 7, 1951	1954-1958
<i>South Africa</i>	Expansion of transport facilities	Jan. 23, 1951	1956-1965
<i>South Africa (Guarantor)</i>			
Electricity Supply Commission	Electric power development	Jan. 23, 1951	1954-1970
<i>Thailand</i>	Railway rehabilitation	Oct. 27, 1950	1954-1966
	Irrigation	Oct. 27, 1950	1956-1971
	Port construction and development	Oct. 27, 1950	1954-1966
<i>Turkey</i>	Construction of grain-storage facilities	July 7, 1950	1954-1968
	Port construction and development	July 7, 1950	1956-1975
<i>Turkey (Guarantor)</i>			
Industrial Development Bank of Turkey	Foreign exchange for development of private industry	Oct. 19, 1950	1957-1965
<i>Uruguay (Guarantor)</i>			
U. T. E.	Electric power development and telephone equipment	Aug. 25, 1950	1955-1974
<i>Yugoslavia</i>	Equipment for timber production	Oct. 17, 1949	1950-1951

TOTAL LOANS GRANTED--NOTES D and E

Statement of Loans—June 30, 1951 (Continued)

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

<i>Interest Rate (Including Commission)</i>	<i>Original Principal Amount</i>	<i>Loans Not Yet Effective</i>	<i>Cancellations and Refundings</i>	<i>Principal Repayments to Bank</i>	<i>Obligations of Borrowers Sold by Bank</i>	<i>Effective Loans Outstanding Held by Bank</i>	<i>Principal Amount Disbursed</i>	<i>Undisbursed Balance of Effective Loans</i>
	\$945,325,000	\$43,250,000	\$11,512,576	\$3,897,521	\$20,400,858	\$866,264,045	\$671,142,350	\$ 19,420,074
3 $\frac{1}{16}$ %	4,000,000	—	—	—	4,000,000	—	4,000,000	—
3 $\frac{1}{16}$ %	2,000,000	—	—	—	2,000,000	—	2,000,000	—
3 $\frac{1}{16}$ %	2,000,000	—	—	—	2,000,000	—	2,000,000	—
3 $\frac{1}{16}$ %	4,000,000	—	—	—	4,000,000	—	4,000,000	—
4%	15,000,000	—	6,200,000	—	616,638	8,183,362	3,953,580	4,846,420
4 $\frac{1}{8}$ %	3,500,000	3,500,000	—	—	—	—	—	—
4%	1,200,000	1,200,000	—	—	—	—	—	—
3 $\frac{3}{4}$ %	20,000,000	—	—	—	—	20,000,000	—	20,000,000
4%	30,000,000	—	—	—	—	30,000,000	1,839,291	28,160,709
3 $\frac{3}{4}$ %	3,000,000	—	—	—	—	3,000,000	—	3,000,000
4%	18,000,000	—	—	—	—	18,000,000	15,000	17,985,000
3 $\frac{3}{4}$ %	4,400,000	4,400,000	—	—	—	—	—	—
3 $\frac{7}{8}$ %	3,900,000	—	—	—	—	3,900,000	67,715	3,832,285
4 $\frac{1}{4}$ %	12,500,000	—	—	—	—	12,500,000	—	12,500,000
3 $\frac{3}{4}$ %	9,000,000	—	—	—	—	9,000,000	9,193	8,990,807
4 $\frac{1}{4}$ %	33,000,000	—	—	—	—	33,000,000	—	33,000,000
3%	2,700,000	—	—	2,203,750	—	496,250	2,700,000	—
	<u>\$1,113,525,000</u>	<u>\$52,350,000</u>	<u>\$17,712,576</u>	<u>\$6,101,271</u>	<u>\$33,017,496</u>	<u>\$1,004,343,657</u>	<u>\$691,727,129</u>	<u>\$351,735,295</u>

APPENDIX D

*Statement of Currencies Held by the Bank—June 30, 1951**(See Notes to Financial Statements)*

	<i>Unit of Currency</i>	<i>Amount Expressed In Member Currency (Restricted)</i>	<i>Rate of Exchange (Note A)</i>	<i>Total Expressed in United States Dollars</i>
Member Currencies:				
Australia	Pound	160,839	\$ = 0.4464	\$ 360,280
Austria	Schilling	1,288,457	\$ = 14.40	89,564
Belgium	Franc	18,016,928	\$ = 50.00	360,339
Bolivia	Boliviano	737,429	\$ = 60.00	12,290
Brazil	Cruzeiro	349,434,903	\$ = 18.50	18,888,373
Canada	Dollar	3,717,750	\$ = 1.10	3,379,773
Ceylon	Rupee	12,855,920	\$ = 4.7619	2,699,746
Chile	Peso	194,637,871	\$ = 31.00	6,278,641
China	Gold Yuan	21,581,589	\$ = 20.00	1,079,079
Colombia	Peso	12,264,238	\$ = 1.950	6,289,414
Costa Rica	Colón	2,004,020	\$ = 5.615	356,905
Cuba	Peso	59,585	\$ = 1.00	59,585
Czechoslovakia	Koruna	11,062,883	\$ = 50.00	221,258
Denmark	Krone	575,691	\$ = 6.907	83,347
Dominican Republic	Peso	3,190	\$ = 1.00	3,190
Ecuador	Sucre	8,598,807	\$ = 15.00	573,254
Egypt	Pound	21,706	\$ = 0.3482	62,331
El Salvador	Colón	436,726	\$ = 2.50	174,690
Ethiopia	Dollar	1,298,430	\$ = 2.484	522,618
Finland	Markka	929,725,054	\$ = 230.00	4,042,283
France	Franc	183,255,887	\$ = 349.6	524,187
Greece	Drachma	22,500,000,000	\$ = 5,000.00	4,500,000
Guatemala	Quetzal	352,888	\$ = 1.00	352,888
Honduras	Lempira	2,600	\$ = 2.00	1,300
Iceland	Króna	2,900,576	\$ = 16.286	178,106
India	Rupee	3,252,729	\$ = 4.762	683,073
Iran	Rial	1,684,724	\$ = 32.25	52,239
Iraq	Dinar	4,024	\$ = 0.3571	11,268
Italy	Lira	7,258,807,169	\$ = 225.00	32,261,365
Lebanon	Pound	1,768,275	\$ = 2.191	806,886
Luxembourg	Franc	770,634	\$ = 50.00	15,413
Mexico	Peso	101,066,425	\$ = 8.65	11,683,980
Netherlands	Guilder	1,834,791	\$ = 3.80	482,840
Nicaragua	Córdoba	700,076	\$ = 5.00	140,015
Norway	Krone	624,291	\$ = 7.143	87,401
Pakistan	Rupee	552,218	\$ = 3.309	166,908
Panama	Balboa	35,995	\$ = 1.00	35,995
Paraguay	Guarani	1,501,183	\$ = 6.00	250,197
Peru	Sol	65,604	\$ = 6.50	10,093
Philippines	Peso	2,382,999	\$ = 2.00	1,191,500
Syria	Pound	12,438	\$ = 2.191	5,676
Thailand	Baht	161,997	\$ = 12.50	12,960
Turkey	Lira	135,041	\$ = 2.80	48,229
Union of South Africa	Pound	61,520	\$ = 0.3571	172,257
United Kingdom	Pound	694,832	\$ = 0.3571	1,945,529
United States	Dollar	4,950,318	None	4,950,318
Uruguay	Peso	2,846,177	\$ = 1.519	1,873,657
Venezuela	Bolivar	4,564,456	\$ = 3.35	1,362,524
Yugoslavia	Dinar	359,490,127	\$ = 50.00	7,189,802
Restricted Currency (NOTE J)				\$116,533,566
Unrestricted Currency (Belgium, Canada, United Kingdom and United States)				4,334,146
				\$120,867,712
Non-Member Currency (Switzerland)				4,273,280
Total (NOTE K)				\$125,140,992

APPENDIX E

Statement of Subscriptions to Capital Stock and Voting Power—June 30, 1951

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

Member	Subscriptions		Amounts Paid In (Note A)	
	Shares	Amount (Note L)	United States Dollars	In Currency of Member Other Than United States Dollars
1 Australia	2,000	\$ 200,000,000	\$ 4,000,000	\$ 360,368
2 Austria	500	50,000,000	1,000,000	90,000
3 Belgium	2,250	225,000,000	4,500,000	2,344,422
4 Bolivia	70	7,000,000	140,000	12,600
5 Brazil	1,050	105,000,000	2,100,000	18,900,000
6 Canada	3,250	325,000,000	6,500,000	13,340,334
7 Ceylon	150	15,000,000	300,000	2,700,000
8 Chile	350	35,000,000	700,000	6,300,000
9 China	6,000	600,000,000	9,030,000	1,080,000
10 Colombia	350	35,000,000	700,000	6,300,000
11 Costa Rica	20	2,000,000	40,000	360,000
12 Cuba	350	35,000,000	700,000	63,000
13 Czechoslovakia	1,250	125,000,000	1,875,000	225,000
14 Denmark	680	68,000,000	1,360,000	158,594
15 Dominican Republic	20	2,000,000	40,000	3,600
16 Ecuador	32	3,200,000	64,000	576,000
17 Egypt	533	53,300,000	1,066,000	95,940
18 El Salvador	10	1,000,000	20,000	180,000
19 Ethiopia	30	3,000,000	60,000	540,000
20 Finland	380	38,000,000	760,000	4,046,069
21 France	5,250	525,000,000	10,500,000	1,193,364
22 Greece	250	25,000,000	500,000	4,500,000
23 Guatemala	20	2,000,000	40,000	360,000
24 Honduras	10	1,000,000	20,000	3,600
25 Iceland	10	1,000,000	20,000	180,000
26 India	4,000	400,000,000	8,000,000	721,800
27 Iran	336	33,600,000	672,000	60,480
28 Iraq	60	6,000,000	120,000	20,880
29 Italy	1,800	180,000,000	3,600,000	32,400,000
30 Lebanon	45	4,500,000	90,000	810,000
31 Luxembourg	100	10,000,000	200,000	18,000
32 Mexico	650	65,000,000	1,300,000	11,700,000
33 Netherlands	2,750	275,000,000	5,500,000	552,631
34 Nicaragua	8	800,000	16,000	144,000
35 Norway	500	50,000,000	1,000,000	90,000
36 Pakistan	1,000	100,000,000	2,000,000	180,008
37 Panama	2	200,000	4,000	36,000
38 Paraguay	14	1,400,000	28,000	252,000
39 Peru	175	17,500,000	350,000	31,500
40 Philippine Republic	150	15,000,000	300,000	1,200,000
41 Syria	65	6,500,000	130,000	11,700
42 Thailand	125	12,500,000	250,000	22,500
43 Turkey	430	43,000,000	860,000	77,400
44 Union of South Africa	1,000	100,000,000	2,000,000	180,000
45 United Kingdom	13,000	1,300,000,000	26,000,000	4,050,000
46 United States	31,750	3,175,000,000	635,000,000	—
47 Uruguay	105	10,500,000	210,000	1,890,000
48 Venezuela	105	10,500,000	210,000	1,365,000
49 Yugoslavia	400	40,000,000	800,000	7,200,000
	<u>83,385</u>	<u>\$8,338,500,000</u>	<u>\$734,675,000</u>	<u>\$126,926,790</u>

Statement of Subscriptions to Capital Stock and Voting Power—June 30, 1951

EXPRESSED IN UNITED STATES CURRENCY

(See Notes to Financial Statements)

Amounts Paid In (Note A)	Amounts Required to Maintain Value of Currency Holdings (Note C)	Amounts Due (Note B)	Subject to Call to Meet Obligations of Bank (Note I)	Number of Votes
\$ 35,639,632	\$ —	\$ —	\$ 160,000,000	2,250 1
8,910,000	—	—	40,000,000	750 2
38,155,578	—	—	180,000,000	2,500 3
1,247,400	—	—	5,600,000	320 4
—	—	—	84,000,000	1,300 5
45,005,909	153,757	—	260,000,000	3,500 6
—	—	—	12,000,000	400 7
—	—	—	28,000,000	600 8
106,920,000	—	2,970,000	480,000,000	6,250 9
—	—	—	28,000,000	600 10
—	—	—	1,600,000	270 11
6,237,000	—	—	28,000,000	600 12
22,275,000	—	625,000	100,000,000	1,500 13
12,081,406	—	—	54,400,000	930 14
356,400	—	—	1,600,000	270 15
—	—	—	2,560,000	282 16
9,498,060	—	—	42,640,000	783 17
—	—	—	800,000	260 18
—	—	—	2,400,000	280 19
—	2,793,931	—	30,400,000	630 20
93,306,636	—	—	420,000,000	5,500 21
—	—	—	20,000,000	500 22
—	—	—	1,600,000	270 23
176,400	—	—	800,000	260 24
—	—	—	800,000	260 25
71,278,200	—	—	320,000,000	4,250 26
5,987,520	—	—	26,880,000	586 27
1,059,120	—	—	4,800,000	310 28
—	—	—	144,000,000	2,050 29
—	—	—	3,600,000	295 30
1,782,000	—	—	8,000,000	350 31
—	—	—	52,000,000	900 32
48,947,369	—	—	220,000,000	3,000 33
—	—	—	640,000	258 34
8,910,000	—	—	40,000,000	750 35
17,819,992	—	—	80,000,000	1,250 36
—	—	—	160,000	252 37
—	—	—	1,120,000	264 38
3,118,500	—	—	14,000,000	425 39
1,500,000	—	—	12,000,000	400 40
1,158,300	—	—	5,200,000	315 41
2,227,500	—	—	10,000,000	375 42
7,662,600	—	—	34,400,000	680 43
17,820,000	—	—	80,000,000	1,250 44
229,950,000	—	—	1,040,000,000	13,250 45
—	—	—	2,540,000,000	32,000 46
—	—	—	8,400,000	355 47
525,000	—	—	8,400,000	355 48
—	—	—	32,000,000	650 49
<u>\$799,555,522</u>	<u>\$2,947,688</u>	<u>\$3,595,000</u>	<u>\$6,670,800,000</u>	<u>95,635</u>

APPENDIX F

Notes to Financial Statements—June 30, 1951

NOTE A

Amounts in currencies other than United States dollars have been translated into United States dollars:

(i) In the cases of 39 members, at the par values established under the International Monetary Fund Agreement as specified in the "Schedule of Par Values" published by the International Monetary Fund; and

(ii) In the cases of the remaining 10 members (Austria, Canada, Ceylon, China, France, Greece, Italy, Peru, Thailand and Uruguay), the par values of whose currencies are not so specified, at the rates used by such members in making capital payments.

(iii) In the case of non-member currency, all Swiss francs, at 4.2975 Swiss francs to 1 United States dollar.

No representation is made that any of such currencies is convertible into any other of such currencies at any rate or rates. *See also Note C.*

NOTE B

Under Article II, Section 8(a)(i) any original member of the Bank whose metropolitan territories suffered from enemy occupation or hostilities during World War II had a right to postpone payment of 1/2 of 1% of the amount of its subscription payable in gold or United States dollars until June 25, 1951. All members who received such a postponement have made payment in full except China and Czechoslovakia. China has made a payment of \$30,000 and has stated that it recognized its obligation to the Bank and would pay the balance of \$2,970,000 as soon as it was in a position to do so. Czechoslovakia has claimed a further postponement under Article II, Section 8(a)(ii), which reads as follows:

"An original member who cannot make such a payment because it has not recovered possession of its gold reserves which are still seized or immobilized as a result of the war may postpone all payment until such date as the Bank shall decide."

The Bank has not passed on such claim.

NOTE E

The principal outstanding on loans disbursed, and the accrued charges for interest, commitment fee, service charge and loan commission are payable in United States dollars except the following amounts for which the dollar equivalent is shown:

Currency Payable	Principal Outstanding	Accrued Interest, Commitment and Service Charges	Accrued Loan Commissions	Total
Belgian Francs	\$ 2,073,853	\$ 20,289	\$ 6,116	\$ 2,100,258
Canadian Dollars	10,126,770	74,578	24,623	10,225,971
Danish Kroner	53,676	666	222	54,564
French Francs	364,259	2,390	598	367,247
Italian Lire	98,675	1,042	297	100,014
Pounds Sterling	2,000,815	147	58	2,001,020
Swiss Francs	6,271,358	45,118	13,953	6,330,429
Total	\$20,989,406	\$144,230	\$45,867	\$21,179,503

NOTE C

Payment due within a reasonable time under Article II, Section 9(a) from two members by reason of a reduction in the established par values of such members' currencies. This Section provides as follows:

(a) Whenever (i) the par value of a member's currency is reduced, or (ii) the foreign exchange value of a member's currency has, in the opinion of the Bank, depreciated to a significant extent within that member's territories, the member shall pay to the Bank within a reasonable time an additional amount of its own currency sufficient to maintain the value, as of the time of initial subscription, of the amount of the currency of such member which is held by the Bank and derived from currency originally paid in to the Bank by the member under Article II, Section 7(i), from currency referred to in Article IV, Section 2(b), or from any additional currency furnished under the provisions of the present paragraph, and which has not been repurchased by the member for gold or for the currency of any member which is acceptable to the Bank.

(b) Whenever the par value of a member's currency is increased, the Bank shall return to such member within a reasonable time an amount of that member's currency equal to the increase in the value of the amount of such currency described in (a) above.

(c) The provisions of the preceding paragraphs may be waived by the Bank when a uniform proportionate change in the par values of the currencies of all its members is made by the International Monetary Fund.

NOTE D

The Bank has sold under its guarantee \$12,000,000 of 2 1/2 % serial notes, \$549,000 of 2 3/4 % serial bonds and \$16,000,000 of 3 % sinking fund bonds received by the Bank in connection with its loan operations of which amounts a total of \$3,000,000 has been retired. Of the total of \$25,549,000 of obligations outstanding under guarantee \$3,450,450 is reflected in the balance sheet as a direct liability subject to withdrawal.

NOTE F

The amount of commissions received by the Bank on loans made or guaranteed by it is required under Article IV, Section 6 to be set aside as a special reserve to be kept available for meeting obligations of the Bank created by borrowing or by guaranteeing loans. On all loans granted to date the effective rate of commission is 1% per annum.

NOTE G

As sinking funds for the two issues of United States Twenty-Five Year Dollar Bonds and the issue of Sterling Stock, the Bank has agreed to purchase and retire or redeem bonds of each such issue in varying amounts calculated to retire 50% of the total of such issue by maturity. In July 1951 the Bank sold a public issue of 3½% Swiss Franc Bonds of 1951, due August 1, 1963 in the principal amount of Sw fr 50,000,000 (United States equivalent approximately \$11,600,000).

NOTE H

Pursuant to action of the Board of Governors and Executive Directors the net income of the Bank has been allocated to a General Reserve Against Losses on Loans and Guarantees Made by the Bank; and the future net income of the Bank will, until further action by the Executive Directors or the Board of Governors, be allocated to this reserve.

NOTE I

Subject to call by the Bank only when required to meet the obligations of the Bank created by borrowing or guaranteeing loans.

NOTE J

These currencies are derived from the 18% of the subscriptions to the capital stock of the Bank which is payable in the currencies of the respective members. Such 18% may be loaned by the Bank, and funds received by the Bank on account of principal of loans made by the Bank out of such currencies may be exchanged for other currencies or reloaned, only with the approval in each case of the member whose currency is involved; provided,

however, that, if necessary, after the Bank's subscribed capital is entirely called, such currencies may, without restriction by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings or to meet the Bank's liabilities with respect to contractual payments on loans guaranteed by it.

NOTE K

The currencies of the several members, and the notes substituted by them for any part of such currencies, as permitted under the provisions of Article V, Section 12, are held on deposit with designated depositories in the territories of the respective members.

NOTE L

In terms of United States dollars of the weight and fineness in effect on July 1, 1944.

GENERAL

Burma has until October 15, 1951, and Sweden until August 31, 1951, to comply with the terms and conditions of the respective resolutions of the Board of Governors authorizing admission to membership in the Bank with share subscriptions of \$15,000,000 and \$100,000,000 respectively. Formal applications for membership have also been received from Indonesia, Jordan and the Federal Republic of Germany but final action on these applications has not yet been taken by the Board of Governors.

LITIGATION

A suit has been commenced by an individual plaintiff against the Bank asking damages of approximately \$625,000 for alleged interference with plaintiff's contractual relationships (Frank H. Redicker v. Warfield et al., U. S. District Court, Southern District of New York, Civil No. 61-210). The Bank has denied the substance of the charges contained in the complaint and has been advised by trial counsel that the suit is without merit. At June 30, 1951 there was no other litigation pending against the Bank.

Opinion of Independent Auditor

PRICE WATERHOUSE & CO.

1000 VERMONT AVENUE, N.W.
WASHINGTON 5, D. C.
July 23, 1951

To INTERNATIONAL BANK FOR RECONSTRUCTION
AND DEVELOPMENT,
Washington, D. C.

We have examined the financial statements listed below of International Bank for Reconstruction and Development as of June 30, 1951. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, such financial statements, with the notes thereto, present fairly the financial position of the Bank at June 30, 1951, expressed in United States currency, and the results of its operations for the twelve months then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

PRICE WATERHOUSE & CO.

*Financial Statements
Covered by the Foregoing Opinion*

Balance Sheet—June 30, 1951	APPENDIX A
Comparative Statement of Income and Expenses for the Fiscal Years Ended June 30, 1950 and June 30, 1951	APPENDIX B
Statement of Loans—June 30, 1951	APPENDIX C
Statement of Currencies Held by the Bank—June 30, 1951	APPENDIX D
Statement of Subscriptions to Capital Stock and Voting Power—June 30, 1951	APPENDIX E
Notes to Financial Statements	APPENDIX F

*Administrative Budget
for the Fiscal Year Ending June 30, 1952*

There is outlined below the Administrative Budget for the fiscal year ending June 30, 1952, as prepared by the President and approved by the Executive Directors in accordance with Section 19 of the By-Laws. For purposes of comparison there are also outlined below the administrative expenses incurred during the fiscal years ended June 30, 1949, 1950 and 1951.

	<i>Actual Expenses</i>			<i>Budget</i>
	1949	1950	1951	1952
BANK STAFF				
Personal Services	\$2,377,602	\$2,396,389	\$2,547,169	\$2,921,000
Fees and Compensation	159,694	20,273	55,119	40,000
Special Technical Services	—	313,500	382,340	375,000
Representation	20,739	38,534	43,504	41,000
Travel	243,810	326,130	358,252	360,000
Supplies and Materials	25,531	26,320	42,130	44,500
Rents and Utilities	327,860	335,093	335,040	364,000
Communications	78,733	88,564	101,575	108,000
Furniture and Equipment	31,302	26,097	28,791	29,800
Motor Vehicles	6,486	5,335	10,843	5,000
Books and Library Service	63,821	59,707	56,554	59,500
Printing	32,638	35,436	50,001	51,000
Contributions to Staff Benefits	270,577	266,126	300,322	349,200
Insurance	11,312	14,644	29,040	21,000
Other Expenses	7,584	2,201	1,001	—
Contingencies	—	—	—	100,000
Total	\$3,657,689	\$3,954,349	\$4,341,681	\$4,869,000
Office of Executive Directors	325,336	322,804	278,630	269,000
Board of Governors and Advisory Council ..	85,582	92,858	223,136	95,000
Total Administrative Expenses	\$4,068,607	\$4,370,011	\$4,843,447	\$5,233,000

Expenses during the past year for bond registration, issuance and other similar financial transactions amounted to \$953,872. These expenses have not been estimated for the fiscal year ending June 30, 1952, as the extent to which the Bank may borrow during this next year is not known. Experience during previous years indicates that these expenses, exclusive of commissions, premiums and discounts will average about \$125,000 for each \$100 million of bonds which the Bank may issue and, also, that commissions incident to the sale of securities from the Bank's portfolio will average \$2,500 for each million dollars of securities which the Bank may sell.

APPENDIX I

Voting Power and Subscriptions of Member Countries
As of June 30, 1951

MEMBER COUNTRIES	Voting Power		Subscriptions	
	Number of Votes	Percent of Total	Amount (in Millions of Dollars)	Percent of Total
Australia	2,250	2.35	200.0	2.40
Austria	750	.78	50.0	.60
Belgium	2,500	2.62	225.0	2.70
Bolivia	320	.34	7.0	.08
Brazil	1,300	1.36	105.0	1.26
Canada	3,500	3.66	325.0	3.90
Ceylon	400	.42	15.0	.18
Chile	600	.63	35.0	.42
China	6,250	6.54	600.0	7.19
Colombia	600	.63	35.0	.42
Costa Rica	270	.28	2.0	.02
Cuba	600	.63	35.0	.42
Czechoslovakia	1,500	1.57	125.0	1.50
Denmark	930	.97	68.0	.81
Dominican Republic	270	.28	2.0	.02
Ecuador	282	.30	3.2	.04
Egypt	783	.82	53.3	.64
El Salvador	260	.27	1.0	.01
Ethiopia	280	.29	3.0	.04
Finland	630	.66	38.0	.45
France	5,500	5.75	525.0	6.30
Greece	500	.52	25.0	.30
Guatemala	270	.28	2.0	.02
Honduras	260	.27	1.0	.01
Iceland	260	.27	1.0	.01
India	4,250	4.44	400.0	4.80
Iran	586	.61	33.6	.40
Iraq	310	.33	6.0	.07
Italy	2,050	2.14	180.0	2.16
Lebanon	295	.31	4.5	.05
Luxembourg	350	.37	10.0	.12
Mexico	900	.94	65.0	.78
Netherlands	3,000	3.14	275.0	3.30
Nicaragua	258	.27	.8	.01
Norway	750	.78	50.0	.60
Pakistan	1,250	1.31	100.0	1.20
Panama	252	.26	.2	*
Paraguay	264	.28	1.4	.02
Peru	425	.44	17.5	.21
Philippines	400	.42	15.0	.18
Syria	315	.33	6.5	.08
Thailand	375	.39	12.5	.15
Turkey	680	.71	43.0	.52
Union of South Africa	1,250	1.31	100.0	1.20
United Kingdom	13,250	13.85	1,300.0	15.59
United States	32,000	33.46	3,175.0	38.08
Uruguay	355	.37	10.5	.13
Venezuela	355	.37	10.5	.13
Yugoslavia	650	.68	40.0	.48
Total	<u>95,635</u>	<u>100.00</u>	<u>8,338.5</u>	<u>100.00</u>

* Less than .005 percent.

*Governors and Alternates
As of June 30, 1951*

COUNTRY	GOVERNOR	ALTERNATE
AUSTRALIA	Arthur William Fadden	N. J. O. Makin
AUSTRIA	Eugen Margaretha	Assen Hartenau
BELGIUM	Jean van Houtte	Maurice Frere
BOLIVIA	Hector Ormachea Zalles	Jaime Gutierrez Guerra
BRAZIL	Eugenio Gudín	Octavio Paranagua
CANADA	D. C. Abbott	R. B. Bryce
CEYLON	J. R. Jayawardene	G. C. S. Corea
CHILE	Arturo Maschke	Fernando Illanes
CHINA	Chia Kan Yen	Te-Mou Hsi
COLOMBIA	Emilio Toro	Diego Mejia
COSTA RICA	Angel Coronas	Mario Fernandez
CUBA	Luis Machado	Joaquin E. Meyer
CZECHOSLOVAKIA	Jaroslav Docekal	Zikmund Konecny
DENMARK	Svend Nielsen	Hakon Jespersen
DOMINICAN REPUBLIC	Wenceslao Troncoso	Milton Messina
ECUADOR	Luis Ernesto Borja	Ramon de Ycaza
EGYPT	Ahmed Zaki Saad Pasha	A. Nazmy Abdel Hamid
EL SALVADOR	Catalino Herrera	Luis Escalante-Arce
ETHIOPIA	Jack Bennett	Ato Menassie Lemma
FINLAND	Artturi Lehtinen	Ralf Torngren
FRANCE	Minister of Finance	Pierre Mendes-France
GREECE	George Mavros	Gregorios Zarifopoulos
GUATEMALA	Manuel Noriega Morales	Carlos Leonidas Acevedo
HONDURAS	Rafael Heliodoro Valle	Guillermo Lopez Rodezno
ICELAND	Jon Arnason	Thor Thors
INDIA	Sir Chintaman D. Deshmukh	Sir B. Rama Rau
IRAN	Ibrahim Zend	Mocharraff Naficy
IRAQ	Sayed Ata Amin	Abdul-Ghani Al-Dalli
ITALY	Donato Menichella	Giorgio Cigliana-Piazza
LEBANON	Charles Malik	Raja Himadeh
LUXEMBOURG	Pierre Dupong	Pierre Werner
MEXICO	Carlos Novoa	Raul Martinez-Ostos
NETHERLANDS	P. Lieftinck	A. M. de Jong
NICARAGUA	Guillermo Sevilla-Sacasa	Alfredo J. Sacasa
NORWAY	Gunnar Jahn	Ole Colbjornsen
PAKISTAN	Ghulam Mohammed	Anwar Ali
PANAMA	Rodolfo F. Herbruger	Julio E. Heurtematte
PARAGUAY	Juan R. Chaves	Victor A. Pane
PERU	Fernando Berckemeyer	
PHILIPPINES	Miguel Cuaderno, Sr.	Emilio Abello
SYRIA	Husni A. Sawwaf	Nihad Ibrahim Pasha
THAILAND	Prince Viwat	Kajit Kasemsri
TURKEY	Nurullah Esat Sumer	Nahit Alpar
UNION OF SOUTH AFRICA	N. C. Havenga	M. H. de Kock
UNITED KINGDOM	Hugh Gaitskell	Sir Henry Wilson-Smith
UNITED STATES	John W. Snyder	James E. Webb
URUGUAY	Carlos Quijano	Nilo Berchesi
VENEZUELA	Manuel Reyna	Carlos M. Lollet C.
YUGOSLAVIA	Lavoslav Dolinsek	Dragoslav Avramovic

APPENDIX K

*Executive Directors and Alternates and Their Voting Power
As of June 30, 1951*

DIRECTORS	ALTERNATES	CASTING VOTES OF	VOTES BY COUNTRY	TOTAL VOTES
	<i>Appointed</i>			
Wm. McC. Martin, Jr.	John S. Hooker	United States	32,000	32,000
Sir Ernest Rowe-Dutton	Sir Sydney Caine	United Kingdom	13,250	13,250
Yueh-Lien Chang	Tsoo-Whe Chu	China	6,250	6,250
Roger Hoppenot		France	5,500	5,500
B. K. Nehru	D. S. Savkar	India	4,250	4,250
	<i>Elected</i>			
Thomas Basyn (Belgium)	Ernest de Sellier (Belgium)	Belgium	2,500	4,410
		Denmark	930	
		Finland	630	
		Luxembourg	350	
Manuel Jose Diez (Panama)	Julio E. Heurtematte (Panama)	Mexico	900	4,180
		Cuba	600	
		Philippines	400	
		Uruguay	355	
		Venezuela	355	
		Costa Rica	270	
		Dominican Republic	270	
		El Salvador	260	
		Honduras	260	
		Nicaragua	258	
		Panama	252	
Guillermo Perez Chiriboga (Ecuador)	Eduardo Salazar (Ecuador)	Brazil	1,300	4,061
		Chile	600	
		Colombia	600	
		Peru	425	
		Bolivia	320	
		Ecuador	282	
		Guatemala	270	
		Paraguay	264	
Louis Rasminsky (Canada)	J. F. Parkinson (Canada)	Canada	3,500	3,760
		Iceland	260	
J. W. Beyen (Netherlands)	Thoralf Svendsen (Norway)	Netherlands	3,000	3,750
		Norway	750	
Yaqub Shah (Pakistan)	Nasrollah Djahanguir (Iran)	Pakistan	1,250	3,539
		Egypt	783	
		Iran	586	
		Syria	315	
		Iraq	310	
		Lebanon	295	
Leslie Galfreid Melville (Australia)	L. H. E. Bury (Australia)	Australia	2,250	3,500
		Union of South Africa	1,250	
Costantino Bresciani-Turroni (Italy)	*Giorgio Cigliana-Piazza (Italy)	Italy	2,050	3,300
		Austria	750	
		Greece	500	
Cabir Selek (Turkey)	Boonma Wongswan (Thailand)	Turkey	680	2,385
		Yugoslavia	650	
		Ceylon	400	
		Thailand	375	
		Ethiopia	280	

* Acting temporarily.

Member country unrepresented by an Executive Director: Czechoslovakia with 1,500 votes.

APPENDIX K

In addition to the Executive Directors and Alternates shown on the foregoing list, the following also served as Alternates since the effective date of the Third Regular Election:

ALTERNATE EXECUTIVE DIRECTORS

Date of Resignation

Kuo-Hwa Yu (*China*)

January 2, 1951

Raul Diez de Medina (*Bolivia*)

February 28, 1951

J. M. Garland (*Australia*)

March 11, 1951

Gunnar Kjolstad (*Norway*)

April 30, 1951

*Principal Officers of the Bank
As of June 30, 1951*

Eugene R. Black	<i>President</i>
Robert L. Garner	<i>Vice President</i>
William A. B. Iliff	<i>Assistant to President</i>

A. S. G. Hoar	<i>Loan Director</i>
D. Crena de Iongh	<i>Treasurer</i>
Leonard B. Rist	<i>Economic Director</i>
Davidson Sommers	<i>General Counsel</i>
M. M. Mendels	<i>Secretary</i>
George L. Martin	<i>Director of Marketing</i>
Chauncey G. Parker	<i>Director of Administration</i>
Harold N. Graves, Jr.	<i>Director of Public Relations</i>
Richard H. Demuth	<i>Assistant to the Vice President</i>