V. The International Bank for Reconstruction and Development

A. THE BRETTON WOODS CONFERENCE

The United Nations Monetary and Financial Conference met in Bretton Woods, New Hampshire, from July 1 to 22, 1944, at the invitation of President Franklin D. Roosevelt of the United States. Participating in the Conference were representatives of 44 United and Associated Nations.

The Conference was called to formulate definite proposals for an International Monetary Fund and an International Bank for Reconstruction and Development. Two years of exploratory discussions between the monetary and financial experts of the United Nations had preceded the formal meeting at Bretton Woods, and large areas of agreement had already been reached by the time the Conference began.

At the inaugural session of the Conference on July 1, Mr. Henry Morgenthau, Jr., Chairman of the United States delegation, was elected President of the Conference. On the following day the Conference established three Commissions, among which one, under the chairmanship of Lord Keynes, was to formulate proposals for the Bank. The Final Act of the Conference, which included the Articles of Agreement of the International Bank for Reconstruction and Development, was submitted to the Governments of the participating nations.

B. PURPOSES

The purposes of the bank, as stated in the Articles of Agreement, are :

(1) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.

(2) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.

(3) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories.

(4) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.

(5) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

Loans approved by the Bank are subject to the following conditions :

1. When the member in whose territories the project is located is not itself a borrower, the member or the central bank or some comparable agency of the member which is acceptable to the Bank fully guarantees the repayment of the principal and the payment of interest and other chargea on the loan.

2. The Bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower.

3. A competent committee, including members of the staff of the Bank and a representative of the applicant, has submitted a written report recommending the project after a careful technical, engineering, and economic study of the merits of the proposal.

4. In the opinion of the Bank the rate of interest and other charges are reasonable and such rate, charges and the schedule for repayment of principal are appropriate to the project.

5. In making or guaranteeing a loan, the Bank shall pay due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in position to meet its obligations under the loan; and the Bank shall act prudently in the interests both of the particular member in whose territories the project is located and of the members as a whole.

6. In guaranteeing a loan made by other investors, the Bank receives suitable compensation for its risk.

7. Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development.

Moreover the Bank must make supervisory arrangements to ensure that the proceeds of any loan are used efficiently and only for the purposes for which the loan was granted.

In making and implementing of loans the Bank is prohibited by its Articles of Agreement from interfering in the political affairs of any member, nor may it be influenced by the political character of the member or members concerned. Only economic considerations are to be relevant to its decisions, and these considerations are to be weighed impartially in order to achieve the purposes of the Bank.

C. STRUCTURE

The Bank has a Board of Governors, Executive Directors, a President and a staff.

All powers of the Bank are vested in the Board of Governors, consisting of one Governor and one alternate appointed by each member. As stated in the Articles of Agreement, the Board may delegate to the Executive Directors authority to exercise any powers of the Board, except the power to:

(1) Admit new members and determine the conditions of their admission.

(2) Increase or decrease the capital stock.

(3) Suspend a member.

(4) Decide appeals from interpretations of this Agreement given by the Executive Directors.

(5) Make arrangements to cooperate with other international organizations (other than informal arrangements of a temporary and administrative character).

(6) Decide to suspend permanently the operations of the Bank and to distribute its assets.

(7) Determine the distribution of the net income of the Bank.

There are twelve Executive Directors, five appointed by the five members having the largest number of shares, and seven elected by the Governors other than those representing the five members with the largest number of shares. The Executive Directors are appointed or elected every two years. They are responsible for the conduct of the general operations of the Bank and exercise all the powers delegated to them by the Board of Governors.

The President of the Bank is elected by the Executive Directors. He may not be a Governor or a Director. He is the Chairman of the Executive Directors. He is the chief of the operating staff and conducts, under the direction of the Executive Directors, the ordinary business of the Bank.

Except as otherwise provided by the Articles of Agreement, decisions of the Bank are made by a simple majority vote. Each member of the Bank has 250 votes plus one additional vote for each share of stock held. Each Governor casts all votes allotted to that member State which he represents. In the case of Executive Directors, an appointed Director casts as a unit all votes allotted to the member appointing him; an elected Executive Director casts as a unit the total number of votes allotted to those member States which elected him.

D. ACTIVITIES

The Articles of Agreement of the Bank came into force on December 27, 1945, when it was signed in Washington and the instruments of acceptance were deposited on behalf of 28 governments with approximately 80 per cent of the total subscriptions.

The United States, as the member having the largest number of shares in the Bank, issued an invitation to the other member governments to attend the Inaugural Meeting of the Board of Governors of the Bank, to be held in conjunction with the Inaugural Meeting of the Board of Governors of the International Monetary Fund. An invitation to send observers to the Inaugural Meeting was extended to those governments which participated in the Bretton Woods Conference but had not signed the Articles of Agreement. The United Nations Economic and Social Council was also invited to send an observer.

The Inaugural Meeting of the Board of Governors of the International Bank for Reconstruction and Development took place in Savannah, Georgia, from March 8 to 18, 1946. It was devoted mainly to organizational and administrative matters. The Board adopted the By-Laws of the Bank, which were complementary to the Articles of Agreement. It was decided that the Bank should be located within the metropolitan area of Washington, D. C., in the United States. The Board also decided that the time limit for admission to membership of participants in the Bretton Woods Conference should be extended to December 31, 1946, and that the applications for membership by Italy, Lebanon, Syria and Turkey should be referred to the Executive Directors for study and consideration.

On May 7 the Executive Directors of the Bank met in Washington and on June 4 elected Eugene Meyer (United States) President of the Bank. Mr. Meyer resigned as of December 18, 1946, and John J. McCloy (United States), who was subsequently elected, assumed his duties as President of the Bank on March 17, 1947.

The authorized capital of the Bank is $10,000,000,000. This capital stock is divided into shares of $100,000 each, available for subscription only to members. The present subscriptions of member governments amount to $8,024,500,000. However, the Bank is authorized to call only twenty per cent of its subscribed capital to serve as working funds. The other 80 per cent may be called only as and if needed to enable the Bank to meet interest and amortization requirements of its own obligations to private investors.

The Executive Directors fixed June 25, 1946, as the date upon which the Bank would formally begin operations and, as required by the Articles of Agreement, called for the balance of the initial two per cent of the capital subscription to be paid by members within 60 days of this date. One one-hundredths of one per cent of the capital subscription had already been paid by each member at the time of signature of the Articles of Agreement. As of June 25, 1946, the Executive Directors called for a further three per cent payable on or before November 25, 1946, and on September 25, 1946, for an additional-five per cent of the capital subscription to be paid by November 25, 1946. The second ten per cent was paid by May 1947 in two instalments of five per cent each; the first of these instalments was due by February 25, 1947. The first two per cent of the subscription to the capital stock of the Bank was payable in gold on U.S. dollars, and the remaining eighteen per cent was payable in the local currency of each member.

The eighteen per cent of capital payable in the local currency of each member, equivalent approximately to $1,444,000,000 (including $571,500,000 paid by the United States), can be used only to make loans with the consent of the member or members whose currency is required for this purpose. Only the United States, whose currency is that primarily needed at present by borrowers, has so far found itself in a position to give such consent.

These calls made available to the Bank funds are equivalent to approximately $1,599,000,000, of which slightly more than $727,000,000 was in the form of U.S. dollars. These U.S. dollars included $635,000,000 paid by the United States and roughly $92,000,000 paid by other members in dollars, or in gold which was subsequently converted into dollars. The balance of approximately $872,000,000 was in the form of local currencies of members other than the United States.

To obtain further funds for lending, the Bank may borrow from private investors through the capital markets of its member countries, the consent of the member concerned being necessary for such operations.[1]

The first annual meeting of the Board of Governors of the Bank convened on September 27, 1946. The Board approved the applications for membership of Italy, Lebanon, Syria and Turkey, provided they accepted membership by April 15, 1947, on the conditions approved by the Board. Their subsequent acceptance brought the total membership in the Bank to 44 nations. The increase of the subscriptions of France and Paraguay to the capital of the Bank was authorized. The Board of Governors selected London as the site of its second annual meeting, scheduled to convene in September 1947.

With regard to the question of an agreement between the United Nations and the International Bank for Reconstruction and Development, the Economic and Social Council, at the request of the Bank, decided at its second session to postpone negotiations for bringing the organization into relationship with the United Nations. Exploratory discussions between the United Nations and the Bank were continued, and at its third session the Council directed the Secretary-General to strengthen and extend working relationships between the United Nations and the Bank so that formal negotiations could be started as soon as possible.

Loan operations of the Bank began with a loan of $250,000,000 to Crédit National to assist France in the reconstruction of her war-torn economy. The French Government originally applied for twice this amount, and the Bank has stated that, although it is not now prepared to make any commitments with regard to a further loan, it will be willing to consider an additional application from France later this year. The loan, which is guaranteed by the French Government, will serve to finance the purchase of essential raw materials, coal and machinery and will be repaid within 30 years.

Eight other loan applications have been received and are being studied. These applications have been filed by the following countries : Chile, Czechoslovakia, Denmark, Iran, Luxembourg, Mexico, the Netherlands and Poland. Greece has stated its intention of applying for a loan when its plans for reconstruction projects have been completed.

Chile has applied for $40,000,000 to finance projects for the development of hydro-electric power plants, forest industries, railway electrification, transportation and port mechanization.

Czechoslovakia has applied for $350,000,000 to assist projects of reconstruction and development in industry, agriculture and transportation which require imports of capital equipment and raw materials.

Denmark has applied for $50,000,000 to finance imports of capital equipment and raw material for the reconstruction and modernization of industry and agriculture.

Iran has applied for $250,000,000 to develop and modernize agriculture, industry and transport. Details of the program have not yet been furnished.

Luxembourg has applied for $20,000,000 to aid in the reconstruction of devastated areas and the restoration of its economy.

Mexico has applied for $208,875,000 for the development of productive facilities, including irrigation and hydro-electric projects, highway construction, pipelines, railroads and harbor improvements.

The Netherlands has applied for $535,000,000 to finance a portion of the more urgent projects in an overall rehabilitation, reconstruction and industrialization program.

Poland has applied for $600,000,000 to finance imports of equipment and material for the reconstruction of coal, mining, iron and steel, engineering, textiles, electricity and transport.

E. ADMINISTRATIVE BUDGETS

The Board of Governors on March 16, 1946, authorized the Temporary Secretary of the Bank to expend up to $200,000 to meet salaries and other administrative expenses of the Bank until permanent procedures were established. The Temporary Secretary made disbursements under such authority until July 15, 1946. Thereafter disbursements were made by the President or Vice-President of the Bank. Total disbursements through July 15, 1946, amounted to $75,703.40.

The expenses of the Bank to June 30, 1947, totalled $2,142,276.35. As indicated in the statement below, the Bank had an excess of expenses over income amounting to $938,647.01.

[1] The first issue of bonds by the Bank was made on July 15, 1947, when $100,000,000 in Ten Year 2¼% and $150,000,000 in Twenty-Five Year 3% Bonds were successfully offered in the United States.

STATEMENT OF INCOME AND EXPENSES

(For the Period Ended June 30, 1947)
(Expressed in United States Currency)

INCOME			
Interest earned on investment securities.......	$ 919,060.88		
Income from loans:			
Interest....................................	108,719.16		
Commitment charge	175,849.30		
Commission	33,452.05		
		$1,237,081.39	
Deduct—Amount equivalent to commission appropriated to Special Reserve............		33,452.05	$1,203,629.34
EXPENSES			
Salaries:			
Executive Directors and Alternates...........	$239,178.11		
Officers and others..........................	804,110.77	$1,043,288.88	
Expense allowances—Executive Directors and Alternates....................		9,693.63	
Provision for taxes on salaries and expense allowances		183,654.43	
Travel:			
Transportation and moving to and from seat of Bank—Executive Directors and Alternates.................	$ 12,732.61		
Officers and others........................	61,277.63		
Board of Governors and Alternates..........	41,263.42		
Executive Directors and Alternates..........	14,674.96		
Officers and others.........................	44,259.69	164,208.21	
Rental of office quarters........................		98,579.86	
Furniture and equipment purchased...........		205,093.70	
Stationery, printing and supplies..............		139,712.46	
Cable charges		11,290.76	
Repairs, maintenance and alterations, rented quarters		63,943.73	
Handling charges and storage of gold.........		44,844.12	
Expenses (other than travel) annual meeting Board of Governors................		10,569.92	
Miscellaneous expenses		106,592.69	
Bond issue expense...........................		60,804.06	2,142,276.35
EXCESS OF EXPENSES OVER INCOME			$ 938,647.01

F. SUBSCRIPTIONS AND VOTING POWER OF MEMBERS

(As of June 30, 1947)

Country	Subscriptions (in millions of U.S. dollars)	Number of votes
Belgium	225	2,500
Bolivia	7	320
Brazil	105	1,300
Canada	325	3,500
Chile	35	600
China	600	6,250
Colombia	35	600
Costa Rica	2	270
Cuba	35	600
Czechoslovakia	125	1,500
Denmark	68	930
Dominican Republic	2	270
Ecuador	3.2	282
Egypt	40	650
El Salvador	1	260
Ethiopia	3	280
France	525	5,500
Greece	25	500
Guatemala	2	270
Honduras	1	260
Iceland	1	260
India	400	4,250
Iran	24	490
Iraq	6	310
Italy	180	2,050
Lebanon	4.5	295
Luxembourg	10	350
Mexico	65	900
Netherlands	275	3,000
Nicaragua	.8	258
Norway	50	750
Panama	.2	252
Paraguay	.8	258
Peru	17.5	425
Philippine Republic	15	400
Poland	125	1,500
Syria	6.5	316
Turkey	43	680
Union of South Africa	100	1,260
United Kingdom	1,300	13,250
United States	3,175	32,000
Uruguay	10.5	355
Venezuela	10.5	355
Yugoslavia	40	650
Total	8,024.5	91,246

ANNEX I.

MEMBERS AND OFFICERS

Members (as of June 30, 1947)

Belgium
Bolivia
Brazil
Canada
Chile
China
Colombia
Costa Rica
Cuba
Czechoslovakia
Denmark
Dominican Republic
Ecuador
Egypt
El Salvador
Ethiopia
France
Greece
Guatemala
Honduras
Iceland
India
Iran
Iraq
Italy
Lebanon
Luxembourg
Mexico

Nicaragua
Norway
Panama
Paraguay
Peru
Philippine Republic
Poland
Syria
Turkey
Union of South Africa
United Kingdom
United States
Uruguay
Venezuela
Yugoslavia

Participants in Bretton Woods Conference which had not become Members of the Bank as of June 1947.

Australia[1]
Haiti
Liberia
New Zealand
U.S.S.R.

Board of Governors
(as of June 30,

Country	
Belgium	
Governor	Gaston Eyskens
Alternate	Maurice Frere
Bolivia	
Governor	Rene Ballivian-Calderon
Alternate	Jaime Gutierrez-Guerra
Brazil	
Governor	Francisco Alves dos Santos-Filho
Alternate	Edgard de Mello
Canada	
Governor	D. C. Abbott
Alternate	Graham F. Towers
Chile	
Governor	Arturo Maschke
Alternate	Fernando Illanes
China	
Governor	0. K. Yui
Alternate	T. L. Soong
Colombia	
Governor	Emilio Toro
Alternate	Diego Mejia
Costa Rica	
Governor	Julio Pena Morua
Alternate	Angel Coronas-Guardia

[1] Australia became a member of the Bank in August 1947. Its subscription to the capital of the Bank is $200,000,000; it is entitled to 2,250 votes.

Country	
Cuba	
Governor	Guillermo Belt
Alternate	Miguel A. Riva
Czechoslovakia	
Governor	Alois Kral
Alternate	Joseph Hanc
Denmark	
Governor	Carl Valdemar Bramsnaes
Alternate	Hakon Jespersen
Dominican Republic	
Governor	Jesus Maria Troncoso
Alternate	Jose Ramon Rodriguez
Ecuador	
Governor	Leonardo Stagg
Alternate	S. E. Duran-Ballen
Egypt	
Governor	Ahmed Zaki Bey Saad
Alternate	Ahmed Selim
El Salvador	
Governor	Catalino Herrera
Alternate	Manuel Melendez-Valle
Ethiopia	
Governor	George A. Blowers
France	
Governor	Robert Schuman
Alternate	Pierre Mendes-France
Greece	
Governor	Athanase Sbarounis
Alternate	Petros Exarchakis
Guatemala	
Governor	Manuel Noreiga Morales
Alternate	Leonidas Acevedo
Honduras	
Governor	Julian R. Cáceres
Alternate	Jorge Fidel Duron
Iceland	
Governor	Magnus Sigurdsson
Alternate	Thor Thors
India	
Governor	Sir Chintaman Deshmukh
Alternate	N. Sundaresan
Iran	
Governor	A. H. Ebtehaj
Alternate	Mocharraf Naficy
Iraq	
Governor	Ali Jawdat
Alternate	A. M. Gailani
Italy	
Governor	Donato Menichella
Alternate	George Cigliana
Lebanon	
Governor	Charles Malik
Alternate	George Hakim
Luxembourg	
Governor	Pierre Dupong
Alternate	Hugues Le Gallaia
Mexico	
Governor	Antonio Espinosa de los Monteros
Alternate	Luciano Wiechers

Country	
Netherlands	
Governor	P. Lieftinck
Alternate	M. W. Holtrop
Nicaragua	
Governor	Guillermo Sevilla Sacasa
Alternate	Rafael A. Huezo
Norway	
Governor	Gunnar Jahn
Alternate	Ole Colbjoernsen
Panama	
Governor	J. J. Vallarino
Alternate	Roberto Heurtematte
Paraguay	
Governor	Harmodio Gonzalez
Alternate	Ruben Benitez
Peru	
Governor	Carlos Montero Bernales
Alternate	Jose Barreda Moller
Philippine Republic	
Governor	Joaquin M. Elizalde
Alternate	Narciso Ramos
Poland	
Governor	Konstanty Dabrowski
Alternate	Janusz Zoltowski
Syria	
Governor	Faiz el Khoury
Alternate	Husni A. Sawwaf
Turkey	
Governor	Nurullah Esat Sumer
Alternate	Nahit Alpar
Union of South Africa	
Governor	Jan Hendrik Hofmeyr
Alternate	M. K. de Kock
United Kingdom	
Governor	Hugh Dalton
Alternate	Sir Gordon Munro
United States	
Governor	John W. Snyder
Alternate	William L. Clayton
Uruguay	
Alternate	Hugo Garcia
Venezuela	
Governor	Carlos A. D'Ascoli
Alternate	Hector Santaella
Yugoslavia	
Governor	Stane Krasovec
Alternate	Vaso Srzentic

Executive Directors
(as of June 30, 1947)

Chairman: John J. McCloy (United States)

Appointed:

Country	
United States	
Executive Director	Eugene R. Black
Alternate	John S. Hooker
United Kingdom	
Executive Director	Sir Gordon Munro
Alternate	Maurice H. Parsons
China	
Executive Director	Yuan-Ting Shen
Alternate	Yueh-Lien Chang

Country	
France	
Executive Director	Pierre Mendes-France
Alternate	Guy de Carmoy
India	
Executive Director	N. Sundaresan
Alternate	Bal Krishna Madan
Canada	Executive Director Graham Towers; Alternate J. F. Parkinson

Elected:

Country	
Netherlands Union of South Africa	Executive Director J. W. Beyen (Netherlands) Alternate Willem Koster (Netherlands)
Belgium Iceland Luxembourg Norway	Executive Director Franz de Voghel (Belgium) Alternate Thomas Basyn (Belgium)
Bolivia **Brazil** Chile Costa Rica Guatemala Panama Paraguay Philippine Republic	Executive Director Victor Moller (Chile) Alternate Fernando Illanes (Chile)
Czechoslovakia Poland Yugoslavia	Executive Director Leon Baranski (Poland) Alternate Alois Kral (Czechoslovakia)
Cuba Dominican Republic Ecuador El Salvador Honduras Mexico Nicaragua Peru Uruguay	Executive Director Luis Machado (Cuba) Alternate Joaquin E. Meyer (Cuba)
Egypt Ethiopia Greece Iran Iraq	Executive Director Kyriakos Varvaressos (Greece) Alternate F. Noury-Esfandiary (Iran)

Officers of the Bank

President	
John J. McCloy	(United States)
Vice President	
Robert L. Garner	(United States)
Loan Director	
Charles C. Pineo	(Canada)
Research Director	
Leonard B. Rist	(France)
Treasurer	
D. Crena de Iongh	(Netherlands)
Secretary	
Morton M. Mendels	(Canada)
General Counsel	
Chester A. McLain	(United States)
Director of Public Relations	
Drew Dudley	(United States)
Director of Administration	
Chauncey G. Parker	(United States)
Director of Marketing	
E. Fleetwood Dunstan	(United States)

Headquarters

Address: International Bank for Reconstruction and Development
1818 H Street, N. W.
Washington 6, D.C.
Telephone Number: Executive 6360

ANNEX II.

ARTICLES OF AGREEMENT OF THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

The Governments on whose behalf the present Agreement is signed agree as follows:

INTRODUCTORY ARTICLE

The International Bank for Reconstruction and Development is established and shall operate in accordance with the following provisions:

ARTICLE I

PURPOSES

The purposes of the Bank are:

(i) To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes, including the restoration of economies destroyed or disrupted by war, the reconversion of productive facilities to peacetime needs and the encouragement of the development of productive facilities and resources in less developed countries.

(ii) To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources.

(iii) To promote the long-range balanced growth of international trade and the maintenance of equilibrium in balances of payments by encouraging international investment for the development of the productive resources of members, thereby assisting in raising productivity, the standard of living and conditions of labor in their territories.

(iv) To arrange the loans made or guaranteed by it in relation to international loans through other channels so that the more useful and urgent projects, large and small alike, will be dealt with first.

(v) To conduct its operations with due regard to the effect of international investment on business conditions in the territories of members and, in the immediate post-war years, to assist in bringing about a smooth transition from a wartime to a peacetime economy.

The Bank shall be guided in all its decisions by the purposes set forth above.

ARTICLE II

MEMBERSHIP IN AND CAPITAL OF THE BANK

Section 1. Membership

(a) The original members of the Bank shall be those members of the International Monetary Fund which accept membership in the Bank before the date specified in Article XI, Section 2 (e).

(b) Membership shall be open to other members of the Fund, at such times and in accordance with such terms as may be prescribed by the Bank.

Section 2. Authorized capital

(a) The authorized capital stock of the Bank shall be $10,000,000,000, in terms of United States dollars of the weight and fineness in effect on July 1, 1944. The capital stock shall be divided into 100,000 shares having a par value of $100,000 each, which shall be available for subscription only by members.

(b) The capital stock may be increased when the Bank deems it advisable by a three-fourths majority of the total voting power.

Section 3. Subscription of shares

(a) Each member shall subscribe shares of the capital stock of the Bank. The minimum number of shares to be subscribed by the original members shall be those set forth in Schedule A. The minimum number of shares to be subscribed by other members shall be determined by the Bank, which shall reserve a sufficient portion of its capital stock for subscription by such members.

(b) The Bank shall prescribe rules laying down the conditions under which members may subscribe shares of the authorized capital stock of the Bank in addition to their minimum subscriptions.

(c) If the authorized capital stock of the Bank is increased, each member shall have a reasonable opportunity to subscribe, under such conditions as the Bank shall decide, a proportion of the increase of stock equivalent to the proportion which its stock theretofore subscribed bears to the total capital stock of the Bank, but no member shall be obligated to subscribe any part of the increased capital.

Section 4. Issue price of shares

Shares included in the minimum subscriptions of original members shall be issued at par. Other shares shall be issued at par unless the Bank by a majority of the total voting power decides in special circumstances to issue them on other terms.

Section 5. Division and calls of subscribed capital

The subscription of each member shall be divided into two parts as follows:

(i) twenty percent shall be paid or subject to call under Section 7 (i) of this Article as needed by the Bank for its operations;

(ii) the remaining eighty per cent shall be subject to call by the Bank only when required to meet obligations of the Bank created under Article IV, Sections (a) (ii) and (iii).

Calls on unpaid subscriptions shall be uniform on all shares.

Section 6. Limitation on liability

Liability on shares shall be limited to the unpaid portion of the issue price of the shares.

Section 7. Method of payment of subscriptions for shares

Payment of subscriptions for shares shall be made in gold or United States dollars and in the currencies of the members as follows:

(i) under Section 5 (i) of this Article, two per cent of the price of each share shall be payable in gold or United States dollars, and, when calls are made, the remaining eighteen per cent shall be paid in the currency of the member;

(ii) when a call is made under Section 5 (ii of this Article, payment may be made at the option of the member either in gold, in United States dollars or in the currency required to discharge the obligations of the Bank for the purpose for which the call is made;

(iii) when a member makes payments in any currency under (i) and (ii) above, such payments shall be made in amounts equal in value to the member's liability under the call. This liability shall be a proportionate part of the subscribed capital stock of the Bank as authorized and defined in Section 2 of this Article.

Section 8. Time of payment of subscriptions

(a) The two per cent payable on each share in gold or United States dollars under Section 7 (i) of this Article, shall be paid within sixty days of the date on which the Bank begins operations, provided that

(i) any original member of the Bank whose metropolitan territory has suffered from enemy occupation or hostilities during the present war shall be granted the right to postpone payment of one-half per cent until five years after that date;

(ii) 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.

(b) The remainder of the price of each share payable under Section 7 (i) of this Article shall be paid as and when called by the Bank, provided that

(i) the Bank shall, within one year of its beginning operations, call not less than eight per cent of the price of the share in addition to the payment of two per cent referred to in (a) above;

(ii) not more than five per cent of the price of the share shall be called in any period of three months.

Section 9. Maintenance of value of certain currency holdings of the Bank

(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.

Section 10. Restriction on disposal of shares

Shares shall not be pledged or encumbered in any manner whatever and they shall be transferable only to the Bank.

ARTICLE III

GENERAL PROVISIONS RELATING TO LOANS AND GUARANTEES

Section 1. Use of resources

(a) The resources and the facilities of the Bank shall be used exclusively for the benefit of members with equitable consideration to projects for development and projects for reconstruction alike.

(b) For the purpose of facilitating the restoration and reconstruction of the economy of members whose metropolitan territories have suffered great devastation from enemy occupation or hostilities, the Bank, in determining the conditions and terms of loans made to such members, shall pay special regard to lightening the financial burden and expediting the completion of such restoration and reconstruction.

Section 2. Dealings between members and the Bank

Each member shall deal with the Bank only through its Treasury, central bank, stabilization fund or other similar fiscal agency, and the Bank shall deal with members only by or through the same agencies.

Section 3. Limitations on guarantees and borrowings of the Bank

The total amount outstanding of guarantees, participations in loans and direct loans made by the Bank shall not be increased at any time, if by such increase the total would exceed one hundred per cent of the unimpaired subscribed capital, reserves and surplus of the Bank.

Section 4. Conditions on which the Bank may guarantee or make loans

The Bank may guarantee, participate in, or make loans to any member or any political subdivision thereof and any business, industrial, and agricultural enterprise in the territories of a member, subject to the following conditions:

(i) When the member in whose territories the project is located is not itself the borrower, the member or the central bank or some comparable agency of the member which is acceptable to the Bank, fully guarantees the repayment of the principal and the payment of interest and other charges on the loan.

(ii) The Bank is satisfied that in the prevailing market conditions the borrower would be unable otherwise to obtain the loan under conditions which in the opinion of the Bank are reasonable for the borrower.

(iii) A competent committee, as provided for in Article V, Section 7, has submitted a written report recommending the project after a careful study of the merits of the proposal.

(iv) In the opinion of the Bank the rate of interest and other charges are reasonable and such rate, charges and the schedule for repayment of principal are appropriate to the project.

(v) In making or guaranteeing a loan, the

Bank shall pay due regard to the prospects that the borrower, and, if the borrower is not a member, that the guarantor, will be in position to meet its obligations under the loan; and the Bank shall act prudently in the interests both of the particular member in whose territories the project is located and of the members as a whole.

(vi) In guaranteeing a loan made by other investors, the Bank receives suitable compensation for its risk.

(vii) Loans made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction or development.

Section 5. Use of loans guaranteed, participated in or made by the Bank

(a) The Bank shall impose no conditions that the proceeds of a loan shall be spent in the territories of any particular member or members

(b) The Bank shall make arrangements to ensure that the proceeds of any loan are used only for the purposes for which the loan was granted, with due attention to considerations of economy and efficiency and without regard to political or other non-economic influences or considerations.

(c) In the case of loans made by the Bank, it shall open an account in the name of the borrower and the amount of the loan shall be credited to this account in the currency or currencies in which the loan is made. The borrower shall be permitted by the Bank to draw on this account only to meet expenses in connection with the project as they are actually incurred.

ARTICLE IV
OPERATIONS

Section 1. Methods of making or facilitating loans

(a) The Bank may make or facilitate loans which satisfy the general conditions of Article III in any of the following ways:

(i) By making or participating in direct loans out of its own funds corresponding to its unimpaired paid-up capital and surplus and, subject to Section 6 of this Article, to its reserves.

(ii) By making or participating in direct loans out of funds raised in the market of a member, or otherwise borrowed by the Bank.

(iii) By guaranteeing in whole or in part loans made by private investors through the usual investment channels.

(b) The Bank may borrow funds under (a) (ii) above or guarantee loans under (a) (iii) above only with the approval of the member in whose markets the funds are raised and the member in whose currency the loan is denominated, and only if those members agree that the proceeds may be exchanged for the currency of any other member without restriction.

Section 2. Availability and transferability of currencies

(a) Currencies paid into the Bank under Article II, Section 7 (i), shall be loaned 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 has been entirely called, such currencies shall, 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 such contractual payments on loans guaranteed by the Bank.

(b) Currencies received by the Bank from borrowers or guarantors in payment on account of principal of direct loans made with currencies referred to in (a) above shall be exchanged for the currencies of other members or reloaned only with the approval in each case of the members whose currencies are involved; provided, however, that if necessary, after the Bank's subscribed capital has been entirely called, such currencies shall, 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 such contractual payments on loans guaranteed by the Bank.

(c) Currencies received by the Bank from borrowers or guarantors in payment on account of principal of direct loans made by the Bank under Section 1 (a) (ii) of this Article, shall be held and used, without restriction by the members, to make amortization payments, or to anticipate payment of or repurchase part or all of the Bank's own obligations.

(d) All other currencies available to the Bank, including those raised in the market or otherwise borrowed under Section 1 (a) (ii) of this Article, those obtained by the sale of gold, those received as payments of interest and other charges for direct loans made under Sections 1 (a) (i) and (ii), and those received as payments of commissions and other charges under Section 1 (a) (iii), shall be used or exchanged for other currencies or gold required in the operations of the Bank without restriction by the members whose currencies are offered.

(e) Currencies raised in the markets of members by borrowers on loans guaranteed by the Bank under Section 1 (a) (iii) of this Article, shall also be used or exchanged for other currencies without restriction by such members.

Section 3. Provision of currencies for direct loans

The following provisions shall apply to direct loans under Sections 1 (a) (i) and (ii) of this Article:

(a) The Bank shall furnish the borrower with such currencies of members, other than the member in whose territories the project is located, as are needed by the borrower for expenditures to be made in the territories of such other members to carry out the purposes of the loan.

(b) The Bank may, in exceptional circumstances when local currency required for the purposes of the loan cannot be raised by the borrower on reasonable terms, provide the borrower as part of the loan with an appropriate amount of that currency.

(c) The Bank, if the project gives rise indirectly to an increased need for foreign exchange by the member in whose territories the project is located, may in exceptional circumstances provide the borrower as part of the loan with an appropriate amount of gold or foreign exchange not in excess of the borrower's local expenditure in connection with the purposes of the loan.

(d) The Bank may, in exceptional circumstances, at the request of a member in whose territories a portion of the loan is spent, repurchase with gold or foreign exchange a part of that member's currency thus spent but in no case shall the part so repurchased exceed the amount by which the expenditure of the loan in those territories gives rise to an increased need for foreign exchange.

Section 4. Payment provisions for direct loans

Loan contracts under Section 1 (a) (i) or (ii) of this Article shall be made in accordance with the following payment provisions:

(a) The terms and conditions of interest and amortization payments, maturity and dates of payment of each loan shall be determine by the Bank. The Bank shall also determine the rate and any other terms and conditions of commission to be charged in connection with such loan.

In the case of loans made under Section 1 (a) (ii) of this Article during the first ten years of the Bank's operations, this rate of commission shall be not less than one per cent per annum and not greater than one and one-half per cent per annum, and shall be charged on the outstanding portion of any such loan. At the end of this period of ten years, the rate of commission may be reduced by the Bank with respect both to the outstanding portions of loans already made and to future loans, if the reserves accumulated by the Bank under Section 6 of this Article and out of other earnings are considered by it sufficient to justify a reduction. In the case of future loans the Bank shall also have discretion to increase the rate of commission beyond the above limit, if experience indicates that an increase is advisable.

(b) All loan contracts shall stipulate the currency or currencies in which payments under the contract shall be made to the Bank. At the option of the borrower, however, such payments may be made in gold, or subject to the agreement of the Bank, in the currency of a member other than that prescribed in the contract.

(i) In the case of loans made under Section 1 (a) (i) of this Article, the loan contracts shall provide that payments to the Bank of interest, other charges and amortization shall be made in the currency loaned, unless the member whose currency is loaned agrees that such payments shall be made in some other specified currency or currencies. These payments, subject to the provisions of Article II, Section 9 (c), shall be equivalent to the value of such contractual payments at the time the loans were made, in terms of a currency specified for the purpose by the Bank by a three-fourths majority of the total voting power.

(ii) In the case of loans made under Section 1 (a) (ii) of this Article, the total amount outstanding and payable to the Bank in any one currency shall at no time exceed the total amount of the outstanding borrowings made by the Bank under Section 1 (a) (ii) and payable in the same currency.

(c) If a member suffers from an acute exchange stringency, so that the service of any loan contracted by that member or guaranteed by it or by one of its agencies cannot be provided in the stipulated manner, the member concerned may apply to the Bank for a relaxation of the conditions of payment. If the Bank is satisfied that some relaxation is in the interests of the particular member and of the operations of the Bank and of its members as a whole, it may take action under either, or both, of the following paragraphs with respect to the whole, or part, of the annual service:

(i) The Bank may, in its discretion, make arrangements with the member concerned to accept service payments on the loan in the member's currency for periods not to exceed three years upon appropriate terms regarding the use of such currency and the maintenance of its foreign exchange value; and for the repurchase of such currency on appropriate terms.

(ii) The Bank may modify the terms of amortization or extend the life of the loan, or both.

Section 5. Guarantees

(a) In guaranteeing a loan placed through the usual investment channels, the Bank shall charge a guarantee commission payable periodically on the amount of the loan outstanding at a rate determined by the Bank. During the first ten years of the Bank's operations, this rate shall be not less than one per cent per annum and not greater than one and one-half per cent per annum. At the end of this period of ten years, the rate of commission may be reduced by the Bank with respect both to the outstanding portions of loans already guaranteed and to future loans if the reserves accumulated by the Bank under Section 6 of this Article and out of other earnings are considered by it sufficient to justify a reduction. In the case of future loans the Bank shall also have discretion to increase the rate of commission beyond the above limit, if experience indicates that an increase is advisable.

(b) Guarantee commissions shall be paid directly to the Bank by the borrower.

(c) Guarantees by the Bank shall provide that the Bank may terminate its liability with respect to interest if, upon default by the borrower and by the guarantor, if any, the Bank offers to purchase, at par and interest accrued to a date designated in the offer, the bonds or other obligations guaranteed.

(d) The Bank shall have power to determine any other terms and conditions of the guarantee.

Section 6. Special reserve

The amount of commissions received by the Bank under Sections 4 and 5 of this Article shall be set aside as a special reserve, which shall be kept available for meeting liabilities of the Bank in accordance with Section 7 of this Article. The special reserve shall be held in such liquid form, permitted under this Agreement, as the Executive Directors may decide.

Section 7. Methods of meeting liabilities of the Bank in case of defaults

In cases of default on loans made, participated in, or guaranteed by the Bank:

(a) The Bank shall make such arrangements as may be feasible to adjust the obligations under the loans, including arrangements under or analogous to those provided in Section 4 (c) in Section 6 of this Article.

(b) The payments in discharge of the Bank's liabilities on borrowings or guarantees under Sections 1 (a) (ii) and (iii) of this Article shall be charged:

(i) first, against the special reserve provided in Section 6 of this Article.

(ii) then, to the extent necessary and at the discretion of the Bank, against the other reserves, surplus and capital available to the Bank.

(c) Whenever necessary 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 similar payments on loans guaranteed by it, the Bank may call an appropriate amount of the unpaid subscriptions of members in accordance with Article II, Sections 5 and 7. Moreover, if it believes that a default may be of long duration, the Bank may call an additional amount of such unpaid subscriptions not to exceed in any one year one per cent of the total subscriptions of the members for the following purposes:

(i) To redeem prior to maturity, or otherwise discharge its liability on, all or part of the outstanding principal of any loan guaranteed by it in respect of which the debtor is in default.

(ii) To repurchase, or otherwise discharge its liability on, all or part of its own outstanding borrowings.

Section 8. Miscellaneous operations

In addition to the operations specified elsewhere in this Agreement, the Bank shall have the power:

(i) To buy and sell securities it has issued and to buy and sell securities which it has guaranteed or in which it has invested, provided that the Bank shall obtain the approval of the member in whose territories the securities are to be bought or sold,

(ii) To guarantee securities in which it has invested for the purpose of facilitating their sale.

(iii) To borrow the currency of any member with the approval of that member.

(iv) To buy and sell such other securities as the Directors by a three-fourths majority of the total voting power may deem proper for the investment of all or part of the special reserve under Section 6 of this Article.

In exercising the powers conferred by this Section, the Bank may deal with any person, partnership, association, corporation or other legal entity in the territories of any member.

Section 9. Warning to be placed on securities

Every security guaranteed or issued by the Bank shall bear on its face a conspicuous statement to the effect that it is not an obligation of any government unless expressly stated on the security.

Section 10. Political activity prohibited

The Bank and its officers shall not interfere in the political affairs of any member; nor shall they be influenced in their decisions by the political character of the member or members concerned. Only economic considerations shall be relevant to their decisions, and these considerations shall be weighed impartially in order to achieve the purposes stated in Article I.

ARTICLE V

ORGANIZATION AND MANAGEMENT

Section 1. Structure of the Bank

The Bank shall have a Board of Governors, Executive Directors, a President and such other officers and staff to perform such duties as the Bank may determine.

Section 2. Board of Governors

(a) All the powers of the Bank shall be vested in the Board of Governors consisting of one governor and one alternate appointed by each member in such manner as it may determine. Each governor and each alternate shall serve for five years, subject to the pleasure of the member appointing him, and may be reappointed. No alternate may vote except in the absence of his principal. The Board shall select one of the governors as Chairman.

(b) The Board of Governors may delegate to the Executive Directors authority to exercise any powers of the Board, except the power to:

(i) Admit new members and determine the conditions of their admission;

(ii) Increase or decrease the capital stock;

(iii) Suspend a member;

(iv) Decide appeals from interpretations of this Agreement given by the Executive Directors;

(v) Make arrangements to cooperate with other international organizations (other than informal arrangements of a temporary and administrative character);

(vi) Decide to suspend permanently the operations of the Bank and to distribute its assets;

(vii) Determine the distribution of the net income of the Bank.

(c) The Board of Governors shall hold an annual meeting and such other meetings as may be provided for by the Board or called by the Executive Directors. Meetings of the Board shall be called by the Directors whenever requested by five members or by members having one-quarter of the total voting power.

(d) A quorum for any meeting of the Board of Governors shall be a majority of the Governors, exercising not less than two-thirds of the total voting power.

(e) The Board of Governors may by regulation establish a procedure whereby the Executive Directors, when they deem such action to be in the best interests of the Bank, may obtain a vote of the Governors on a specific question without calling a meeting of the Board.

(f) The Board of Governors, and the Executive Directors to the extent authorized, may adopt such rules and regulations as may be necessary or appropriate to conduct the business of the Bank.

(g) Governors and alternates shall serve as such without compensation from the Bank, but the Bank shall pay them reasonable expenses incurred in attending meetings.

(h) The Board of Governors shall determine the remuneration to be paid to the Executive Directors and the salary and terms of the contract of service of the President.

Section 3. Voting

(a) Each member shall have two hundred fifty votes plus one additional vote for each share of stock held.

(b) Except as otherwise specifically provided, all matters before the Bank shall be decided by a majority of the votes cast.

Section 4. Executive Directors

(a) The Executive Directors shall be responsible for the conduct of the general operations of the Bank, and for this purpose, shall exercise all the powers delegated to them by the Board of Governors.

(b) There shall be twelve Executive Directors, who need not be governors, and of whom:

(i) five shall be appointed, one by each of the five members having the largest number of shares;

(ii) seven shall be elected according to Schedule B by all the Governors other than those appointed by the five members referred to in (i) above.

For the purpose of this paragraph, "members" means governments of countries whose names are set forth in Schedule A, whether they are original members or become members in accordance with Article II, Section 1 (b). When governments of other countries become members, the Board of Governors may, by a four-fifths majority of the total voting power, increase the total number of directors by increasing the number of directors to be elected.

Executive directors shall be appointed or elected every two years.

(c) Each executive director shall appoint an alternate with full power to act for him when he is not present. When the executive directors appointing them are present, alternates may participate in meetings but shall not vote.

(d) Directors shall continue in office until their successors are appointed or elected. If the office of an elected director becomes vacant more than ninety days before the end of his term, another director shall be elected for the remainder of the term by the governors who elected the former director. A majority of the votes cast shall be required for election. While the office remains vacant, the alternate of the former director shall exercise his powers, except that of appointing an alternate.

(e) The Executive Directors shall function in continuous session at the principal office of the Bank and shall meet as often as the business of the Bank may require.

(f) A quorum for any meeting of the Executive Directors shall be a majority of the Directors, exercising not less than one-half of the total voting power.

(g) Each appointed director shall be entitled to cast the number of votes allotted under Section 3 of this Article to the member appointing him. Each elected director shall be entitled to cast the number of votes which counted toward his election. All the votes which a director is entitled to cast shall be cast as a unit.

(h) The Board of Governors shall adopt regulations under which a member not entitled to appoint a director under (b) above may send a representative to attend any meeting of the Executive Directors when a request made by, or a matter particularly affecting, that member is under consideration.

(i) The Executive Directors may appoint such committees as they deem advisable. Membership of such committees need not be limited to governors or directors or their alternates.

Section 5. President and staff

(a) The Executive Directors shall select a President who shall not be a governor or an executive director or an alternate for either. The President shall be Chairman of the Executive Directors, but shall have no vote except a deciding vote in case of an equal division. He may participate in meetings of the Board of

Governors, but shall not vote at such meetings. The President shall cease to hold office when the Executive Directors so decide.

(b) The President shall be chief of the operating staff of the Bank and shall conduct, under the direction of the Executive Directors, the ordinary business of the Bank. Subject to the general control of the Executive Directors, he shall be responsible for the organization, appointment and dismissal of the officers and staff.

(c) The President, officers and staff of the Bank, in the discharge of their offices, owe their duty entirely to the Bank and to no other authority. Each member of the Bank shall respect the international character of this duty and shall refrain from all attempts to influence any of them in the discharge of their duties.

(d) In appointing the officers and staff the President shall, subject to the paramount importance of securing the highest standards of efficiency and of technical competence, pay due regard to the importance of recruiting personnel on as wide a geographical basis as possible.

Section 6. Advisory Council

(a) There shall be an Advisory Council of not less than seven persons selected by the Board of Governors including representatives of banking, commercial, industrial, labor, and agricultural interests, and with as wide a national representation as possible. In those fields where specialized international organizations exist, the members of the Council representative of those fields shall be selected in agreement with such organizations. The Council shall advise the Bank on matters of general policy. The Council shall meet annually and on such other occasions as the Bank may request.

(b) Councillors shall serve for two years and may be reappointed. They shall be paid their reasonable expenses incurred on behalf of the Bank.

Section 7. Loan committees

The committees required to report on loans under Article III, Section 4, shall be appointed by the Bank. Each such committee shall include an expert selected by the governor representing the member in whose territories the project is located and one or more members of the technical staff of the Bank.

Section 8. Relationship to other international organizations

(a) The Bank, within the terms of this Agreement, shall cooperate with any general international organization and with public international organizations having specialized responsibilities in related fields. Any arrangements for such cooperation which would involve a modification of any provision of this Agreement may be effected only after amendment to this Agreement under Article VIII.

(b) In making decisions on applications for loans or guarantees relating to matters directly within the competence of any international organization of the types specified in the preceding paragraph and participated in primarily by members of the Bank, the Bank shall give consideration to the views and recommendations of such organization.

Section 9. Location of offices

(a) The principal office of the Bank shall be located in the territory of the member holding the greatest number of shares.

(b) The Bank may establish agencies or branch offices in the territories of any member of the Bank.

Section 10. Regional offices and councils

(a) The Bank may establish regional offices and determine the location of, and the areas to be covered by, each regional office.

(b) Each regional office shall be advised by a regional council representative of the entire area and selected in such manner as the Bank may decide.

Section 11. Depositories

(a) Each member shall designate its central bank as a depository for all the Bank's holdings of its currency or, if it has no central bank, it shall designate such other institution as may be acceptable to the Bank.

(b) The Bank may hold other assets, including gold, in depositories designated by the five members having the largest number of shares and in such other designated depositories as the Bank may select. Initially, at least one-half of the gold holdings of the Bank shall be held in the depository designated by the member in whose territory the Bank has its principal office, and at least forty percent shall be held in the depositories designated by the remaining four members referred to above, each of such depositories to hold, initially, not less than the amount of gold paid on the shares of the member designating it. However, all transfers of gold by the Bank shall be made with due regard to the costs of transport and anticipated requirements of the Bank. In an emergency the Executive Directors may transfer all or any part of the Bank's gold holdings to any place where they can be adequately protected.

Section 12. Form of holdings of currency

The Bank shall accept from any member, in place of any part of the member's currency, paid in to the Bank under Article II, Section 7 (i), or to meet amortization payments on loans made with such currency, and not needed by the Bank in its operations, notes or similar obligations issued by the Government of the member or the depository designated by such member, which shall be non-negotiable, non-interest-bearing and payable at their par value on demand by credit to the account of the Bank in the designated depository.

Section 13. Publication of reports and provision of information

(a) The Bank shall publish an annual report containing an audited statement of its accounts and shall circulate to members at intervals of three months or less a summary statement of its financial position and a profit and loss statement showing the results of its operations.

(b) The Bank may publish such other reports as it deems desirable to carry out its purposes.

(c) Copies of all reports, statements and publications made under this section shall be distributed to members.

Section 14. Allocation of net income

(a) The Board of Governors shall determine annually what part of the Bank's net income, after making provision for reserves, shall be allocated to surplus and what part, if any, shall be distributed.

(b) If any part is distributed, up to two per cent non-cumulative shall be paid, as a first charge against the distribution for any year, to each member on the basis of the average amount of the loans outstanding during the year made under Article IV, Section 1 (a) (i), out of currency corresponding to its subscription. If two per cent is paid as a first charge, any balance remaining to be distributed shall be paid to all members in proportion to their shares. Payments to each member shall be made in its own currency, or if that currency is not available in other currency acceptable to the member. If such payments are made in currencies other than the member's own currency, the transfer of the currency and its use by the receiving member after payment shall be without restriction by the members.

ARTICLE VI
WITHDRAWAL AND SUSPENSION OF MEMBERSHIP: SUSPENSION OF OPERATIONS

Section 1. Right of members to withdraw

Any member may withdraw from the Bank at any time by transmitting a notice in writing to the Bank at its principal office. Withdrawal shall become effective on the date such notice is received.

Section 2. Suspension of membership

If a member fails to fulfill any of its obligations to the Bank, the Bank may suspend its membership by decision of a majority of the Governors, exercising a majority of the total voting power. The member so suspended shall automatically cease to be a member one year from the date of its suspension unless a decision is taken by the same majority to restore the member to good standing.

While under suspension, a member shall not be entitled to exercise any rights under this Agreement, except the right of withdrawal, but shall remain subject to all obligations.

Section 3. Cessation of membership in International Monetary Fund.

Any member which ceases to be a member of the International Monetary Fund shall automatically cease after three months to be a member of the Bank unless the Bank by three-fourths of the total voting power has agreed to allow it to remain a member.

Section 4. Settlement of accounts with governments ceasing to be members.

(a) When a government ceases to be a member, it shall remain liable for its direct obligations to the Bank and for its contingent liabilities to the Bank so long as any part of the loans or guarantees contracted before it ceased to be a member are outstanding; but it shall cease to incur liabilities with respect to loans and guarantees entered into thereafter by the Bank and to share either in the income or the expenses of the Bank.

(b) At the time a government ceases to be a member, the Bank shall arrange for the repurchase of its shares as a part of the settlement of accounts with such government in accordance with the provisions of (c) and (d) below. For this purpose the repurchase price of the shares shall be the value shown by the books of the Bank on the day the government ceases to be a member.

(c) The payment for shares repurchased by the Bank under this section shall be governed by the following conditions:

(i) Any amount due to the government for its shares shall be withheld so long as the government, its central bank or any of its agencies remains liable, as borrower or guarantor, to the Bank and such amount may, at the option of the Bank, be applied on any such liability as it matures. No amount shall be withheld on account of the liability of the government resulting from its subscription for shares under Article II, Section 5 (ii). In any event, no amount due to a member for its shares shall be paid until six months after the date upon which the government ceases to be a member.

(ii) Payments for shares may be made from time to time, upon their surrender by the government, to the extent by which the amount due as the repurchase price in (b) above exceeds the aggregate of liabilities on loans and guarantees in (c) (i) above until the former member has received the full repurchase price.

(iii) Payments shall be made in the currency of the country receiving payment or at the option of the Bank in gold.

(iv) If losses are sustained by the Bank on any guarantees, participations in loans, or loans which were outstanding on the date when the government ceased to be a member, and the amount of such losses exceeds the amount of the reserve provided against losses on the date when the government ceased to be a member, such government shall be obligated to repay upon demand the amount by which the repurchase price of its shares would have been reduced, if the losses had been taken into account when the repurchase price was determined. In addition, the former member government shall remain liable on any call for unpaid subscriptions under Article II, Section 5 (ii), to the extent that it would have been required to respond if the impairment of capital had occurred and the call had been made at the time the repurchase price of its shares was determined.

(d) If the Bank suspends permanently its operations under Section 5 (b) of this Article, within six months of the date upon which any government ceases to be a member, all rights of such government shall be determined by the provisions of Section 5 of this Article.

Section 5. Suspension of operations and settlement of obligations

(a) In an emergency the Executive Directors may suspend temporarily operations in respect of new loans and guarantees pending an opportunity for further consideration and action by the Board of Governors.

(b) The Bank may suspend permanently its operations in respect of new loans and guarantees by vote of a majority of the Governors, exercising a majority of the total voting power. After such suspension of operations the Bank shall forthwith cease all activities, except those incident to the orderly realization, conservation, and preservation of its assets and settlement of its obligations.

(c) The liability of all members for uncalled subscriptions to the capital stock of the Bank and in respect of the depreciation of their own currencies shall continue until all claims of creditors, including all contingent claims, shall have been discharged.

(d) All creditors holding direct claims shall be paid out of the assets of the Bank, and then out of payments to the Bank on calls on unpaid subscriptions. Before making any payments to creditors holding direct claims, the Executive Directors shall make such arrangements as are necessary, in their judgment, to insure a distribution to holders of contingent claims ratably with creditors holding direct claims.

(e) No distribution shall be made to members on account of their subscriptions to the capital stock of the Bank until

(i) all liabilities to creditors have been discharged or provided for, and

(ii) a majority of the Governors, exercising a majority of the total voting power, have decided to make a distribution.

(f) After a decision to make a distribution has been taken under (e) above, the Executive Directors may by a two-thirds majority vote make successive distributions of the assets of the Bank to members until all of the assets have been distributed. This distribution shall be subject to the prior settlement of all outstanding claims of the Bank against each member.

(g) Before any distribution of assets is made, the Executive Directors shall fix the proportionate share of each member according to the ratio of its shareholding to the total outstanding shares of the Bank.

(h) The Executive Directors shall value the assets to be distributed as at the date of distribution and then proceed to distribute in the following manner:

(i) There shall be paid to each member in its own obligations or those of its official agencies or legal entities within its territories, insofar as they are available for distribution, an amount equivalent in value to its proportionate share of the total amount to be distributed.

(ii) Any balance due to a member after payment has been made under (i) above shall be paid, in its own currency, insofar as it is held by the Bank, up to an amount equivalent in value to such balance.

(iii) Any balance due to a member after payment has been made under (i) and (ii) above shall be paid in gold or currency acceptable to the member, insofar as they are held by the Bank, up to an amount equivalent in value to such balance.

(iv) Any remaining assets held by the Bank after payments have been made to members under (i), (ii) and (iii) above shall be distributed pro rata among the members.

(i) Any member receiving assets distributed by the Bank in accordance with (h) above, shall enjoy the same rights with respect to such assets as the Bank enjoyed prior to their distribution.

ARTICLE VII

STATUS, IMMUNITIES AND PRIVILEGES

Section 1. Purposes of Article

To enable the Bank to fulfill the functions with which it is entrusted, the status, immunities and privileges set forth in this Article shall be accorded to the Bank in the territories of each member.

Section 2. Status of the Bank

The Bank shall possess full juridical personality, and, in particular, the capacity:

(i) to contract;

(ii) to acquire and dispose of immovable and movable property;

(iii) to institute legal proceedings.

Section 3. Position of the Bank with regard to judicial process

Actions may be brought against the Bank only in a court of competent jurisdiction in the territories of a member in which the Bank has an office, has appointed an agent for the purpose of accepting service or notice of process, or has issued or guaranteed securities. No actions shall, however, be brought by members or persons acting for or deriving claims from members. The property and assets of the Bank shall, wheresoever located and by whomsoever held, be immune from all forms of seizure, attachment or execution before the delivery of final judgment against the Bank.

Section 4. Immunity of assets from seizure

Property and assets of the Bank, wherever located and by whomsoever held, shall be immune from search, requisition, confiscation, expropriation or any other form of seizure by executive or legislative action.

Section 5. Immunity of archives

The archives of the Bank shall be inviolable.

Section 6. Freedom of assets from restrictions

To the extent necessary to carry out the operations provided for in this Agreement and subject to the provisions of this Agreement, all property and assets of the Bank shall be free from restrictions, regulations, controls and moratoria of any nature.

Section 7. Privilege for communications

The official communications of the Bank shall be accorded by each member the same treatment that it accords to the official communications of other members.

Section 8. Immunities and privileges of officers and employees

All governors, executive directors, alternates, officers and employees of the Bank

(i) shall be immune from legal process with respect to acts performed by them in their official capacity except when the Bank waives this immunity;

(ii) not being local nationals, shall be accorded the same immunities from immigration restrictions, alien registration requirements and national service obligations and the same facilities as regards exchange restrictions as are accorded by members to the representatives, officials and employees of comparable rank of other members;

(iii) shall be granted the same treatment in respect of travelling facilities as is accorded by members to representatives, officials and employees of comparable rank of other members.

Section 9. Immunities from taxation

(a) The Bank, its assets, property, income and its operations and transactions authorized by this Agreement, shall be immune from all taxation and from all customs duties. The Bank shall also be immune from liability for the collection or payment of any tax or duty.

(b) No tax shall be levied on or in respect of salaries and emoluments paid by the Bank to executive directors, alternates, officials or employees of the Bank who are not local citizens, local subjects, or other local nationals.

(c) No taxation of any kind shall be levied on any obligation or security issued by the Bank (including any dividend or interest thereon) by whomsoever held—

(i) which discriminates against such obligation or security solely because it is issued by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the place or currency in which it is issued, made payable or paid, or the location of any office or place of business maintained by the Bank.

(d) No taxation of any kind shall be levied on any obligation or security guaranteed by the Bank (including any dividend or interest thereon) by whomsoever held—

(i) which discriminates against such obligation or security solely because it is guaranteed by the Bank; or

(ii) if the sole jurisdictional basis for such taxation is the location of any office or place of business maintained by the Bank.

Section 10. Application of Article

Each member shall take such action as is necessary in its own territories for the purpose of making effective in terms of its own law the principles set forth in this Article and shall inform the Bank of the detailed action which it has taken.

ARTICLE VIII

AMENDMENTS

(a) Any proposal to introduce modifications in this Agreement, whether emanating from a member, a governor or the Executive Directors, shall be communicated to the Chairman of the Board of Governors who shall bring the proposal before the Board. If the proposed amendment is approved by the Board the Bank shall, by circular letter or telegram, ask all members whether they accept the proposed amendment. When three-fifths of the members, having four-fifths of the total voting power, have accepted the proposed amendment, the Bank shall certify the fact by formal communication addressed to all members.

(b) Notwithstanding (a) above, acceptance by all members is required in the case of any amendment modifying

(i) the right to withdraw from the Bank provided in Article VI, Section 1;

(ii) the right secured by Article II, Section 3(c);

(iii) the limitation on liability provided in Article II, Section 6.

(c) Amendments shall enter into force for all members three months after the date of the formal communication unless a shorter period is specified in the circular letter or telegram.

ARTICLE IX

INTERPRETATION

(a) Any question of interpretation of the provisions of this Agreement arising between any member and the Bank or between any members of the Bank shall be submitted to the Executive Directors for their decision. If the question particularly affects any member not entitled to appoint an executive director, it shall be entitled to representation in accordance with Article V, Section 4 (h).

(b) In any case where the Executive Directors have given a decision under (a) above, any member may require that the question be referred to the Board of Governors, whose decision shall be final. Pending the result of the reference to the Board, the Bank may, so far as it deems necessary, act on the basis of the decision of the Executive Directors.

(c) Whenever a disagreement arises between the Bank and a country which has ceased to be a member, or between the Bank and any member during the permanent suspension of the Bank, such disagreement shall be submitted to arbitration by a tribunal of three arbitrators, one appointed by the Bank, another by the country involved and an umpire who, unless the parties otherwise agree, shall be appointed by the President of the Permanent Court of International Justice or such other authority as may have been prescribed by regulation adopted by the Bank. The umpire shall have full power to settle all questions of procedure in any case where the parties are in disagreement with respect thereto.

ARTICLE X

APPROVAL DEEMED GIVEN

Whenever the approval of any member is required before any act may be done by the Bank, except in Article VIII, approval shall be deemed to have been given unless the member presents an objection within such reasonable period as the Bank may fix in notifying the member of the proposed act.

ARTICLE XI

FINAL PROVISIONS

Section 1. Entry into force

This Agreement shall enter into force when it has been signed on behalf of governments whose minimum subscriptions comprise not less than sixty-five percent of the total subscriptions set forth in Schedule A and when the instruments referred to in Section 2 (a) of this Article have been deposited on their behalf, but in no event shall this Agreement enter into force before May 1, 1945.

Section 2. Signature

(a) Each government on whose behalf this Agreement is signed shall deposit with the Government of the United States of America an instrument setting forth that it has accepted this Agreement in accordance with its law and has taken all steps necessary to enable it to carry out all of its obligations under this Agreement.

(b) Each government shall become a member of the Bank as from the date of the deposit on its behalf of the instrument referred to in (a) above, except that no government shall become a member before this Agreement enters into force under Section 1 of this Article.

(c) The Government of the United States of America shall inform the government of all countries whose names are set forth in Schedule A, and all governments whose membership is approved in accordance with Article II, Section 1 (b), of all signatures of this Agreement and of the deposit of all instruments referred to in (a) above.

(d) At the time this Agreement is signed on its behalf, each government shall transmit to the Government of the United States of America one one-hundredth of one percent of the price of each share in gold or United States dollars for the purpose of meeting administrative expenses of the Bank. This payment shall be credited on account of the payment to be made in accordance with Article II, Section 8 (a). The Government of the United States of America shall hold such funds in a special deposit account and shall transmit them to the Board of Governors of the Bank when the initial meeting has been called under Section 3 of this Article. If this Agreement has not come into force by December 31, 1945, the Government of the United States of America shall return such funds to the governments that transmitted them.

(e) This Agreement shall remain open for signature at Washington on behalf of the governments of the countries whose names are set forth in Schedule A until December 31, 1945.

(f) After December 31, 1945, this Agreement shall be open for signature on behalf of the government of any country whose membership has been approved in accordance with Article II, Section 1 (b).

(g) By their signature of this Agreement, all governments accept it both on their own behalf and in respect of all their colonies, overseas territories, all territories under their protection, suzerainty, or authority and all territories in respect of which they exercise a mandate.

(h) In the case of governments whose metropolitan territories have been under enemy occupation, the deposit of the instrument referred to in (a) above may be delayed until one hundred and eighty days after the date on which these territories have been liberated. If, however, it is not deposited by any such government before the expiration of this period, the signature affixed on behalf of that government shall become void and the portion of its subscription paid under (d) above shall be returned to it.

(i) Paragraphs (d) and (h) shall come into force with regard to each signatory government as from the date of its signature.

Section 3. Inauguration of the Bank

(a) As soon as this Agreement enters into force under Section 1 of this Article, each member shall appoint a governor and the member to whom the largest number of shares is allocated in Schedule A shall call the first meeting of the Board of Governors.

(b) At the first meeting of the Board of Governors, arrangements shall be made for the selection of provisional executive directors. The governments of the five counties, to which the largest number of shares are allocated in Schedule A, shall appoint provisional executive directors. If one or more of such governments have not become members, the executive directorships which they would be entitled to fill shall remain vacant until they become members, or until January 1, 1946, whichever is the earlier. Seven provisional executive directors shall be elected in accordance with the provisions of Schedule B and shall remain in office until the date of the first regular election of executive directors which shall be held as soon as practicable after January 1, 1946.

(c) The Board of Governors may delegate to the provisional executive directors any powers except those which may not be delegated to the Executive Directors.

(d) The Bank shall notify members when it is ready to commence operations.

Done at Washington, in a single copy which shall remain deposited in the archives of the Government of the United States of America, which shall transmit certified copies to all governments whose names are set forth in Schedule A and to all governments whose membership is approved in accordance with Article II, Section Kb).

SCHEDULE A

SUBSCRIPTIONS

	(millions of dollars)		(millions of dollars)
Australia	200	Honduras	1
Belgium	225	Iceland	1
Bolivia	7	India	400
Brazil	105	Iran	24
Canada	325	Iraq	6
Chile	35	Liberia	.5
China	600	Luxembourg	10
Colombia	35	Mexico	65
Costa Rica	2	Netherlands	275
Cuba	35	New Zealand	50
Czechoslovakia	125	Nicaragua	.8
Denmark[1]		Norway	50
Dominican Republic	2	Panama	.2
Ecuador	3.2	Paraguay	.8
Egypt	40	Peru	17.5
El Salvador	1	Philippine Commonwealth	15
Ethiopia	3	Poland	125
France	450	Union of South Africa	100
Greece	25	Union of Soviet Socialist Republics	1200
Guatemala	2	United Kingdom	1300
Haiti	2	United States	3175
		Uruguay	10.5
		Venezuela	10.5
		Yugoslavia	40
		Total	9100

SCHEDULE B

ELECTION OF EXECUTIVE DIRECTORS

1. The election of the elective executive directors shall be by ballot of the Governors eligible to vote under Article V, Section 4 (b).

2. In balloting for the elective executive directors, each governor eligible to vote shall cast for one person all of the votes to which the member appointing him is entitled under Section 3 of Article V. The seven persons receiving the greatest number of votes shall be executive directors, except that no person who receives less than fourteen percent of the total of the votes which can be cast (eligible votes) shall be considered elected.

3. When seven persons are not elected on the first ballot, a second ballot shall be held in which the person who received the lowest number of votes shall be ineligible for election and in which there shall vote only (a) those governors who voted in the first ballot for a person not elected and (b) those governors whose votes for a person elected are deemed under 4 below to have raised the votes cast for that person above thereby exceeded fifteen per cent.

4. In determining whether the votes cast by a governor are to be deemed to have raised the total of any person above fifteen percent of the eligible votes, the fifteen percent shall be deemed to include, first, the votes of the governor casting the largest number of votes for such person, then the votes of the governor casting the next largest number, and so on until fifteen percent is reached.

5. Any governor, part of whose votes must be counted in order to raise the total of any person above fourteen percent, shall be considered as casting all of his votes for such person even if the total votes for such person thereby exceeded fifteen percent.

6. If, after the second ballot, seven persons have not been elected, further ballots shall be held on the same principles until seven persons have been elected, provided that after six persons are elected, the seventh may be elected by a simple majority of the remaining votes and shall be deemed to have been elected by all such votes.

[1] The quota of Denmark was determined by the Bank, after Denmark had accepted membership, at $68,000,000.