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**REMARKS**

This might interest you as representing the views of an outsider or follow-up. Nothing much came out of it and the author left the Bank without much explanation (to me at least).
MEMORANDUM

TO : Mr. R. L. Garner
FROM : G. M. Ventimiglia
SUBJECT: PROTECTION OF BANK'S INVESTMENTS

Note

The purpose of this memorandum is to set forth a report and recommendations with respect to the procedure which the Bank follows and should follow in the general field of so-called "follow-up" after the project for which the loan has been made is completed.

The first portion of the report includes my understanding and appraisal of the procedures currently in effect with respect to each of the successive stages of the Bank's relationship with the borrower. The second portion of the report outlines the problems involved and the purpose to be served by "follow-up", and the final portion is devoted to my recommendations.

My recommendations are, naturally, based on my interpretation of the ultimate purposes designed to be accomplished by the Bank in making loans and the necessity of insuring not only that such purposes are effective so far as possible, but also that the Bank's investment is protected.

As a newcomer, I have tried to consider the problem from the point of view of the Bank as a whole rather than from the point of view of the functions and requirements of any particular department, and my statements and recommendations may, of course, be subject to such changes as may be required by technical or other factors relating to a particular department which are necessary in order to enable it to function properly, and as to which I may not have as yet full appreciation.
November 28, 1949

PROTECTION OF BANK'S INVESTMENTS

GENERAL

1. The Bank is a world lending agency and looks forward to extending financial assistance to member countries in cases where it can reasonably expect that the loans will be repaid in full and that the purpose of the loans will be accomplished.

2. When a loan is granted and credit opened, the contact established with the borrower and its government in the course of the negotiations must be maintained to watch the uses and effects of the loan and, at the same time, to be advised of any occurrence which might endanger the Bank's investment.

3. By reason of the nature and purposes of the loans made by the Bank, their generally long-term character and the possibility that conditions will change in the future, each loan involves a continuous relationship between the Bank and the borrower which, on the part of the Bank, requires varying activities that must be assigned to the competent departments of the Bank as their particular responsibilities.

PRÉCIS OF PRESENT SITUATION

1. In the course of the relationship of the Bank to a borrower, the following obvious separate stages exist which also, of course, tend to merge in borderline situations into each other, because it is impossible to divide a continuing relationship into completely watertight compartments.

5. First stage. In this stage the Bank's relationship with a particular country consists primarily of obtaining a general picture of the political,
economic and financial condition of the country and its principal industries, its relation to other countries, and its requirements and problems in connection with its reconstruction and development.

6. When an application for a loan becomes active, a Loan Working Party is established by the Loan Director, who has the initiative and responsibility for loan operations. The Working Party consists of the assigned Loan Officer and representatives of the Legal, Economic and Treasurer's Departments. Upon the recommendation of the Loan Officer, who coordinates the activities of the Working Party, a fact-finding mission is customarily sent to the country in which the project is located, the purpose of which is to bring up to date general economic research with respect to the credit-worthiness of the country and the feasibility, soundness, priority, etc. of the proposed project. Normally the Loan Officer heads the mission. The mission usually includes, in addition to members of the Working Party, members of the Engineering Division, which is part of the Loan Department but whose function, in a sense, is separate from the other activities of the Loan Department, or outside engineering consultants, who accompany the mission to obtain technical and business information and data required for project analysis and evaluation.

7. The mission makes its reports, which fundamentally include the mission's advice as to the advisability of giving consideration to the loan. Such reports necessarily include estimates of the future capacity, production and effect on the economy, from which a decision can be made as to whether the project is entitled to consideration from the point of feasibility, soundness, priority, beneficial effects, etc.

8. Second stage. The next stage in the relationship of the Bank to the borrower comes into existence after the mission's reports have been considered.

*This memorandum does not deal with so-called general purpose loans which, it is understood, are no longer being made by the Bank.
If it is determined, on the basis of the mission's reports, that further consideration should be given to the proposed loan, representatives of the borrower come to Washington to discuss the proposed loan with the Loan Working Party and negotiate with respect to the proposed terms. In the course of that activity, the mission's reports are studied and possible supplemental reports are called for from the borrower or further missions or experts are dispatched to secure additional information.

9. Upon completion of the negotiations and the Loan Director's approval of the papers prepared by the Loan Working Party, the decision is made by the Bank whether or not to grant the loan. A recommendation is made by the Staff Loan Committee to the President, and the final decision is then submitted to the Board of Directors. If the loan is approved and the agreements are signed, the Bank then opens a credit for the borrower.

10. Third stage. As soon as the credit is opened, the next stage of the Bank's relationship with the borrower comes into existence, this time under the jurisdiction of the Treasurer, who is responsible for the development and application of financial policies and practices of the Bank, and it may be divided into two parts:

11. (i) **Supervision of disbursements**, or administration of the mechanism for withdrawals of funds by the borrower, including examination of applications for withdrawals and supporting documents, checking on the use of proper sources of materials, supervising any arrangements made with intervening commercial banks by the borrowers, and any variations in the list of goods or in the projects, with a view to making such changes as may be required in the withdrawals requested by the borrower. This work is naturally handled in consultation with the Loan Department and, where required, with the assistance of the Legal Department.
12. (ii) Supervision of the end-use of money withdrawn by the borrower.

This function includes, in essence, making sure that the funds disbursed are used for the specific purposes contemplated by the Loan Agreement, that materials are properly shipped to and reach appropriate destinations, checking on the progress of the work in comparison with the time schedule originally laid down and the estimates of cost made, up to the time the project is completed.

13. The time required for this supervision of loan end-use varies from a short to a long period, depending upon the nature of the project. The supervision includes, in addition to the matters mentioned above, a very important matter, namely, checking to make sure that the local currency requirements are provided by the borrower in accordance with the terms of the Loan Agreement as required. It involves, during the period of construction, both physical and financial periodic reports relating to the progress of the work which are mainly prepared in the field. The Engineering Staff may be called upon to act as adviser and, in some respects, as auditor.

FOLLOW-UP

14. At least from the time when the Loan Agreement is signed and the credit is opened, there is another function to be performed, not outlined above, which becomes really the only function remaining after the project is completed. That is the function of "follow-up", which continues indefinitely during the life of the loan (or even afterwards if the borrower is apt to require further loans).

15. The function of this follow-up activity can be summarized as the continuous watching and assembling of information to determine how the country's general economic condition is progressing and, in particular, how the operations of the project are affecting the economic condition
of the country, how such operations are progressing as compared to the original estimates made for such operations and their effect on the progress in the rehabilitation and development of the particular country. Future developments, political as well as economic and financial, which have a relationship to those purposes must be ascertained promptly and full information obtained for the intelligent advice of the management of the Bank.

16. Since follow-up is a permanent aspect of the relationship of the Bank with borrower countries, its importance cannot be ignored at any stage of such relationship, which, in fact, it begins and ends. Follow-up should further extend its range to cover gradually all countries to provide for the Bank its own independent flow of over-all information which is essential for it to operate properly as a world lending agency. A country which has not yet applied for a loan may do so in the future; occurrences in one country may affect other countries; a non-member country may constitute an important outlet for marketing purposes of the Bank.

17. The several departments of the Bank have been considering the activities that the Bank should develop to implement follow-up procedures. However, various questions are still under discussion as to coordination between, and the responsibility of, the several departments.

18. Some of the problems involved in the follow-up, which in part also bear on end-use supervision, include the following:

   A. How is the information to be obtained and who should obtain it?

   Should the information be obtained exclusively by trips made to the particular country, at regular or irregular intervals, by the same or different personnel, from one or several departments, or from one department exclusively? Should the information be obtained by certain detached staff members who might have
supervision over an area including several countries? Is the present personnel of the Bank in the various departments sufficient for the purpose? Which department or departments should have primary responsibility? What are the advantages and disadvantages in having the same personnel or departments which participated in the original mission reports and the work of the Loan Working Party charged exclusively or partially with the responsibility for the follow-up, which necessarily includes comparison with the estimates originally made? To what extent can detached staff members reduce the time and personnel required for trips made by Bank personnel, by bringing such personnel up to date promptly on arrival and by facilitating their investigations during their stay in a particular country, thus saving the time of the mission and possibly reducing the number of trips required? Some comments on the above-mentioned problems are as follows:

(i) Information is obtained on the spot. The Bank is currently informed of major changes in the position of foreign countries through the medium of newspapers, other published material and statistical data, contacts with U.S. government agencies, the Fund, UN and other international organizations, consultations with business and financial organizations, mission reports, etc. Published information is slow. Publication of important measures being enacted by governments is often delayed or kept confidential for a certain time. Local happenings which might bear on the Bank's investments are likely to escape publicity and elude the Bank's attention.

Follow-up should perceive the detailed changes in the economic and financial trends of such countries as well as any changes occurring in the position of the particular entities administering projects financed by the Bank. First-hand information, which can hardly be gathered at a distance, must be obtained through assiduous contacts with governmental officials and, even more importantly, with the better informed persons, such as bankers, businessmen
and friends in the borrower country, in order to obtain timely forecast or warning on all significant developments. Contacts should be maintained even more intensively than during the process of loan negotiations and disbursements. Once the funds are withdrawn and the representatives of the borrower have returned home, the cooperation established during negotiations and disbursements is destined, if nothing is done to prevent it, to disappear. Digging out facts then becomes a difficult task. True, Bank representatives making trips or temporarily stationed in the field assemble information and render reports on matters of interest to the Bank in addition to regular reports on their assignments, but this is only sporadically while they are on the spot, or as the occasion is presented. (ii) Regional offices. In view of the increasing volume of Bank loans, their importance and the number of countries involved, the management has been considering the organization, step-by-step, of regional offices in geographical areas to carry out specific assignments by the Bank's management and departments to assist, and cooperate with, Bank missions, and to serve both end-use and follow-up requirements and to implement related procedures.

For instance, the Paris office of the Bank, which was created for end-use purposes in France and for liaison with ECA and OECD, has recently been established on a permanent basis. In addition to representing the Bank officially in Europe, maintaining liaison with ECA and OECD, providing facilities for the Bank's Governors, Executive Directors and staff members temporarily stationed in Paris or travelling for the Bank in Europe, the Paris office is being staffed to extend its field of operations to other European countries, until such time as the necessity for other regional offices arises in neighboring areas in connection, particularly, with the financing of countries in the Mediterranean basin and the Near East. The senior staff member in charge of the office reports to the
Vice-President of the Bank. Personnel stationed in, or detailed to, the Paris office report to their respective department heads on their departmental operations, at the same time keeping posted the senior member of the staff.

Regional offices for follow-up activities should be relatively modest and inexpensive. Probably an organization similar to the temporary end-use field offices would be sufficient for the purpose.

(iii) Follow-up organization and responsibility. In the course of the relationship of the Bank with borrower countries, the specialized services and separate functions of the several departments of the Bank are coordinated by (1) the Loan Department, through the vehicles of Loan Working Parties and the Staff Loan Committee, for loan studies and negotiations, and (a) the Treasurer’s Department, for disbursing loans and the physical inspection and audit of use of proceeds thereof. Thus, the cycle of loan negotiation and administration is completed by the two operating departments in their respective chartered capacities.

The much wider, though in part concurrent, cycle which follow-up covers, with the multiple-purpose information it shall obtain for keeping the Bank abreast of the times, is a function the responsibility for which should not be vested in a committee or a single department. It requires the exclusive full-time attention of, or coordination by, an experienced individual, preferably a senior member of the staff, and the organization under his responsibility of a fully specialized office, or interdepartmental unit (the functions of which should be separate from the present functions of the respective departments) for (1) centering, evaluating and promptly disseminating at headquarters the reports forwarded by capable personnel stationed abroad, and (2) directly serving and dealing with the Bank's management and departments in order to fulfill their requirements and
obviate interdepartmental overlapping and duplication of work.

(iv) Personnel and trips. Whether the personnel in the various departments of the Bank is sufficient for present follow-up requirements may depend upon whether and to what extent it is feasible that end-use and follow-up operations are assigned to one individual in a certain area, and whether the follow-up function necessarily involves the contemporaneous services of several specialists or should be limited to the day-to-day surveillance appropriate to direct immediate attention to aspects calling for action, further study and investigation or scientific research.

At any rate, the detached personnel selected to perform follow-up activities should have business experience and good judgment, be of high standing, have long familiarity with territory concerned, know sufficient languages, be able to understand the mentality and be able to contact the important personalities of the community, and possess the necessary capabilities to observe, collect and appraise the value of information obtained.

Visits to a given country by members of the various departments interested in that country by reason of their work, whether such visits are regular or occasional, or whether they come about by extending a trip to a neighboring country, will prove useful to the Bank. At the same time such visits will enable the members of the departments who make them to check the work of the detached personnel. As a result of such visits, the detached personnel will realize that they are not forgotten, which is important. Although it seems obvious that time and personnel required for trips made by Bank personnel should be reduced by the work of detached personnel, only experience will show the amount of the actual savings.

19. Other problems involved in follow-up include the following:

B. To what extent should the Bank's right to receive information and to have access to the records be implemented in practice by inspection of
records and books of the project? Should the Bank have representatives on the Board of Directors of the entity which administers the project in the country of the borrower? Should the Bank use part-time local people for some or all of the work? What are the advantages of having at least some of the information or responsibility obtained or assumed by people who are near the location of the project? What are the advantages of having follow-up handled by a combination of some one or more of the foregoing and what should be the relationship of the different units making up the combination, as to their responsibility, to whom their respective reports are to be made, etc.?

(i) Financial audit and confidential information. Policies and procedures established by the Bank cover extensively every aspect of the borrower's activities. If technical or engineering investigation generally encounters no obstructions, unfortunately the same cannot be expected in connection with financial scrutiny. The Bank should have access to the confidential information which is not often disclosed by the entities administering the project which the Bank has financed. To achieve this, the Bank representatives in the field frequently may have to be able to persuade the executives of such entities that such confidential information will not be published or disclosed to unauthorized authorities.

(ii) Membership or observation post on Board of Directors. Information should be obtained directly from books of minutes of Board meetings, confidential internal reports, etc. in the same way that the management of the entity obtains the necessary information to supervise operations, but not necessarily copies of all such data, since eyewitness excerpts should, in many cases, be sufficient for the Bank's purposes. In this connection, the Bank should consider the usefulness of having representatives or, at any rate, observers on the Board of Directors of the entities financed reserving the right of appointment in new contract forms, when
and as the Bank elects to exercise that right. Questions may be raised as to the legal aspects of this policy and as to the possible responsibilities involved. Directorships imply personal duties and responsibility of the individual holding office. He represents the stockholders and his election is supported by vote at general meetings. Generally, he must deposit in escrow with the treasury of the entity specific amounts of shares as guarantee of his office. If the Bank should choose to appoint a representative on the board of the entity financed, the individual selected should solely represent the loan of the Bank, not stock capital, and should act in the capacity of an observer, without responsibility in management.

This has been the practice of representatives of investment bankers who have made their position clear in advance and have had it acknowledged in satisfactory form. The Bank should not purchase directorship shares.

(iii) **Use of part-time local people.** The Bank should not envisage having offices in every country. One regional office may, of course, include several countries in one geographic location, depending upon the importance of the countries from the viewpoint of the Bank as determined by its management, communication facilities and similar considerations. Depending upon the area covered by such a regional office, consideration should also be given to the advantages of using carefully screened part-time local people as representatives, correspondents or agents able to assist with additional contacts and thus supplement the work of detached staff members, thereby reducing the time and trips required to give the necessary coverage.

Particular circumstances in borrower countries and the volume of loans in large regional areas may require such local assistance in order to keep a permanent, close relationship with governmental and private organizations. A roster of names of available part-time representatives, correspondents or agents should be prepared and put at the disposal of the Bank's management.
Recommendations for the latter's approval of any appointment should be made by the staff member coordinating follow-up activities at headquarters, on the suggestion or concurrence of the detached staff member in the field. The part-time individual should, of course, be qualified as to experience, standing and character. He need not be an employee of the Bank. His retainer should be moderate. He should keep in constant touch with the detached staff member in charge of the area, who would visit him from time to time, when advisable or useful. The relationship of the regional staff member to the part-time individual should, in a way, correspond to that of the head of the Paris office to the departments' personnel stationed there, although the regional staff member would be responsible for and check the work of the part-time individual. The part-time individual, on his part, should report directly to the Bank in accordance with the instructions of the regional staff member and keep him posted on his activities and reports, or report to the Bank through the regional staff member, as required by the circumstances of the case. Here, again, experience will dictate the exact procedures to be followed, but whatever the procedures, local part-time people can make a real contribution to the spade and leg-work that will be required.

20. A special problem in connection with follow-up reports is as follows:

C. Should follow-up reports go to one department primarily or to all the departments simultaneously or be made to the management for its information in the first instance to be followed by comment by the various departments?

(i) Reports on follow-up, prepared in accordance with rules and instructions in force or to be established, should reach directly the senior member of the staff unit organization at headquarters in charge of follow-up activities, and, by him, be properly transmitted, as suggested above, to management and relevant departments.
(ii) Reports on follow-up, as on end-use, should always be complemented with summaries to attract attention to highlights and facilitate the immediate circularization of pertinent parts of such reports demanding special consideration or action.

21. The foregoing problems in connection with follow-up may be affected by the fact that, in each case, the real debtor is the government, by guaranty or otherwise, and that situations may differ:

D. In any given situation, what will be the effect on the problems mentioned above in connection with follow-up, arising out of the relationship of the local government to the loan? In some instances the government may not be in a good financial or economic condition, whereas the particular project may be very successful, or vice versa.

(i) Bank loans cannot be entirely immune from risk. In the event of economic and financial adventures or trends likely to endanger its investment, the Bank may be forced to make representations to the borrower or its government and invoke the "consultation clause" or take legal measures in order to remedy the situation.

(ii) If the particular project is successful and the government not in good economic and financial condition, the entity administering the project is apt to continue service payments on the loan regularly in internal currency. This may be either set aside in the balance sheet or impounded in the central bank until such time as transferability abroad is permissible or some other compensation arranged.

(iii) On the other hand, if the position of the government is good but the project fails to accomplish the contemplated rehabilitation or development, the Bank will probably have to consider extending additional loans on revised technical and economic factors.
22. A final problem in connection with the follow-up is as follows:

E. To what extent can the Bank expect, in the case of a given country, that the government of that country will accommodate its financial and economic measures to the requirements of the project and the loan and to what extent, in a given case, will the local government's relationship to the project be separate from its general economic and financial problems?

(i) The government of a borrower country, of course, should not enact economic or financial measures inconsistent with the obligations assumed under the loan made by the Bank. It may not be easy, however, to determine when and to what extent measures of a general character have such effect. It is the function of follow-up to make such determination and recommend appropriate action in particular cases.

(ii) The general relationship of the Bank to a borrower country and its ability to induce remedial action where required, and the extent to which the Bank should intervene in local measures, will depend on many factors including the relation between the size of the loan to the size of the country in terms of national income, balance of international payments, etc. Follow-up instructions for this reason cannot be entirely general and of rigid application. They must be changed from time to time to suit the conditions existing in particular borrower countries.

RECOMMENDATIONS

My recommendations are indicated by the foregoing. They are in substance:

I. The establishment of a central authority at the headquarters of the Bank, separate from the existing departments, to coordinate follow-up activities and to receive follow-up reports and to disseminate such reports to, and service, the interested departments and management.
II. The establishment of regional offices gradually as the volume of the Bank's loans in particular areas shall require.

III. The appointment of part-time local personnel to supplement the work of the regional offices as described above.

Washington, D.C.
November 28, 1949
I attach a copy of the report that I would propose to make to the President on the procedure for "follow-up" on loans.
Draft Report to President
on
Procedure for "Follow-Up" on Loans

1. A committee consisting of the Loan Director, Economic Director, Treasurer, General Counsel, and Director of Administration considered the Loan Director's Memorandum on "Follow-Up" circulated as a Staff Loan Committee paper SLG/O/137, dated 10 August. The Assistant to the Vice President, Mr. Richard H. Demuth, and the Engineering Adviser, Gen. R. A. Wheeler, also took part in the deliberations of the committee.

2. The committee endorsed the proposals contained in the Loan Director's Memorandum with the following addenda:

   (a) Specific responsibility for the establishment, development, and operation of the procedures outlined in the Loan Director's Memorandum should be vested in the Loan Director.

   (b) Specific responsibility should be placed on the Economic Director to submit to the Staff Loan Committee, at the beginning of each calendar quarter, his appreciation of economic trends in each of the member countries where Bank investments have been placed, together with his recommendations whether additional economic information or reports were necessary to enable the Bank to determine what action,
if any, that the Bank ought to take in the light of the situation disclosed.

3. So far as concerns administrative responsibility within the Loan Department for the functions mentioned in para. 2 (a) above (including the mechanism for ensuring prompt and continuous action) I propose to place this on the office of the Director under the immediate control of Mr. Orvis Schmidt (Asst. to the Director) with such staff re-inforcement as may be necessary.

20 October 1949

W. A. B. Iliff
Loan Director
1. Attached, for consideration of the Staff Loan Committee, is a memorandum containing my recommendations concerning "follow-up" on loans (Attachment I). Also attached for consideration in this connection is a Report of the Staff Committee on Consultation Provisions in Loan and Guarantee Agreements which discusses some aspects of the problem (Attachment II).

W. A. B. Iliff
Loan Director

August 10, 1949
STAFF LOAN COMMITTEE

LOAN DIRECTOR'S MEMORANDUM ON FOLLOW-UP

Summary
1. The "following up" of a loan is the logical continuation of the work done and the contacts established with the Borrower and Guarantor (where there is one) before the loan contract is signed, and its effective planning and execution demands the same close interdepartmental collaboration within the Bank. The Loan Working Party (at the working level) and Staff Loan Committee (at the policy level) are already accepted as the machinery for processing loan applications and can best provide the ability, experience and continuity required for successful follow-up work without disturbing existing departmental responsibilities and functions.

Definition
2. The term "follow-up" is here used to cover all work arising directly or indirectly out of a loan made by the Bank, from the time that the loan has become effective until it has been repaid in full.

Nature of Work Involved
3. The principal fields of follow-up activities are listed below. Each may involve two or more departments, although some concern mainly only one.

   (i) Supervision of disbursements from the loan account;

   (ii) End-use supervision, including arrangements for periodical technical progress reports to the Bank;

   (iii) Changes in the loan agreement, for example, those arising out of variations in the list of goods or in the projects, or out of extension of time limits;
(iv) Interpretation of the loan agreement;

(v) Watching progress of the project or reconstruction program, and preparing reports of an engineering, technical or economic character (including the analysis of balance sheets, income and expenditure statements and other financial data);

(vi) Watching economic trends in the member country, with particular reference to the purpose of the loan, and its service, and preparing reports thereon;

(vii) Maintaining continuity of contact with the member country and the Borrower to influence sound reconstruction and development policies and to assist in the preparation of further projects suitable for Bank financing;

(viii) Maintaining contact with the Borrower's bankers and keeping in touch with the credit position of the Borrower in financial markets;

(ix) Where necessary, making representations to the Borrower or the Guarantor, at an appropriate level, with regard to the need for action in the field of economic and financial policy;

(x) Administration of the so-called "Consultation Clause."

Responsibility

4. Responsibility for the carrying out of the individual follow-up activities summarized above should rest with the department or departments primarily concerned. Since more than one department is generally concerned, the problem
is one of obtaining properly coordinated action, and of preventing over-lapping or conflicting approaches.

**Recommended Procedure for Obtaining Properly Coordinated Action**

5. The procedure which I recommend is that of assigning follow-up responsibility for each loan to a working party — insofar as possible, the working party which handled its negotiation. As is done in the case of loan negotiations, questions of principle would be raised for consideration by the Staff Loan Committee. The various departments would work together in carrying out the activities listed in paragraph 3 and, as in the case of loan negotiations, special problems could be handled in a manner which seemed best in the light of their special character. For example, in one situation, the follow-up action recommended would fall to be carried out by the Economic Department; in another situation, the action required would be for the Treasurer's Department; in another situation, the issues involved might be of sufficient importance to necessitate the direct intervention of the Head of a Department or even the Vice President or the President.

6. The recommended procedure has several advantages, of which the more important are the following:

(i) It recognizes the fact that each loan involves a continuous operation which starts when discussions are opened with the prospective borrower and which do not end until the loan is repaid. The working relationships established both within the Bank and between the Bank and the Borrower remain unbroken, thus enabling the knowledge and experience gained at each stage of the loan to contribute to the maximum in handling the succeeding stages;
(ii) The procedure could be adopted by the Bank with a minimum of dislocation since it would merely be an extension of a procedure already effectively in operation and well understood within the Bank;

(iii) It would economize staff since it would obviate setting up a new organization and would help to even out the amount of work handled by individual loan officers (and by persons in other departments working actively on loan negotiations), which tends to fluctuate if they are concerned solely with active loan negotiations. So far as the Loan Department is concerned, the greater stability of work load so achieved would make it possible for loan officers to keep to roughly defined geographical areas, matched insofar as possible with those of the Economic Department, so as to profit from the knowledge and experience gained from the contacts with a group of countries;

(iv) The procedure also recognizes that experience gained in follow-up on one loan will be useful in the handling of negotiations of new loans with the same country and enables this experience to be used to greatest advantage.

Alternative Methods

7. I do not attempt to list specific alternative proposals; but any alternative approach would involve the establishment somewhere in the Bank of a special organization to deal with follow-up activities. As most of the follow-up activities listed in paragraph 3 must continue to be of concern to
one or more of the Bank's operating departments, new lines of jurisdiction would have to be drawn and the new organization would have to develop links with the other departments to enable it to carry out its work, thus increasing the complexity of the Bank's organization and operations. Relations with prospective borrowers would also be more complex were they to find themselves dealing with one group of people on problems arising out of outstanding loans and with a different set of people in connection with new loans (particularly if, as is not unlikely, the new loans related to extension of projects or programs financed by the earlier loans). Any alternative method would necessitate superimposing on the Working Party (which I regard as a vital part of the follow-up mechanism) some other supervisory entity; and I could not regard any such entity (either a separate department of the Bank or an individual) as a satisfactory substitute for the Staff Loan Committee.

W. A. B. Iliff
Loan Director
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### Correspondents / Participants

- To: Mr. Iliff
- From: D. Sommers

### Subject / Title

- Follow up on Loans

### Exception(s)

- Attorney-Client Privilege

### Additional Comments

The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

**Withdrawn by**: Chandra Kumar  
**Date**: 31-Oct-14
"Follow-Up" Reports

As requested by you, we have discussed the set-up which would allow the Bank to "follow-up" in a satisfactory manner on developments in our borrower countries. The following points stand out:

1. 
   a) End Use Supervision reports are already being drawn up by the Treasurer's Office.
   
   b) Reports as to whether the borrowing country is carrying out the necessary legislative changes would be the responsibility of the Legal Department.
   
   c) The engineering consultants, under the Loan Director, would be responsible for reporting on the technical progress in completing the projects.

   In addition to the preceding checks, the Bank needs to be currently apprised of important economic and financial developments in borrower countries. This is what we define as "follow-up" in the present memorandum.

2. As you are aware, the Economic Department is organized on an area basis and is charged with the responsibility of drawing the attention of the management to significant developments in member countries, as and when they occur. The staff members of that department are assigned, as far as possible, to particular countries and, normally, the same staff member is responsible for preparing the over-all economic report, following subsequent developments in the country, and preparing any "follow-up" report required. This appears to us to be the best system, since it ensures that there is continuity in considering the problems of a borrower country and that the staff member most familiar with the problems of that country prepares the reports required.

   With the staff available, but with the addition of two additional staff members for the European Division of the Economic Department (Mr. Rosen), the Economic Department should be able to prepare "follow-up" reports on a semi-annual basis for most borrowing countries. In the case of most development countries, where the economy revolves around a crop year, it is probable that a yearly review will be adequate and more meaningful.

3. On the basis of the foregoing, our recommendations would be:
   
   a) That the Economic Department be made responsible for producing "follow-up" reports at regular intervals (semi-annual reports for industrialized countries and annual reports for development countries), unless specific events warrant a change of schedule.
On this basis, a tentative schedule for the next series of reports would be as follows:

<table>
<thead>
<tr>
<th>Country</th>
<th>Date</th>
<th>Description</th>
</tr>
</thead>
<tbody>
<tr>
<td>Netherlands</td>
<td>February 1949</td>
<td>The report now circulated on the Herstelbank loan will, in effect, be a &quot;follow-up&quot; report on the country.</td>
</tr>
<tr>
<td>Denmark</td>
<td>April 1949</td>
<td></td>
</tr>
<tr>
<td>Luxembourg</td>
<td>April 1949</td>
<td></td>
</tr>
<tr>
<td>Chile</td>
<td>September 1949</td>
<td>In view of recent developments in the French economy, a &quot;follow-up&quot; report will be required in the very near future.</td>
</tr>
<tr>
<td>France</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Brazil</td>
<td>December 1949</td>
<td></td>
</tr>
<tr>
<td>Mexico</td>
<td>August 1949</td>
<td></td>
</tr>
</tbody>
</table>

b) That the European Division of the Economic Department be reinforced with two competent assistants for this purpose.

c) That it be the responsibility of the head of the area division concerned to recommend the scope of the report in each case, either a review of recent events or a complete re-appraisal of the creditworthiness of the country. In the latter case, he would also have to recommend whether an economic mission be sent to the country concerned.

d) That the Staff Loan Committee would pass over these recommendation.

The Loan Department is vitally interested in the economic "follow-up". The Loan Director should therefore be currently informed of all the work being done in this field. He will, of course, agree the schedule and make any suggestions as to frequency and scope of the reports required. In addition, in many cases the borrower undertakes certain obligations both as regards providing information and as regards economic or financial policies. It is the Loan Director's responsibility, on the basis of information or advice from the Economic Department, to see that these obligations are carried out and recommend any action to be taken.
1. (a) The Legal Department is responsible for submitting reports on the progress made by borrowing countries in carrying out any legislative action required in connection with a loan.

(b) The Treasurer's Department, in accordance with the policy approved by Mr. Garner in April 1948, is responsible, at present with the assistance of Messrs. Madigan-Hyland (under the terms of the contract recently entered into with that firm), for obtaining reports on the physical and financial development of projects financed by the Bank and for arranging periodic inspection visits to confirm the accuracy of such reports and the efficiency with which the systems of control exercised by the borrower over the projects are carried out. The policy thus covers all aspects of a project, whether physical or financial.
All Loan Officers

October 16, 1951

Paul Foster - by direction of Loan Director

Consultation Clause Correspondence

Copies should be furnished to the Legal Department (Mr. Fontein, Room 1116) of any replies received in answer to the Bank's notification to Guarantors that existing Loan and Guarantee Agreements will hereafter be administered in the light of the Bank's new policy in respect to consultation with the Bank by the Guarantor prior to the incurring of additional external debt.

PFF/bf

Information Copies to:

Messrs. Rist
Crena de Iongh
Somers
Howell
EXTERNAL DEBT CONSULTATION CLAUSES
IN LOAN AND GUARANTEE AGREEMENTS
WITH MEMBER GOVERNMENTS

There is attached herewith a memorandum from the President regarding External Debt Consultation Clauses in Loan and Guarantee Agreements with Member Governments.

This memorandum will be considered by the Executive Directors at their meeting on August 21, 1951.

Distribution:

Executive Directors and Alternates
President
Vice President
Assistant to President
Department Heads

Sec:5-237
MEMORANDUM FROM THE PRESIDENT

August 3, 1951

External Debt Consultation Clauses in Loan and Guarantee Agreements with Member Governments

One of the standard clauses contained in loan and guarantee agreements with member governments is the so-called external debt consultation clause by which the government concerned agrees to give the Bank prior notice before incurring external debt (other than certain types of external debt which are expressly excluded) and to afford the Bank an opportunity to exchange views with the government before the proposed transaction is consummated.

Clauses of this nature have been included in all loan and guarantee agreements entered into between the Bank and member governments except for the guarantee agreement with France (in connection with the Bank’s first loan) and the Timber Agreements with Yugoslavia and Finland (where the short amortization period and intricate repayment arrangements induced the Bank to omit the clause).

I believe that the original purpose of the clause was sound. The Bank desired to foster a close working relationship with its members, including consultation on important matters which might affect the fulfillment of the purposes of the Bank’s loans and the maintenance of their service. This was considered entirely appropriate in view of the cooperative structure of the Bank and the interest of all members, as stockholders, in the Bank’s lending practices.

Nevertheless, I have for some time doubted the usefulness of a standard practice of singling out “prior” consultation on external debt for special treatment in loan documents and have now come to the conclusion that the policy of cooperation and consultation is not materially aided by a contract provision of the type hitherto adopted.

It should be noted that the external debt consultation clause does not give the Bank any actual control over the incurring of external debt. Its sole purpose and effect are to afford the Bank an opportunity to express views, which the member government is free to accept or reject. Thus, the clause does not afford the Bank any positive legal protection and must therefore be judged on the basis of its effectiveness in achieving its original purpose of developing consultative relationships with member governments.

Experience has shown, I believe, that the provision is not effective for that purpose. It is cumbersome in operation and its implementation has proved to be too mechanical to provide the basis of really satisfactory
exchanges of views. In view of the variety and frequency of transactions that give rise to external debt, significant matters are sometimes swamped by a multiplicity of minor proposals in which the Bank has no real interest. When the Bank receives notice of a proposed transaction, negotiations have usually advanced to a stage which would preclude, as a practical matter, any real consideration of any adverse views which the Bank might wish to express.

Compliance with the clause tends to be burdensome to members, since officials charged with compliance are not always fully apprized of the status of proposals that might give rise to external debt. In a number of cases members have failed to comply with the clause. Although these incidents were no doubt due in large part to inadvertence or to misunderstandings regarding the scope and application of the clause, the very fact that the incidents have occurred indicates that the clause is not well adapted to achieve the results for which it was originally intended.

The external debt consultation clause has caused a good deal of difficulty in loan negotiations, more than any other provision of the loan contract. This fact alone would not necessarily demonstrate that the clause is an unsound one, but since these difficulties tend to support the doubts I have expressed above, they deserve consideration by the Bank.

For the foregoing reasons I propose that the Bank should reconsider its policy of including the present form of external debt consultation clause as a standard provision in loan contracts with member governments.

I do not intend this proposal to mean that the Bank should never include such a clause, or even a more restrictive provision relating to external debt, in a loan document. My intention is merely that we should no longer require the external debt consultation provision automatically in every case.

Nor does my proposal imply that the Bank should disclaim any interest in the incurring of external debt by governmental borrowers. On the contrary, I am of the opinion that, as a normal incident of a sound relationship between lender and borrower, the Bank should be informed of developments, including borrowing proposals, that would substantially affect a borrower's capacity to service external debt. But I am convinced that we should not rely on a mandatory contract provision to achieve the kind of consultative relationship we desire. In the long run effective consultation can be obtained only as the result of the establishment of mutual confidence between the Bank and its members; and this will require genuine effort on the part of the Bank and frequent, informal contacts between Bank officials and representatives of member governments. Increased participation by the Bank in development programming will be helpful in this respect, since it will lead to discussions on many aspects of the economic conditions in members' territories, in the course of which the attitude of the Bank on the amount of external debt service that can prudently be assumed, and the kinds of investment to which it should be devoted, can be made clear. Ultimately the Bank's views on these subjects, as on others, will be influential only to the extent that members are convinced that they reflect expert and objective judgment.
Although I suggest that the external debt consultation clause should no longer be included in loan documents as a matter of standard practice, I would not, in view of the importance I attach to developing close working relationships with members, go so far as to eliminate all reference to consultation in loan and guarantee agreements with member countries. These documents normally contain, in addition to the clause specifically mentioning external debt, a more general provision calling for exchanges of views with regard to matters relating to purposes of the loan and the maintenance of the service thereof. This provision has given rise to none of the difficulties mentioned above. I would therefore continue to include such a provision in loan documents.

My specific recommendations on this subject are as follows:

(a) The external debt consultation clause should not be included in the future in loan and guarantee agreements with member governments as a matter of standard practice. This would not preclude consideration of appropriate provisions on the subject in the light of the circumstances of individual cases.

(b) A more general clause providing for exchanges of views on matters relating to the fulfillment of the purposes of the loan and the maintenance of service should continue to be included in loan and guarantee agreements with member governments.

(c) The Bank should inform member governments who have executed agreements containing external debt consultation clauses in the earlier form that, if they desire, the Bank will administer those clauses as if they were written as proposed in paragraph (b) above. At the same time the Bank can make clear that it is not disavowing interest in the external debt problem. If any member desires a formal amendment of the contractual documents to give effect to this change, the Bank should acquiesce (subject, of course, to any legislative action that might be required).

The recommendations in this memorandum are not intended to apply to borrowers who are not member governments.
Minutes of Meeting of Staff Loan Committee held 9:30 a.m., Tuesday, June 19, 1951 in Room 1003

1. There were present:

   Mr. W.A.B. Hiff
   Mr. D. Grena de Iongh
   Mr. A.S.G. Hear
   Mr. B. Sommers
   Mr. L.E. Rist
   Mr. P. Acheson, Secretary

   In attendance:

   Mr. E. Lopez-Herrarte
   Mr. H.M. Graves
   Mr. A. Stevenson

2. The Committee considered SLC/0/329, draft memorandum of May 21, 1951 from Mr. Sommers to Mr. Black on Consultation and Negative Pledge Covenants in loan and guarantee agreements, and SLC/0/332, Memorandum of June 4, 1951 from Mr. Grena de Iongh to Mr. Black, and

   CONCURRED:

   (a) in Mr. Sommers' recommendations on the negative pledge clause with the modification that the clause should cover a country's gold and foreign exchange reserves in every foreseeable case, and

   (b) with the exception of Mr. Grena de Iongh, in Mr. Sommers' recommendations on the consultation clause.

   It was Mr. Grena's view that the clause should be retained in the case of those countries whose obligations to the Bank constituted a major part of their external debt; and

   RECOMMENDED:

   that Mr. Sommers should prepare a memorandum to the Executive Directors along the lines discussed at the meeting for consideration by the Committee.
3. A revised memorandum on Utilization of 13% Currency Available for Bank Lending was distributed by Mr. Rist to the Committee at the meeting to replace the memorandum on Utilization of 12% Sterling from Mr. Adler to Mr. Gwanaugh dated May 9, 1951. The Committee recommended:

that a Working Party be formed to study the revised memorandum.

4. The Committee adjourned at 11:30 a.m.

Distribution

1. Mr. Eugene Black
2. Mr. W.A.B. Illiff
3. Mr. A.S.O. Hoar
4. Mr. D. Simmers (2)
5. Mr. D. Grene Se Ionagh (2)
6. Mr. L.R. Rist (2)
7. Mr. E.H. Bannkh
8. Mr. H.V. Anderson
9. Mr. W. Koster
10. Gen. R.A. Wheeler
11. Mrs. E.G. Burland
12. Mr. M.H. Lejeune
13. Files
14. Mr. H.M. Rosen
15. Mr. E.N. Graves
Memorandum to the Staff Loan Committee

The attached SLC/0/332, Memorandum of June 1, 1951, from Mr. Crena de Jongh to Mr. Black on Consultation Covenant in Loan and Guarantee Agreements, will be considered at the regular weekly meeting of the Committee on Tuesday, June 12, in conjunction with SLC/0/329, draft memorandum of May 22, 1951, from Mr. Sommers to Mr. Black on Consultation and Negative Pledge Covenants in Loan and Guarantee Agreements, which was circulated to the Committee on May 28, 1951.

Patrick Acheson
Secretary,
Staff Loan Committee
Memorandum

To: Mr. Black

From: D. Crena de Iongh

Subject: Consultation Covenant in Loan and Guarantee Agreements

Mr. Sommers, in his memorandum of May 22 to you, raised the subject of consultation and negative pledge clauses with reference to the impending negotiations with the French and the British.

Mr. Sommers states in connection with the consultation clause that once we drop our usual clause in the case of one borrower, it will be difficult if not impossible to insist on it in other cases. If this statement is right, and I think it is, this means that in dropping a clause which, indeed, is of little importance in the French and British cases, we lose it also in cases where it may be important.

In studying the value of the clause, we should realize that its importance is a relative one and can only be evaluated in relation to specific circumstances. In cases like the British, Bank loans will always be small in relation to the total external debt of that country and can, indeed, hardly form a basis for rights to be given to the Bank as worded in the clause. Approximately the same can be said of French loans, but in the case of other countries the importance of the Bank's loans will be greater, and in a number of cases the indebtedness of a specific borrower to the Bank will be the most important factor in its total foreign debt. In such cases the Bank is vitally interested in an increase of the country's external debt.

Experience in the interwar period shows that a lot of unwise borrowing was done, based on a lot of unwise lending. Even under present circumstances we have seen in the Mexican case that a slight improvement in the financial situation of a country makes the country borrowing-happy and stimulates lending operations.

Although private international loans are not frequent, intergovernmental lending is going on now and offers special problems which should prompt the Bank to fortify its position.

There is always a danger that other lending may "freewheel" on the Bank's loans. The history of the Financial Committee of the League of Nations shows that once the League had cleaned up a situation and sponsored a loan to a member country, other lending was resumed. This is all the more dangerous when such lending is done on a shorter term than the Bank's lending and the later lenders get paid before the Bank.

Apart from the Bank's own safety, it is of interest to any country not to overborrow.
Although I realize that even the existing clause does not give the Bank full protection, yet it puts us in a much stronger position than if the clause were to be weakened. The Mexican case, I think, bears that out.

For the reasons mentioned above, I believe that the British and French should be asked to accept the existing clause, which would have little meaning in their case (but would not harm them), in order to help the Bank to keep the clause in other cases where it is of real importance.

It also seems to me that if the Bank would try, as suggested by Mr. Sommers, to fix a limit for foreign indebtedness of a specific country, it would establish a rigid, inflexible ceiling which in the light of subsequent developments might prove to be either too high or too low.
Minutes of Meeting of Area Section Heads, Economic Department, to Discuss Economic Department Participation in "Follow-up" Procedure Held September 29, 1949, at 3:15 o’clock


1. Mr. Rist explained that a meeting had been held by the Loan Director to consider Bank "follow-up" procedure. Certain Bank requirements on "follow-up" were, of course, presently well defined, such as, end-use supervision as the responsibility of the Treasurer's Department, project construction as the responsibility of the Engineering Division, and legal requirements as laid down in a loan contract as the responsibility of the General Counsel.

There is one field of Bank "follow-up" procedure which has still to be clearly defined. This is the necessity to draw the Bank's attention to any significant change in the economic, financial, and political position in borrower countries, in order that the Bank may be advised in good time of any happenings or tendencies likely to reduce the value of the Bank's investment. With such prior warning, the Bank could in case of need make representations to the borrower country on the basis of the consultation clause. This responsibility for covering events in borrower countries and giving notice to the management can be called "raising the red flag."

There was agreement in Mr. Iliff's meeting that the responsibility for reviewing events in borrower countries should be left with the Economic Department, while recommendations for action would properly come from the working parties. Indeed, we had already furnished follow-up reports on France, Holland, Denmark, and Luxembourg and studies had been made on Chile and Mexico in connection with Ex-Io Bank which amounted to very much the same thing. A suggestion had also been made that every three months the Economic Director should submit recommendations to the Staff Loan Committee outlining which borrower countries required fuller study and "follow-up" reports. The recommendations would also indicate whether or not a mission would be required before writing the "follow-up" report. In order for the Department to make such a recommendation it was, of course, necessary that the area group should follow things closely enough to have an opinion on the position of each borrower.

Mr. Rist asked the various section heads for their views on the above and especially whether or not their sections are in a position to undertake to raise the red flag and to report at relatively short notice on the borrower countries coming within their areas. The following points were made by area section heads:

(a) Amount of work involved

It was generally agreed that to raise the red flag successfully, a pretty continuous and extensive survey of all happenings in a borrower country would require to be carried out. In other words, the "follow-up" responsibility would require nearly as much intensive study of a country's

1/ Ready but not submitted.
economy as is involved when active loan negotiations are proceeding with a country. It is not possible to follow events in a country on a lesser scale and still know in detail whether or not any significant change has taken place.

Major political changes in countries can, of course, be followed easily through the medium of newspapers and any fundamental alteration of a country's policy can be noted. To do a good job of the "follow-up" work, however, it is not the fundamental changes that must be recognized but the more detailed economic and financial changes of policy which take place in countries from time to time.

(b) Sources of information

The various sources of information available to the Bank to enable the Bank to follow up changes in the position of a borrowing country were then discussed. These sources include published statistical material, periodic reports from borrower countries, etc., contacts in Washington and New York and the Fund. In this connection, Mr. Rist stressed the necessity of using the various field representatives of the Bank as much as possible to produce first-hand accounts of changes in borrower countries' economic positions.

The Fund can be relied on for constant consultation but not really for "raising the red flag" since they follow principally the monetary developments and the country desks are allotted to nationals of the country concerned.

2. It was unanimously agreed that the only way the responsibility can be fully discharged is by a staff member in the appropriate area section. In other words, borrower countries must be followed with almost the same degree of care as active countries. In certain cases, a borrower country is still an active country, where a second or third loan is in prospect, and accordingly less additional work is involved. In regard to the proposal that quarterly reports be made as to which borrower countries required fuller study, etc., it was thought that this would be unnecessary since the only way to do the work was to follow borrower countries closely on a day to day basis and recommendations for missions and fuller studies would be brought up as they appeared necessary and not on a fixed time basis. The principle on which the Fund research is based, i.e., one country-one desk, may be too expensive for the purpose envisaged, but clearly a lot of "leg work" must be done.

Each section reviewed the present work load, especially in regard to the number of active countries it was following and the number of borrower countries which it required to follow. The following was stated to be the position:

(a) European Division

The load involved is too heavy for present staff and reinforcements will be required, especially in view of the difficulty for receiving regular information on Finland, and later on Turkey.
(b) **Latin America**

Present staff can cover the work involved unless several missions are undertaken.

(c) **Near East and Africa**

Present staff can cover the work involved since no loan has yet been made.

(d) **Far East**

Present staff can cover the work involved so long as only India and the Philippines are active countries. Any further loan applications from other Far Eastern countries will necessitate an increase in staff.
TO: Mr. Rosen  
FROM: Mr. Clark  
DATE: March 25, 1949

SUBJECT:

1) Attached is a memo on the Danish material which I've also looked at and find eminently satisfactory. I might add that the Danes asked our opinion of the Danish-Swedish debt settlement.

2) The "red flag was waved" (I hope we can find a better expression) in a memo to Mr. Mason on December 13, suggesting discussions with the Danish Government on the reasons for the sharp rise in the Danish debt to the U. K. ($20 m. in six weeks) after the large floating debt had been founded. Hoar approved and asked Mason to take it up with Count Ahlefeldt, but I believe nothing was done.
OFFICE MEMORANDUM

TO: Mr. Clark
FROM: Mr. Tibbits
DATE: March 18, 1949
SUBJECT: Data Provided by Denmark under Loan Agreement

With the exception of statements showing end-use of goods purchased with proceeds of the loan, all data required of Denmark under terms of the Loan Agreement of August 1947, listed in a letter of the same date to the Danish Ambassador, are being very adequately and conscientiously provided. No end-use report as such has been asked from Denmark since this information is being obtained in Denmark by the Bank itself.

The Danish official publication, Statistiske Efterretninger, provides information each month on a wide range of economic matters. Monthly foreign trade statistics are contained more fully in Hendelsstatistiske Meddelelser, Varemaetningen Med Udlandet, and domestic production statistics in the annual publication, Produktionssstatistik. Fiscal data is annually provided by the Finance Bill (Finanstov), Fiscal Year Accounts (Statsregnskab). The Statistical Yearbook (Statistisk Aarbog) is a source for data which, however, is not current.

Denmark has been providing regularly the texts of new trade and payments agreements, and submits each fortnight clearing and payments balances by country. The Bank has been advised of external loan arrangements, such as the $31 million ECA loan, ECA arranged drawing rights on other countries, and settlement of the Swedish war loan. Data on Danish Government indebtedness (Danske Statsloan 1947/48) and the internal loan of September 1948 were submitted. The Long-Term Program prepared for OEEC was sent the Bank, as were texts of such legislation as the recent act limiting corporate dividends, and a report on reconstruction and expansion of the merchant fleet.
NOTE:

One member of the Committee, Mr. Demuth, did not see the exact wording of the final text of this Report prior to its release.
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

March 22, 1949

Report of the Staff Committee on Consultation Provisions in Loan and Guarantee Agreements

At the direction of the Staff Loan Committee a committee was established to consider the consultation provisions affecting member governments included in the Bank's loan and guarantee agreements. The following persons participated in the Committee's work: Mr. Luxford (Chairman) and Mr. Buchanan of the Legal Department; Mr. Demuth, Office of the Vice President; Messrs. Burland and Schmidt, Loan Department; Mr. Rosen, Economic Department; and Messrs. Aldewereld and Cavanaugh, Treasurer's Department.

The following is a summary of its findings.

Introduction

The loan and guarantee agreements heretofore entered into between the Bank and its member governments contain provisions requiring such governments to consult with the
Bank regarding (i) proposals to incur additional external debt, (ii) matters relating to the loan and its service and other matters of mutual interest and (iii) conditions arising which threaten to interfere with the accomplishment of the purposes of the loan or maintenance of the service thereof. Such provisions have been included in such agreements because the nature and purpose of the lending operations of the Bank are such that the ultimate success of those operations (in terms of the purposes of the Bank) requires the closest cooperation between the Bank and its member borrowers or guarantors in matters which might affect the purposes of the loan or maintenance of the service thereof.

It has become increasingly clear, however, that the provisions now in effect have not resulted in the most effective consultation and cooperation between the Bank and member governments which are parties thereto. The Committee has reconsidered such provisions and herewith submits certain suggestions for changes therein.

**Discussion**

Three principal factors appear to contribute to lack of effective consultation under existing consultation provisions.

In the first place, although member borrowers and guarantors do not dispute the wisdom of consultation generally,
such members have acquiesced only after considerable resistance to a requirement that they consult with the Bank before incurring additional external debt. Since effective consultation would seem to require an atmosphere of mutual cooperation, any consultation required of an unwilling party is foredoomed to failure, however justified or unjustified his unwillingness may be.

Secondly, the general approach to consultation has been unintentionally restricted by the singling out of external debt position as a matter for particularized treatment. While new external borrowings by any member borrower or guarantor are undoubtedly significant, they are so primarily in terms of the over-all balance of payments and economic position of such member, for even though such member should follow an unimpeachable external debt policy, any loan would probably be an economic and financial failure if other factors relating to balance of payments are not approached and dealt with intelligently.

Finally, since the Bank has not yet formulated definitive principles for implementing the consultation technique nor determined definitively the extent to which it will follow day to day changes in the economic situation of its borrowers, it has not attempted to obtain all of the information to which it would be entitled under existing contractual arrangements nor does it make maximum utilization of the material it does receive.

One member disagreed with this paragraph as he felt that in consultation, external debt should be singled out as the paramount danger especially to countries having continuing developmental programs; external debt service is a fixed and inexorable charge whereas other items in the balance of payments can, without default, and should, if necessary, be adjusted by retrenchment or austerity measures in order that such debt service be regularly paid.
Conclusions and Recommendations

As a result of its consideration of the consultation question, the following conclusions and recommendations are submitted by the Committee:

1. **Text of Consultation Provision.** The Committee is of the opinion that a single general consultation provision for member governments should be included in future loan and guarantee agreements in place of the three provisions heretofore included in such agreements and that such provision should be addressed to obtaining agreement on the principle of consultation rather than to specific aspects thereof.

   The Committee recommends that a provision substantially as follows should be so employed:

   **SECTION __.** The Borrower and the Bank will cooperate to the fullest possible extent in order to assure that the purposes of the Loan shall be accomplished. To that end each of them shall from time to time furnish to the other all such information as it shall reasonably request with regard to the status of the Loan and the Project, the use of the proceeds of the Loan and the goods purchased

   */ guarantor in Guarantee Agreements.
therewith, and financial and economic conditions in the territories of the Borrower which may affect the accomplishment of the purposes of the Loan or the maintenance of the service of the Loan. The Borrower and the Bank will from time to time and as often as the circumstances shall require exchange views through their accredited representatives with regard to matters relating to the purposes of the Loan and the maintenance of the service thereof and other matters of mutual interest, including matters affecting the external debt of the Borrower, its political subdivisions and agencies.

There was some disagreement in the Committee as to the wisdom of including that portion of the proposed provision which is enclosed in brackets. The whole Committee agreed that the subject of external debt was clearly covered without the inclusion of the bracketed language. Some members of the Committee believed that the express reference to external debt was objectionable because it tended (i) to limit the desirable generality of the rest of the text and (ii) again to place a disproportionate emphasis on external debt over the more fundamental subject of balance of payments. Two members of the Committee
believed that the bracketed language was desirable because (i) some express reference to external debt was customary and its absence would be conspicuous in the market and (ii) if a member borrower or guarantor should obtain a large credit with political or non-economic implications without prior consultation with the Bank and the Bank should be surprised and embarrassed thereby, the Bank would be in a better position in the eyes of the public if it could point out that such action was a violation of a specific clause of the consultation provision.

The Committee believes that the Staff Loan Committee should consider the merits of both positions.

2. Systematic Study of Economic Position of Borrowing Governments. The Committee believes that an effective consultation technique, as well as sound loan management, requires the Bank to be informed currently regarding the balance of payments and economic position of member countries in which loans are made. The basic data required for this purpose is available to the Bank under the information provisions included in our loan and guarantee agreements and from data provided by the International Monetary Fund.
This data should be supplemented as far as practicable by first hand information available to the Bank through reports of missions, correspondents, etc.

The Economic Department of the Bank already is engaged in this activity and the Committee feels that this responsibility therefore appropriately should remain with such Department and that all Departments of the Bank should cooperate in providing the Economic Department with such special data or information as may come to their attention in the course of their operations.

The Committee also believes that the Economic Department should be given specific responsibility for directing the attention of the Bank's management to any developments in a country's balance of payments or economic position which would suggest the desirability of initiating special consultation with the government concerned.

3. **Regular Informal Consultation Between the Bank and the Borrowing Government.** The Committee is of the opinion that regular informal consultation, at periods which may vary from country to country and from time to time, is desirable. Frequent personal contacts with responsible officials and other informed persons in the
borrowing countries to get on-the-spot personal observations of current developments will facilitate proper interpretation and evaluation of the information and statistical materials about the borrowing countries which are being received by the Bank. Moreover, such contacts develop an atmosphere within which special consultation may more profitably be effected whenever the economic position of the borrowing country indicates such special consultation should be undertaken.

4. Special Consultation Between the Bank and the Borrowing Government. The Committee also is of the opinion that the Bank must be prepared and equipped to engage in special consultation with a member borrower or guarantor whenever the Economic Department reports that conditions are developing in the economic position and balance of payments of such member which may affect the accomplishment of the purposes of a loan or the maintenance of its service. In particular, it should be the objective of the Bank to initiate such consultations before such member has firmly decided upon the measures it proposes to take to meet the situation.

The Committee, in addition, notes that effective consultation under such circumstances will require coordination with consultation undertaken by the Fund (and perhaps the International Trade Organization when established) in order to avoid, if possible, conflicting advice being given to the member government.
5. Organizational Aspects of Implementing Consultation Technique.

Although the Committee has found it possible to arrive at substantive agreement on most aspects of the consultation problem, it has experienced difficulty in attempting to deal with the organizational and procedural aspects of the subject. Recognizing the desirability of making a systematic study of the economic position of countries in which loans are made, of regular informal consultation and of special consultation on occasion, the critical questions are (i) how do you go about implementing the technique within the Bank and (ii) who should be responsible for its effective use as an instrument of Bank policy.

The Committee is divided on these points and, accordingly, presents the two points of view for consideration by the Staff Loan Committee.

A. Alternative A

Some members of the Committee believe that consultation is an integral part of loan follow-up procedure and should, therefore, to the maximum extent possible, be integrated into the regular operation of

* Six members of the Committee support Alternative A; two members support Alternative B.
the Bank. They believe that the Economic Department should report regularly on the economic progress of borrowing governments and whenever the Economic Department believes that the economic situation of the borrowing country has developed, or is about to develop, to a point where significant changes in the status of the borrowing government can be expected, it should make appropriate special reports as is outlined in the paragraph on Systematic Study of the Economic Position of Borrowing Governments. These members of the Committee suggest that such reports, both regular and special, be circulated to the Staff Loan Committee and those calling for action be brought before the Staff Loan Committee for decision as to what such action should be, including special consultation if necessary. At the time special consultation is decided upon, it is suggested that the Staff Loan Committee also recommend the procedure on an ad hoc basis to accomplish special consultation, with the importance of the matter under consideration and of the country involved being primary determinants of the manner in which consultation will be effected, and the personnel involved. Experience may indicate the desirability of using the staff working party technique for the consideration of regular and special economic reports prior to their presentation to the Staff Loan Committee.
These members of the Committee also believe that regular frequent consultation should, at the present time, be accomplished by an intensification of the informal methods currently in use. Such methods include survey trips by the President, Vice President, senior officers and members of the staff, missions when supplementary loan applications by borrowing countries are under consideration; and visits from field representatives of the Bank.

These same members of the Committee strongly urge the importance of integrating consultation within the present activities and organization of the Bank and consider it inadvisable for these activities to be carried out and directed by personnel independent from the present existing organization. They emphasize that effective recommendations for the need for special consultation and for the type of consultation to be undertaken can most effectively be done by those members of the staff most familiar with the countries and loans concerned. In this connection, they point out the difficulty involved in obtaining top-flight personnel of the caliber required for the various activities of the Bank.

B. **Alternative B**

Some members of the Committee believe that the Bank's consultation technique can be made most effective by placing over-all responsibility therefor in the hands of one
man who has been selected on the basis of specific qualifications for the post and who will be directly answerable to the President or the Vice President for his discharge of such responsibility. They feel that consultation should be recognized and dealt with by the Bank as an important but independent phase of its regular operations and not merely as an appendage to or subordinate extension of the normal functions of one or more of the Bank's operating departments. While its importance might warrant the establishment of a new department, neither its staffing requirements nor its mode of operation justify this elaborate style of administrative machinery. On the contrary, it would be hoped that one man attached to the Office of the President or Vice President could more than handle the task today, given adequate cooperation and coordination on the part of the operating departments.

This man would be charged with:

(i) Following developments closely in countries in which the Bank has made loans, cooperating with the Economic Department on the systematic economic studies of such countries and assisting that Department in obtaining data received by or available to the Bank from other sources.

(ii) Developing effective liaison with the top financial and economic authorities of each member borrower or guarantor, permitting the
establishment of a pattern of informal exchanges of view in which the parties could step out of their official roles and inhibitions and discuss mutual problems on an off-the-record and let's-face-the-facts basis.

(iii) Supervising our regular and special consultations with member borrowers or guarantors; engaging in such consultations himself or briefing such other man as may be designated for such purpose in a given case.

(iv) Keeping the Staff Loan Committee currently informed of developments on matters within his jurisdiction; directing their attention to special problems which arise and obtaining their views on major policy questions arising in the course of his work.

(v) To the extent practicable, coordinating our approach in consultations with that of the Fund (and the ITO when established).

(vi) To the extent his other responsibilities will permit, serving as a general trouble shooter for the Bank and handling such other special problems as the President or the Vice President shall assign.
Members of the Committee advocating this position support it on three general grounds.

First, effective consultation with borrowers and guarantors is of pivotal importance to the Bank in safeguarding its interests and in achieving the objectives for which the loan was made. Responsibility for consultation should be a top level assignment in the Bank and not delegated to subordinates in one or more departments having primary responsibilities of a different -- and sometimes conflicting -- character.*

Second, consultation will extend over the whole period of the loans we make and we should be taking a long-range view of our needs in this field rather than pursuing the problem on an ad hoc or stop-gap basis. This procedure permits the Bank to develop an over-all approach to the problem, a consistent pattern in the use of the technique, a high degree of permanence and stability in its operation, and fixed responsibility in the event of shortcomings.

Third, the personal equation in effective consultation is of the highest order of importance. This factor is less likely to be fully exploited if responsibility for the problem is widely diffused and the primary occasion for consultation turns on the accident of when the Bank is sending a mission to the country for other reasons and who happens to be going for such other purpose. There are times when these means can and should be used but the pattern of consultation should not evolve as the poor relation tagged on to every mission regardless of its qualification for the task.

* Those members of the Committee advocating Alternative A concur in the substance of this paragraph but believe that these desired objectives can be obtained through the procedure outlined in Alternative A.
6. **Consultation Provisions in Outstanding Loan Agreements.**

If a new consultation provision along the lines suggested by the Committee is adopted by the Bank for future loan and guarantee agreements, the question will arise as to what action, if any, we should take with respect to the consultation provisions included in outstanding loan and guarantee agreements. It is reasonable to assume, in view of the objections heretofore raised by the interested members to the consultation provisions now in force, that the Bank will be requested to make some adjustment of such provisions.

The Committee believes that some appropriate adjustment in consultation provisions now in force may be desirable in the interest of effective consultation and in order to accord equality of treatment to members of the Bank. The Committee does not believe it is advantageous or practical to attempt now to decide the precise form of adjustment to be made so long as the principle involved is established. It would seem, however, that the adjustment might take the form of an informal exchange of letters pursuant to which the Bank would advise each member borrower or guarantor that as a procedural matter, the Bank proposes, with the consent of such member, to extend to it the rights and privileges of the new consultation provision.
**Routing Slip**

**Date**: Nov. 20/51

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**REMARKS**

By direction of Mr. Hoar, I am attaching herewith for your information a copy of his letter of November 14th to Mr. Yaqub Shah, Executive Director, setting forth the Bank's policy with regard to passing to third parties information obtained from prospective borrowers.

Paul F. Foster
Dear Mr. Shah:

I am writing in response to your request for a considered statement of the Bank's policy with regard to passing to third parties information obtained from prospective borrowers.

In its search for the exhaustive and detailed information which it requires in order to be able to consider the merits of a project or the economic and financial position of a prospective borrowing country, the Bank recognises that much of the desired information may be of a confidential nature and that the prospective borrowers will be reluctant to supply it unless they can be satisfied that its confidential nature will be respected. Accordingly, the Bank has made it a firm policy never to disclose to third parties any recognized confidential information supplied by a prospective borrower.

However, in order that the Bank may adequately appraise the project and render its maximum assistance to the prospective borrower, it is often necessary for members of the staff to discuss with appropriate outside authorities certain aspects of a loan request, such as the nature of the project and the type of goods to be financed. Such discussions are necessary in order that the Bank, among other things, may:

(a) ascertain the availability of the needed equipment and materials and the possibility of obtaining priority ratings if necessary;

(b) obtain the release of the 15% capital contribution of certain member Governments for use in connection with a proposed loan; and

(c) coordinate its lending operations with other financial assistance being given (such as under the ECA and Point IV programs, the Colombo Plan, etc.).

As regards such discussions, should the Bank have any reason to believe that the nature of the project or the type of goods to be financed should be kept confidential, it would, of course, consult the prospective borrower before mentioning them to any third party. In other cases, where there is no reason to believe that special caution should be exercised, members of the Bank's staff would feel free to discuss with appropriate authorities such aspects of the proposed operation (such as those mentioned in (a), (b), and (c) above) as, in their judgment, would be important for the point under consideration. Should any information be passed on to outside authorities in writing, and should the nature of the written statement appear to the Bank to warrant it, the Bank would discuss the statement with the prospective borrower in advance, and furnish copies of it. The Bank cannot, however, require that members of its staff conducting lending operations should clear with the prospective borrower in advance every statement that they make to third parties about a proposed loan or that they should supply copies of every such statement made in written form. To do so would enormously complicate and seriously hamper effective operations.

I have discussed the above paragraphs with the Vice President, who authorizes me to say that they represent a fair statement of the Bank's working policy in
these matters. The Staff has always tried to act responsibly with regard to the information entrusted to it and I am not aware of any abuse of that trust. I hope you will agree that we shall operate best if, rather than imposing a strict and detailed set of rules, we continue to rely upon clear understanding by the Staff of the guiding lines and upon their exercising their reasonable discretion.

Yours sincerely,

(Signed) A. S. G. Hoar

A. S. G. Hoar
Loan Director

Mr. Yaqub Shah
Executive Director
International Bank for Reconstruction and Development
1618 H. Street, N. W.
Washington 25, D. C.
Mr. Antonin Basch

Leonard B. Rist

Loan supervision.

We are asked by Legal Department what kind of information should be requested from the borrower, after a loan has been granted.

This is required in connection with drafting the loan contracts.

Would you please gather the suggestions of our Chief economists plus Dr. Gould and summarize them in tabular form and recommendation to Mr. Hill and myself.
It seems to me desirable that there should be a clarification and enunciation (even if only for internal use within the Bank) of the Bank's policy with respect to entering into loan contracts with countries in default on their external obligations.

2. The question anyhow has become of immediate concrete importance as we are now called upon to take a position with respect to unsettled defaulted debt in the case of

A. Yugoslavia,
B. Peru, and
C. Ecuador,

3. After discussion at working level within the Bank, I propose, for adoption, the following statement of policy:

The Bank's general position is that it will not be prepared to enter into a commitment for a loan to a member country unless it is satisfied that a satisfactory relationship exists between that country and its external creditors.

While suspensions of payment may affect various classes of debt, the situation with which the Bank is most frequently confronted is that of default on privately-held external bonds. The Bank's attitude towards such a situation will normally be that the Bank will not be prepared to enter into a Loan Agreement unless one of the three following conditions is satisfied:

a. A settlement has been reached with the debtor which the recognized bondholders' representatives have agreed to recommend to the bondholders' acceptance.

b. The Bank has been informed by the recognized bondholders' representatives that, notwithstanding the absence of a settlement, they offer no objection to the Bank's making a loan to the debtor at that time.
c. The debtor has offered a settlement which, although not recommended by the bondholders' representatives, is judged by the Bank to be reasonable, having regard to all the circumstances.

d. Where ratification of a debt settlement is necessary for its implementation, the effectiveness of any Loan Agreement into which the Bank might have entered would be contingent on ratification of the debt settlement.

/s/ W. A. B. Iliff

May 23, 1950
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

FROM: The President

June 2, 1952

DECLASSIFIED

REGISTRATION OF BANK'S LOAN AND GUARANTEE AGREEMENTS UNDER UNITED NATIONS CHARTER

Following discussions with the United Nations Secretariat, the General Counsel has submitted the attached memorandum recommending a procedure for the registration and filing by the Bank of its Loan and Guarantee Agreements.

This document has been shown to the staff of the Fund in order to ascertain whether it created any problems for the Fund and the Fund staff stated that they had no comments.

I am in agreement with the memorandum from the General Counsel and recommend it for approval by the Executive Directors at their forthcoming meeting on June 10.

Attachment

Distribution

Executive Directors and Alternates
President
Vice President
Assistant to the President
Department Heads
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<tr>
<td>15 May, 1952</td>
<td>Memorandum</td>
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<th>Correspondents / Participants</th>
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<tr>
<td>To : Mr. Black</td>
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<td>From : Mr. Sommers</td>
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<td>Registration of Bank's Loan and Guarantee Agreements under the United Nations Charter</td>
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<td>Chandra Kumar</td>
<td>31-Oct-14</td>
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COMMUNICATION: SLC/M/352

DATED: May 27, 1952

TO:

FROM:

SUMMARY: Committee considered SLC/0/473
Memo from Mr. Sommers to Mr. Black
"Registration of Bank's Loan and Guarantee Agreements under the United Nations Charter" and approved the recommendations contained therein.

FILED UNDER:

CROSS REFERENCE:
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Withdrawn by Chandra Kumar Date 31-Oct-14
FROM: The President

Composition of Statutory Loan Committees

Under the provisions of Article III, Section 4(iii), of the Articles of Agreement, the Bank may make or guarantee loans only on the condition, among others, that "a competent committee . . . has submitted a written report recommending the project after a careful study of the merits of the proposal." Article V, Section 7, provides that this committee shall be appointed by the Bank and "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." This committee is usually called the Statutory Loan Committee.

Under our current loan procedure (Memorandum on Organization and Loan Procedure as revised May 24, 1950, Memorandum R-106/4), the members of the technical staff serving on Statutory Loan Committees are the Vice President, Loan Director, General Counsel, Economic Director and Treasurer. If any of those officers is unable to serve on a particular committee, the President or Vice President designates a substitute. The "expert selected by the governor" is normally the negotiator for the Borrower.

Distribution:

Executive Directors and Alternates
President
Vice President
Assistant to the President
Department Heads
I read the Articles, particularly the words quoted above, as contemplating that the report will be made by individuals who have themselves investigated the detailed technical aspects of the project. The loan operations of the Bank have grown to such an extent that this cannot be done by members of the Statutory Loan Committees as now constituted. They study each loan as members of the Staff Loan Committee but their study is necessarily devoted primarily to the basic features of the loan and details which are specifically brought to their attention as involving questions of policy.

Technical investigation of the loan project is in practice now carried out by a working party which is formed for each loan operation. In fact, the whole process of investigation, appraisal, negotiation and recommendation of a loan to the management centers in the working party. These working parties normally consist of an economist, an engineer, an accountant and a lawyer, under the coordination of a loan officer.

I suggest, therefore, that the Statutory Loan Committee for each loan should in the future be composed of the members of the working party assigned to that loan, together with the expert selected by the governor representing the member. Each member of the Bank's technical staff, in serving on the Committee, would be primarily responsible for aspects of the Committee's report that are within his special technical competence. The loan officer would have general responsibility for the report, but in forming his own views he would of course take full account of the opinions of his colleagues.
In effect, this change would bring our paper work into conformity with what we are actually doing. It would involve no substantive change in our loan procedure.

I therefore recommend that paragraph 11(f) of the Memorandum, dated May 24, 1950, with regard to Organization and Loan Procedure, (R-106/4) which reads as follows:

"f. The Statutory Loan Committee required to be established under Section 7 of Article V of the Articles of Agreement to make reports on loans pursuant to Article III, Section 4, shall consist of the expert selected by the Governor representing the applicant, and the Vice President, Loan Director, General Counsel, Economic Director and Treasurer of the Bank. If any of such officers shall for any reason be unable to act on a particular loan committee, the President or Vice President may designate a substitute to act for him."

be amended to read:

"f. The Statutory Loan Committee required to be established under Section 7 of Article V of the Articles of Agreement to make reports on loans pursuant to Article III, Section 4, shall consist of the expert selected by the Governor representing the member in whose territory the project is located and such members of the staff of the Bank as shall be designated for each loan by the President or Vice President of the Bank."
STAFF LOAN COMMITTEE

(This document is for the use of the President, Vice President and members of the Staff Loan Committee only. Its contents should not be communicated to other persons except in the course of duty.)

Minutes of SLSC Meeting held Tuesday, May 20, 1952 at 9:30 a.m. in Room 1005

1. Present:
   - Mrs. E. Le Garner
   - Mrs. W. A. S. Elliott
   - Mrs. A. S. G. Hour
   - Mrs. D. Sommers
   - Mrs. Le B. Rist
   - Mrs. H. W. Riley
   - Mrs. G. Condicas, secretary

In attendance:
   - Mr. W. H. Coppe
   - Mr. H. W. Graves
   - Mrs. M. M. Hensol
   - Mr. L. Hurick

2. Statutory Loan Committee

   The committee considered a memorandum by Mrs. Sommers dated November 23, 1951, and a memorandum by Mrs. Hurick attached thereto on "Statutory Loan Committee" dated November 27, 1951, and

   APPROVED

   the recommendations contained therein.

3. The meeting adjourned at 10:40.

Distribution:

1. Mrs. Eugene E. Black
2. Mrs. E. Le Garner
3. Mrs. W. A. S. Elliott
4. Mrs. A. S. G. Hour
5. Mrs. D. Sommers (2)
6. Mrs. Le B. Rist (2)
7. Mrs. W. A. S. Elliott de Yough (2)
8. Mrs. H. W. Riley
9. Mrs. H. W. Graves
10. Mrs. E. G. Burland

11. Mrs. G. Condicas
12. Files
13. Mrs. W. H. P. Graves
14. Mrs. H. W. Rosca
15. Mr. W. H. Coppe
16. Mrs. W. H. Rostor
17. Mr. H. Prudhomme
18. Mr. J. Racinski
19. Mrs. A. Schmidt
20. Mrs. P. E. Foster
STAFF LOAN COMMITTEE

TO:
1. President
2. Vice President
3. Assistant to President
4. Loan Director
5, 6. General Counsel (2)
7, 8. Treasurer (2)
9, 10, 11. Economic Director (3)
12. Assistant to Vice President

CONFIDENTIAL

DATE: May 16, 1952

STAFF LOAN COMMITTEE will be held at
on
Tuesday, May 20
in room 1005.

AGENDA

Statutory Loan Committee

The Committee will consider Mr. Sawers' memo, re: issues on the subject of the Statutory Loan Committee, dated November 20, 1951 and distributed to the Committee on December 7, 1951.

George Gondicas
Secretary
Staff Loan Committee
The regular weekly meeting of the Staff Loan Committee will be held at 9:30 a.m. on Tuesday, December 11, in room 1005.

AGENDA

The Committee will consider the attached Memorandum from Mr. D. Somers on the subject of the Statutory Loan Committee, dated November 28, 1951.
The item(s) identified above has/have been removed in accordance with The World Bank Policy on Access to Information. This Policy can be found on the World Bank Access to Information website.

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**Correspondents / Participants**
- To: Mr. Black
- From: D. Sommers

**Subject / Title**
Consultation and negative Pledge Covenants in Loan and Guarantee Agreements

**Exception(s)**
- Attorney-Client Privilege

**Additional Comments**

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**Withdrawn by**
Chandra Kumar

**Date**
31-Oct-14