

Mr. Deputy-Speaker: The question is:

"That the Bill, as amended, be passed".

The motion was adopted.

16.53 hrs.

INTERNATIONAL MONETARY
 FUND AND BANK (AMENDMENT)
 BILL

The Deputy Minister of Finance (Shrimati Tarkeshwari Sinha): I beg to move:

"That the Bill further to amend the International Monetary Fund and Bank Ordinance, 1945, be taken into consideration."

The object of the International Monetary Fund and Bank Bill is to empower the Government of India to subscribe towards additional shares in respect of an increase in the authorised capital stock of the International Bank for Reconstruction and Development. The Bill also seeks to convert the International Monetary Fund and Bank Ordinance, 1945, into an Act.

The International Bank for Reconstruction and Development and the International Monetary Fund were created, as the Members are aware, by international agreement arrived at during the Brettonwoods Conference in 1944. The twin institutions came into being in December, 1945, when representatives on behalf of thirty countries signed their respective Articles of Agreement. India was among these original thirty countries and can thus be called a founder-member of the two institutions.

The Bank and the Fund perhaps mark the fruition of one of the most important co-operative efforts ever undertaken by nations to deal with international financial and economic

problems. Their membership has steadily grown over a number of years, and now stands at 68.

The Bank is concerned with the promotion of economic development in member-countries by financing sound development projects, as the Members are aware, through long-term loans at reasonable rates of interest. The Fund is concerned with help to member-countries that, for various reasons such as crop failures, falling exports or inflationary pressures, are temporarily suffering from a drain on their reserves of gold and foreign exchange.

The operations of the Bank and the success it has achieved are well-known facts. So far, the Bank has given 232 loans in 44 countries, aggregating to more than dollars 4.4 billion. India is the largest beneficiary of the Bank today, having secured 23 loans totalling dollars 592 million.

The Bank's resources for lending are derived in part from the subscriptions already made by member-countries. Of these subscriptions, 2 per cent is payable in gold and dollars on admission to membership, and is available for lending by the Bank. 18 per cent is payable in national currencies and can be used only with the member's consent. The remaining 80 per cent is payable only if needed to meet the Bank's obligations on funds which it has borrowed. The proceeds of the repayments of the loans made by it also contribute to the resources available for lending. The net annual earnings of the Bank go to a supplemental reserve against possible losses. For the bulk of its resources, however, as the hon. Members are aware, the Bank relies on borrowing from the world's capital markets and financial institutions. The ability of the Bank to borrow from institutions and individuals depends, apart from its reputation for prudent and sound management, on the fact that there is a contingent liability of member-Governments to meet the obligations of the Bank through possible calls on

[Shrimati Tarkeshwari Sinha]

the uncalled 80 per cent portion of the capital that is lying with the Bank. The 80 per cent portion of the Bank's capital thus constitutes a guarantee undertaken by all Member-Governments to meet the obligations of the Bank in the likely event of its failing to meet them from its other resources. It is pertinent to mention here that there has been no call on the 80 per cent capital or any part of it so far; and there is little likelihood also of a call unless something unforeseen happens and there is a drastic deterioration in the international financial situation. But this situation has not arisen so far, and we do not expect that situation to arise also in the future.

Recently, it became clear that the resources of the Bank were likely to become inadequate in the not distant future. The capital needs of the under-developed countries have increased with the rising tempo of their developmental programmes, and therefore, currently, the Bank is lending at a rate of nearly \$700 million to \$800 million a year. Its borrowings in the last year amounted to \$650 million, and if it is to continue to serve its purpose, as it has so admirably done in the recent past, it may have to borrow even larger amounts in the future years. But favourable response to its efforts to borrow increasingly larger amounts in the future years will depend on the prospective investors being convinced that the Bonds of the Bank will continue to be of the same financial strength as before. In the considered judgment of the management of the Bank which has received the acceptance of its Board of Governors, with the continuance of its present scale of operations, the Bank's borrowings are likely, within a few years, to reach the limit to which these are backed by guarantees, namely the 80 per cent uncalled portion of its capital stock. In order to enable the

Bank to continue its operations at the present growing tempo, the Board of Governors, at its 12th annual meeting in New Delhi in October last year, considered it necessary to augment its resources, and asked the Executive Directors to formulate concrete proposals for the purpose.

17 hrs.

The Board of Executive Directors accordingly examined the matter carefully and recommended an increase in the capital of the Bank from the present \$10 billion to \$21 billion, involving a general 100 per cent increase in the subscription of all member-Governments. The Government of India are in accord with this recommendation, as the increase in capital will give renewed assurance to investors that the Bank's bonds will continue to be of the same high quality and will provide the basis for continued favourable reception of the Bank's securities.

Mr Deputy-Speaker: Is the hon Minister likely to take some more time?

Shrimati Tarkeshwari Sinha: Yes, another five or seven minutes.

Mr. Deputy-Speaker: Then she might continue the next day.

17 01 hrs.

CENTRAL EXCISES AND SALT (AMENDMENT) BILL*

The Minister of Revenue and Civil Expenditure (Dr. B. Gopala Reddi): I beg to move for leave to introduce a Bill to amend the Central Excises and Salt Act, 1944.

Mr Deputy-Speaker: The question is—

“That leave be granted to introduce a Bill to amend the Central Excises and Salt Act, 1944”.

The motion was adopted.

*Published in the Gazette of India Extraordinary Part II—Section 2, dated 20-8-59.