

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 charge 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.