

MEMORANDUM

April 26, 1944

To: The Commission

From: Walter C. Louchheim, Jr., Assistant Director  
Trading & Exchange Division

Subject: Proposal for United Nations Bank for Reconstruction and Development

There was a further meeting today with the delegates of the U.S.S.R. to consider the points raised as outlined in my notes of April 22, 1944. With respect to points 1 and 2, that countries which have been occupied by the enemy during the war should be asked for a smaller capital contribution and should receive better terms on loans, it was agreed that a provision be included to the effect that in its decisions the Bank should give consideration to the destruction caused in member countries by the occupation of the enemy.

In respect to point 3, that less rigorous investigation be made of the applications of trade-controlled countries, it was suggested by the American delegates that Provision IV-1(c) be amended to increase its flexibility. This is the provision which requires that a competent committee investigate and pass upon the merits of an application as a condition to the Bank's granting of a loan.

It was, however, pointed out that all foreign governments borrowing funds in the public capital markets in the U.S. are required to furnish information under the Securities Act of 1933 as to the specific purposes for which the funds are sought and other matters specified in Schedule B, and that these requirements would be controlling with respect to loans guaranteed or participated in by the Bank which were placed through private underwriters. It was also brought out that an international bank in which the U.S. participated could not adopt a policy or provision which would permit the granting of loans under less adequate standards of disclosure than those applicable to public offerings made in the U.S. through private banking institutions.

The fourth and fifth points raised by the U.S.S.R. delegates were reserved for a subsequent meeting as the discussion of the above points had taken considerable time.

There was a meeting this afternoon with a representative of the Republic of Ecuador. The questions raised were:

1. As to the necessity for requiring the guarantee of the borrowing governments to loans made by the Bank to municipalities or to private enterprises;
2. As to the difficulties that may be encountered by private lending institutions in obtaining the guarantee or participation of the Bank under the above condition;

3. That the requirement of IV-8(a) – approval of the country in which the proceeds of a loan will be spent – may delay the transaction of loans;

4. A suggestion that not less than three of the nine members of the Bank's Executive Committee be representatives of the American Republics – including the United States.