

## CHAPTER FOUR

### THE DRAFT DEVELOPMENT PLAN FOR MALAYA 1950-1960

This chapter focuses on the interplay of finances and strategies of the International Bank for Reconstruction and Development (IBRD) in the making of Administrative and Development Plans for the Government of Malaya, 1950-1960. The IBRD allocated funds for the Development Plans on condition that key institutions be built into the administrative machinery. These institutions were the establishment of the Central Bank (Bank Negara) and the building of the Armed Forces Programme for national security.<sup>1</sup> The main text of the chapter articulates the mechanisms and scope by which the functions of the Central Bank and the Armed Forces Programme were directly related the Draft Development Plan for Malaya, 1950-1960. This was the basis upon which the Federation Government accepted and invited the IBRD as the "international authority"<sup>2</sup> in the making of policies and the allocation of funds for Malaya's administrative and economic affairs:

"To provide the economic background for this [Economic Development Plans] together with expert independent advise regarding priorities (particularly in the field of capital investments) and economic policies in relation to development, the Federation Government has invited the International Bank for Reconstruction and Development [IBRD]."<sup>3</sup>

## **The Administrative Machinery**

The Administrative Machinery of the Government of Malaya, 1950-1960, was structured by the IBRD Mission and based on a centralised system of both monetary control and management of finances emanating from external and local sources. The emergence of the administrative machinery under a unified centralised banking system dates back to the Bretton Woods Agreements, 1945 (see **Appendices 1-10**). The Agreements authorised the IBRD and IMF to allocate funds and formulate policies for economic development plans and the organization of the administrative machinery. A centralised banking system emerged in 1948 when the Currency Board Commission was established in Kuala Lumpur. The Currency Board introduced the branch offices of the IBRD and IMF to supervise a fixed exchange rate system as a short-term monetary function of the IBRD and IMF in Malaya. The period 1946-1950 saw the dismantling of bilateral-colonial currency that had been operating under the "gold standard" with its restrictions of fixed exchange rates on "current transactions" in the then British-Malaya.<sup>4</sup>

The short-term objective of the IBRD and IMF to replace "bilateral currency" with "multilateral international currency" was fulfilled by the destruction of bilateral currencies in the period 1948-1950.<sup>5</sup> This was the period of the reconstruction

programme of Malaya from bilateralism (colonialism) to a multilateral monetary system. On the basis of this reconstruction programme, the long-term objective of the IBRD and IMF became operational as the Federation of Malaya was in position to receive finances allocated by the IBRD for economic development Plans that emerged in 1950. These monetary arrangements provided the basis for the establishment of the Administrative Machinery of the Federal Government. In 1951 the Treasury was then formed as a Unified Department for all financial and economic affairs of the Federal Government:

"An important feature in the **Administrative Machinery** of the Federation of Malaya in 1951 was the introduction of the Member System. Under this system the duties and responsibilities hitherto carried out by the Federal Secretariat and Legal Department have been divided between the Chief Secretary, the Attorney-General as Legal Secretary, the Financial Secretary and the nine Members [Ministers] for Home Affairs, Agriculture and Forestry, Health, Education, Industrial and Social Relations, Lands, Mines, and Communications, Works, and Railways and Ports. Financial and Economic Affairs have been Combined with the Accountant-General's organization to form a **Unified Department** responsible for all Financial and Economic Affairs of the Federation Government and known as the **Treasury**."<sup>6</sup>

The Treasury functioned hand in hand with the Currency Board Commission until 1956, when it was transformed into the Central Bank (Bank Negara) as the Malayan branch offices of the IBRD in Kuala Lumpur.<sup>7</sup> In the period 1950-1956, the IBRD Mission designed the original terms of reference on which the Central Bank was established.

## **The Central Bank**

It is most important to uncover the true identity of the IBRD in the Central Bank and situate its role in allocating and regulating monetary value for the government of Malaya. This documents the role of the of the Central Bank as the Malayan offices of the IBRD and IMF based in Kuala Lumpur.<sup>8</sup> The establishment of the Central Bank and its function resides in the Bretton Woods Act, 1945, and its subsequent legislation in the period 1945/1957-.<sup>9</sup> This legislation provided the legal and formal powers of the IBRD and IMF in allocating funds and designing policies for economic development plans for the Federation Government.<sup>10</sup> It is against this background that IBRD and IMF opened headquarters in Singapore in 1947, and a branch was established in Kuala Lumpur in 1949.<sup>11</sup> The offices and monetary functions of the IBRD and IMF existed as the Board of Commission for Currency for Malaya and Singapore in the period 1946-1956. The Currency Board was inherited by the Central Bank in which the monetary and administrative functions of the IBRD and IMF were concretized in 1957. The processes leading to the restructuring of the Currency Board into a Central Bank, are written in the report on a survey conducted by the IBRD Mission and the British Government.<sup>12</sup> The initial stages of the plan to establish a centralised banking system for Malaya had proposed a Pan Malayan Central Bank for both the Governments of Malaya and Singapore.<sup>13</sup>



### **Pan-Malayan Central Bank**

In the period 1950-1951, the IBRD Mission made preliminary inquiries of the possibilities of establishing a joint Central Bank or Pan Malayan Central Bank between Malaya and Singapore.<sup>14</sup> The findings of this survey, enabled the IBRD and the "Colonial Office" (Government of Britain) to decide on the constitution, direction, membership, and functions of the Central Bank for both Malaya and Singapore. This arrangement further required the IBRD and the Government of Britain to identify a suitable personnel involved in the making of a Pan Malayan central banking system.<sup>15</sup>

The "Colonial Office" suggested that the officer to conduct the inquiries should not be the Director designate of the Bank. Instead, it was recommended that such an official should have a detailed knowledge of the theory and practice, particularly in circumstances similar to those in Malaya.<sup>16</sup> Hence, the "Colonial Office" in consultation with the Bank of England suggested that the suitable officer was to be aged about 45 years, Assistant Adviser in the Bank of England, and had two years experience of the working of the Central Bank of Ceylon (Sri-Lanka).<sup>17</sup> However, these recommendations were turned down by the IBRD, and Sir Sydney Caine was nominated to lead the survey relating to the establishment of a Pan Malayan Central Bank.<sup>18</sup>

Sydney Caine was nominated by the IBRD as the head of the Committee on the Pan Malayan Central Bank in view of his standing as an expert following his role in establishing the Central Bank of Ceylon in 1951.<sup>19</sup> In addition to Sir Sydney Caine,

the IBRD appointed Mr. G. M. Watson from the Bank of England to advise on the setting up and running a centralised banking system for Malaya.<sup>19</sup> In 1955, Caine and Watson suggested to the IBRD and the British Government that the Federation was unprepared for a centralised banking system.<sup>20</sup> Instead, it was recommended that the organization of finances between the Federal, State and Settlements Governments should continue under the Board of the Commission of Currency that had been functioning since 1947.<sup>21</sup> Hence, the plan for a Pan Malayan central banking system between Malaya and Singapore was delayed until 1956.

### **Terms of Reference of a Central Banking System**

In April 1956, a committee was set up to forward recommendations to the council of ministers of the Federation of Malaya and Singapore on the formation of a joint-Central Bank for both countries.<sup>22</sup> This committee constituted of the then Economic Advisor (Chairman, Minister for Communication and Works, Financial Secretary, a representative from the exchange Banks, a representative of the indigenous bank, a representative of three Chambers of Commerce, and Assistant Economic Advisor.<sup>23</sup> On the same date, the committee forwarded a report of Caine's recommendations to the council of ministers (the then Minister of Works and Communications and the Chief Minister), who agreed that the establishment of the Central Bank should be approved in principle,<sup>24</sup> that the Central Bank should be

established as a joint central Bank and that negotiations between the Governments of Malaya and Singapore regarding the appointment of a Governor designate should be adopted as soon as possible.<sup>26</sup> Subsequently on April 13th 1956, the Chief Minister of Singapore sent to the Chief Minister of the Federation of Malaya the terms of reference as designed by the IBRD Mission (Caine's report) for the working of the Central Bank between the Federation of Malaya and Singapore:

"On the understanding that the recommendation of the International Bank Mission [Caine's and Watson's proposal] for the establishment of a Central Banking system for Malaya is accepted in principle by the governments of Malaya and Singapore; and taking into account of the present organization of banking in the country, the currency and the importance of maintaining the stability of the Malayan dollar as the basis of trade with neighbouring countries as well as in Malaya itself."<sup>27</sup>

Based on this understanding, the IBRD Mission (Sir Sydney Caine and Mr. Watson) prepared terms of reference to advise on the operation of a joint central banking system:

- (a) the form of organization of a Central Bank (or Banks) of Malaya and its relationship with to the governments of the Federation of Malaya and Singapore;
- (b) the advantages and disadvantages of separate central banks for the Federation and Singapore in place of one Central Bank for both territories;
- (c) the powers to be vested in such a Bank (or banks) including powers to manage the currency and ensure its stability, powers to advance money for the government and powers in relation to the commercial banks and the development of local capital markets;

- (d) the location of the offices for the Bank;
- (e) the staff likely to be required initially, including any staff or economic research and statistics;
- (f) the procedure to be followed in setting up the bank (or banks); including any necessary functions as to the taking over of the functions and the assets and liabilities of the Malayan Currency Board;
- (g) any other matters relevant to the initiation of the Bank (or banks) and to prepare, in consultation with the law officers of the Government concerned, draft legislation to give effect to these recommendations;
- (h) That the capital of the Central Bank be \$20 million."<sup>28</sup>

These terms of reference led to a motion or debate on either to set up a single Pan Malayan Central Bank or to have a separate bank for the Federation of Malaya and Singapore.<sup>29</sup> The option for a separate bank for Malaya and Singapore required printing two separate currencies and the need to draft new or fresh terms of reference in line with the idea of a separate central bank.<sup>30</sup> Caine and Watson expressed uncertainties and concern relating to two main problems that would have been encountered in the process of implementing a joint central banking system (Pan Malayan Central Bank) between Malaya and Singapore:

- (a) That it was not practical for two central banks to operate under a separate management, i.e. involving two separate governments (Singapore and the Federation of Malaya) to share responsibility for the management of a single currency and the powers available to central banks in influencing the credit situation;

(b) That it was undesirable to have two separate currencies by then as it amounted to seriously affecting the stability of the currency and there by breaking the tradition and confidence; which in turn, would have resulted into disintegrating the economic, financial and fiscal policies of the two territories that had been integrated with the advantage of a common currency.<sup>31</sup>

This meant that Caine and Watson had initially proposed the setting up of a single central bank (Pan Malayan Central Bank) with a common currency in order to ensure its flexibility. A single currency was recommended for such a bank to ensure harmonious policies between Singapore and the Federation of Malaya. However, the proposal for a Pan Malayan Central Bank was rejected by the IBRD which had wanted to establish two separate central banks. Because of these uncertainties, the plan to establish a Separate Central Bank in the Federation of Malaya was delayed pending constitutional changes that were concurrently conducted in both Singapore and the Federation of Malaya in the period 1956-1957.<sup>32</sup> During this period, Watson and Caine readjusted the proposal for a Pan Malayan banking system and opted for two separate banks. Watson and Caine's recommendations were submitted in confidence to the Federal government in 1956.<sup>33</sup> The council accepted Caine and Watson's new proposal to set up a separate Central Bank for the Federal Government.<sup>34</sup>

## **The Separate Central Bank**

On 15th February, 1957, the IBRD Mission abandoned the plan to set up a joint Central Bank between the governments of Singapore and the Federation of Malaya. Instead, the Mission of Caine and Watson recommended to establish two separate central banks. This plan was communicated in a confidential letter by the then Financial Minister, H. S. Lee, of Singapore to the Government of the Federation of Malaya.<sup>35</sup> This letter authorised the IBRD Mission to appoint a banking Adviser for the Federation of Malaya based on the terms of reference as was designed by Sir Sydney Caine and Mr. Watson. It stated that the appointee become the Governor designate of the Central Bank. Based on recommendation from the IBRD Mission and the British Government, the Minister of State for Colonies decided that two separate Central banks for both countries be established. This decision facilitated the replacement of the Board of Currency Commission which had been regulating currency in Malaya and Singapore up to 1956. In Singapore, the Central Bank was established in 1957 and a similar Bank was launched in the Federation of Malaya in 1958.<sup>36</sup> In Malaya, the offices of the IBRD are located in the Central Bank, as was enforced by the **Bretton Woods**

### **Agreements, Ordinance No. 75 of 1957:**

“AND WHEREAS the International Monetary Fund and the International Bank for Reconstruction and Development have prescribed the terms of and conditions set out in the First Schedule and the Second Schedule in this Ordinance as the terms and conditions upon which the Federation of Malaya may be admitted to Membership of the International Monetary Fund and the International bank for

Reconstruction and Development respectively.<sup>36</sup>

The terms and conditions upon which Malaya was admitted to membership "**in the Bank**"<sup>37</sup> and "**in the Fund**" required the Federation Government to "interpret" and enforce the Bretton Woods Ordinance mainly in reference to the "Bank," "Articles," "Dollars" and "Subscription:"

(a) "**Bank**" means International Bank for Reconstruction and Development (IBRD)

(b) "**Articles**" means the Articles of Agreement of the Bank.

(c) "**Dollars**" or "\$" means United States dollars of weight and fineness in effect on July 1, 1944.

(d) "**Subscription**" means the capital stock of the Bank subscribed to by a member of the Bank."<sup>38</sup>

The "**interpretation**"<sup>39</sup> of Bretton Woods Ordinance, 1957, was made with special reference to the **Consolidated Fund**. This condition required the Federation Government to maintain by the Treasury three separate accounts of the Consolidated Fund: (1) Consolidated Revenue Account, (2) Consolidated Loan Account and the Consolidated Trust Account.<sup>40</sup> These Accounts dealt, and still deal, with the assets and revenues of the Federation. For instance, in the Consolidated Loan Account are kept "all moneys received by way of loan upon the public credit of the Federation."<sup>41</sup>

Besides, the terms and conditions upon which Malaya was admitted to membership "**in the Fund**"<sup>42</sup> required the Federation Government to "interpret" and

enforce the Bretton Woods Ordinance mainly in reference to the **"Determination of Par Value:"**

"Determination of Par Value: Within 30 days after the Fund so requests, Malaysia shall communicate to the Fund a proposed par value for its currency, and within 60 days following the Fund's receipt of the proposed par value for the currency; provided that the Fund may extend the period of 60 days and that Malaya shall be deemed to have withdrawn from the Fund if agreement on a par value has not been reached when the extended period expires. In the period between accepting membership and the establishment of an initial par value pursuant to this, ... Malaya shall not change its exchange rates prevailing at the time of accepting membership without agreement with the Fund after prior consultation."<sup>44</sup>

The IMF and IBRD had determined in 1955 the monetary value ("par value") of the currency of the Federal Government as equivalent to 0.290 299 in terms of gold and 107. 143 currency unit per troy ounce of fine gold or in terms US dollar:

"The Malayan dollar is a legal tender in both the Federation [of Malaya] and Singapore, North Borneo and Sarawak and the States of Brunei ... is issued freely and exclusively in exchange for sterling ... the rate of exchange is two shillings and four pence-equivalent to 3 Malayan dollars per one US dollar."<sup>45</sup>

It follows that the IBRD and IMF initiated the Central Bank with an internal medium of exchange (Ringgit Malaysia-effective 1967) that does not determine the value in itself. However, the monetary and administrative function of the Central Bank reciprocates the monetary and policy-making role the IBRD and IMF in allocating and regulating funds for the government as prescribed by the Bretton Woods Ordinance of 1957. Specifically, the role of the Central Bank was founded on the



monetary function of the IBRD and IMF: to regulate currency issues, maintain monetary stability and influence the money market and credit situation according to Government policy, which the Bank itself influences. This partly explains the mechanism by which the IMF and IBRD determined the monetary value of resources for the Federal Government as outlined in the "Trade Classification."<sup>46</sup> The subsequent text deals with the interplay between IBRD-funds and strategies and the building of the Armed Forces Programme for Malaya in the period 1950-1960.

### **The Armed Forces Programme: The Emergency**

Malaya's National Security, (herein called the Emergency) is directly related to international politics and internal administrative organization. The Emergency dealt with communism and the military threat from Russia and China against Malaya.<sup>47</sup> Russia and China's perceived conquest of Malaya stood against the IBRD and IMF to extend financial aid for economic development of Malaya as legislated by the Bretton Woods Agreements, 1945-1960.<sup>48</sup> For this reason, a plan was made to build a strong Armed Forces in Malaya to contain the military threat from Russia and China, and also the spread of communism. Hence, the Emergency was conducted as an international war in Malaya in which the IBRD finances and multilateral Armed Forces were brought together. This objective was explained by the British Government to the Delegation of the Colombo Plan Conference in January 1950:

"In order to contain Soviet Russia and Communist China, and in order to prevent the spread of communism in South and South-East Asia, the long term objective is stated to be the creation of some form of regional association between all the Governments in the area for political, economic and (if necessary) defence cooperation, this association working in partnership with the association of North Atlantic Powers [the United States, Canada, etc.] on the one hand and with Australia and New Zealand on the other."<sup>49</sup>

It was against this background of potential economic and political conflict with Russia and China and the need to carry out economic development programmes (financed by the IBRD) that the Emergency was conducted by the British Government.<sup>50</sup> The Emergency was approached by building strong Armed Forces, the policies of which, were originally established by the Committee on Economic and Social Development in South and Southeast Asia and the Far East in 1949.<sup>51</sup> This Committee provided terms of reference on strategies, sources of funds and reasons for providing such funds for the Armed Forces programme in Malaya and the entire Southeast Asia. The terms of reference remained in force until 1956 when Malaya accepted a new Defense Agreement):

- (i) "The immediate aim of a wider association of the West, including the Pacific members of the commonwealth with the South East Asia countries, would be to prevent the spread of Communism and to resist Russian expansion; its long term object would be to create a system of friendly partnership between East and West and to improve economic and social conditions in South East Asia and the Far East [that is to say, Malaya];<sup>52</sup>
- (ii) Likely capacity to resist Communist penetration or attack;<sup>53</sup>

- (iii) Possible sources of external assistance [for the Emergency (National Security)] are the International Bank for Reconstruction and Development and Import-Export Bank, Public Loans floated abroad, private investment, and the use of assets already held;<sup>54</sup>
- (iv) [The] extent to which a country [Federation of Malaya] is able to help itself as regards internal finance for development projects, i.e. to raise taxes and to borrow locally."<sup>55</sup>

As such, the political objective to contain communism and Russian military advance, became the basis upon which Malaya was able to raise funds from the IBRD and internal sources of funds, as outlined above. Thus, resisting communism and a Russian advance into Malaya became the policy of the Federation Government in order to secure loan funds from the IBRD, not only to finance security programmes but also to finance other projects of development as outlined in the Draft Development Plan for Malaya 1950-1960.

The organization and financing of the Armed Forces Programme involved the stationing of foreign and local Armed Forces in Malaya. For, the Emergency was conceived as a confrontational warfare in the Federation and the region as a whole and the entire free world:

"The emergency in Malaya is not a local war; it is part [a slice] of the battle waged by international communism against the whole free world, as such Malaya should not be called upon, year after a year, to carry alone the heavy financial burdens [towards the emergency]."<sup>56</sup>

The IBRD, the Government of Britain,<sup>57</sup> the Colombo Plan and the Committee (Council) on Economic and Social Development in South and Southeast Asia and the Far East considered providing Malaya with military personnel and equipment to combat what was seen as Russian expansion and communism in the area. The conduct of Armed Forces was put to work in Malaya through the hands of the British Ministry of Defense.<sup>58</sup>

The British Government secured financial aid from the IBRD for the Armed Forces serving in Malaya. The British Defense Ministry made two plans (strategies) for multilateral financing and military operations during the Emergency: Firstly, the plan that the personnel serving in Malaya were considered part of the foreign Armed Forces present in Southeast Asia and a proportionate slice of Armed Forces expenses duly allocated to them.<sup>59</sup> This plan had been made by the Departments to account for the actual provision of funds obtained from the IBRD for the forces serving in Malaya.<sup>60</sup> The second plan was made to account for the extra costs incurred in having troops employed in operations in Malaya instead of peace stations.<sup>61</sup>

Financial aid was allocated mainly to the British and Gurkha troops, East African troops, Fiji Battalions and Australian squadrons serving in Malaya (see **Tables: 3-4**). The cost of these operations excluded cost of similar operations in Singapore in the period 1950-1953.<sup>62</sup>

**Table 3: Strength of External and Local Armed Forces engaged in the emergency, 1950-1951**

<b>Forces</b>	<b>Strength [Battalion]</b>	
<b>A: British infantry</b>	7	
Gurkha	8	
Colonial Malaya Scts	3	
<b>B: Royal Marine</b>	1	
Royal Regiments	2	
<b>C: Malay Regiments</b>	4	
<b>D: Air Force</b>		
10 R. A. F.(SQD)	114 A.CRFT	
2 Australian Forces	14 A.CRFT	
<b>E: (i) 1 Frigate,</b>	1 Frigate	
<b>(ii) 6 Minesweepers</b>	6 MNS	
<b>(iii) 2 MLS</b>	2 MLS	
<b>Costs (£ million) of Maintaining Forces</b>		
<b>Division</b>	<b>Full Cost</b>	<b>Extra Cost</b>
Royal Navy	1.7	0.4
British Army/Forces	21.0	2.3
Other Forces	10	1.0
R.A.F. and R.A.A.F.	15.8	4.5
Source: CO 1022/34: Malaya, Defence Costs, 1951, f. 14.		

**Abbreviations in Table 3:** SQD, Squadrons; MLS= Motor Launches; MNS, Minesweepers; A. CRFT, Air Craft.

**Table 4: Strength of External and Local Armed Forces Engaged in the Emergency 1952-53/1955**

<b>Forces</b>		<b>Strength</b>
<b>A: Royal Navy</b>		
3rd R.M. Commando Brigade		
(i) 1 Frigate		
(ii) 6 Algarine [MNS]		
(iii) 2 S.M.L		
<b>Total Strength (Navy)</b>		<b>2,120 Officers</b>
<b>B: Army</b>		
(i) 12th Lancers		
(ii) British infantry		7 battalions
(iii) Gurkha infantry		8 battalions
(iv) K.A.R. infantry		2 battalions
(v) Fiji infantry		1 battalion
<b>Total Army</b>		<b>40,000 (heads)</b>
<b>C: R.A.F</b>		
(i) 2 Day fighter/ground Attack		32 aircraft
(ii) 2 Light Bomber [SQD]		20 aircraft
(iii) 3 Transport Squadrons		24 aircraft
(iv) 1 Flying Boat [SQD]		5 aircraft
(v) 1 P. RECS [SQD]		1 aircraft
(vi) 1 A.C.P [SQD]		20 aircraft
<b>R.A.F &amp; W.R.A.F (Totals)</b>		<b>6,300 (heads)</b>
<b>Malayan airmen (Totals)</b>		<b>1,100 (heads)</b>
<b>D: Royal Australian Air Force</b>		
(i) 1 Medium Bomber [SQD.]		8 aircraft
(ii) 1 Transport Squadron		6 aircraft
<b>E: Malayan Forces</b>		
Malayan Regiment		4 battalions
Regular Police		25,000 (heads)
Special Constables		38,000 -do-
Part-time Auxiliary Police		175,000 -do-
<b>Source: CO 1022/34; Malaya, Defence Costs, 1952-1953, f. 16.</b>		

**Abbreviations in Table:** SQD. Squadrons; S.M.L= Seaward Motor Launches; P.REC SQD. Photographic Reconnaissance Squadron; MNS, Minesweepers; ACP. SQD, Air Conservation Post Squadron.

The military budget also excluded capital costs (for instance, costs provided to projects of development that had direct returns or profits to the capital invested in projects such as tin production, in fact projects that were significantly cost-efficient). In 1951 the total cost of the Emergency was \$97 million, and increased to \$128 million in 1952.<sup>63</sup> For this reason, the Federation of Malaya had authorised the raising of \$100 million of loan funds under the **Security Loan Ordinance** (enacted in December 1952)<sup>64</sup> to meet the deficit of \$97 million for the financial year 1953. While development expenditure in the public sector amounted to \$594 million to which the five-year plan 1950-1955 was completed, the Ministry of Defence and the Emergency were allocated a total of \$140 million in the same period.<sup>65</sup> During the five-year plan, 1956-1960, the Government of Britain requested financial aid from the IBRD totalling \$158 million to meet the expenditure on the Armed Forces and the Development Programmes.

The allocations of these funds to the public sector and the Emergency were made following recommendations by the IBRD Mission for the ten-year plan, 1950-1960.<sup>66</sup> The IBRD Mission also recommended the formation of a new administrative framework for the independent Government of Malaya that emerged in 1957.<sup>67</sup> The IBRD Mission also wanted the Government of Malaya to be free from what they saw as Russian expansion and communism. This policy was enforced by the terms of a new "**Defence Agreement**" in the period 1956-1960. The implementation of the

Armed Forces Programme in harmony with the Development Plan was the criteria for the IBRD to provide financial aid to Malaya. Although the military projects were financed on the basis of their cost effective benefit to stop perceived Russian expansion and the advance of communism in Malaya (Tables: 3-4), such a political objective was directly related to long-term economic objectives in Malaya as was prescribed by the Defense Agreement, 1956.

#### **The Defense Agreement & Aid for the Emergency 1956-1960**

The Emergency during the five-year plan, 1956-1960, was conducted and financed on terms of a special Defence Agreement that was made by the British Government "to be accepted without alteration when Malaya becomes independent in 1957."<sup>68</sup> The terms of this Defence Agreement obliged the Government of Malaya to secure financial aid provided by the IBRD via the Colonial Development and Welfare Funds and the British Government thereto. These funds were allocated for the Emergency and other programmes of the five-year plan, 1956-1960. The provisions of the Defence Agreement were written in the "White Paper on Malayan Constitutional Conference on January 1956."<sup>69</sup> It required the new independent Government of Malaya to consider that multilateral financial aid provided for the period 1956-1961 was chiefly made for political reasons (i.e., to establish a new independent government free from communism) of which the economic development



plan formed a cornerstone.<sup>70</sup> During the five-year plan, 1956-1961, the Federation was afforded an annual grant of \$33.5 millions towards the cost of the Emergency.<sup>71</sup>

Throughout the term of the five-year plan, the Federation expended the grant of \$33.5 million to armed forces programmes namely: equipment, stationing armed forces, etc.<sup>72</sup> These funds were provided on terms of the Defence Agreement that directly related to both the Emergency and the economic development plan:

"(1) that the Federation adheres to a development programme broadly of the scale and content [of the five-year plan 1956-1961];

(2) that the Federation makes the maximum possible use of its local resources in meeting the cost of the Emergency and the development programme."<sup>73</sup>

In the process of carrying out the terms of the Defence Agreement, Malaya benefited from financial aid that contributed towards strengthening the Armed Forces to deal with the Russian communist threat. This explains the process by which financial aid enabled the Federation Government to undertake the ten-year development plan within a secure political environment. On the administrative and political front, the British Government and the IBRD recognized the accomplishment of the Armed Forces Programmes in relation to the ten-year plan, 1950-1960.<sup>74</sup> Having acknowledged this, the British Government recommended that Malaya should go forward with independence within the Commonwealth, for, her economic and

administrative performance provided fair assurances of the Federation's future financial stability. The target date for independence within the commonwealth set at August 1957 and remained unchanged.<sup>75</sup> The "White Paper (Cmd. 9714)" relating to the Defence Agreement acknowledged that "independence implied self sufficiency and to end the Emergency by 1957."<sup>76</sup>

However, the Emergency did not end in 1957. Since financing the Emergency depended upon funds and strategies provided by the IBRD through Britain in the period 1957-1960, this then, provided the opportunity for the IBRD to continue extending funds and strategies relating to the Federation's security even in the period after independence.<sup>77</sup> The continuation of the Emergency implied that the entire purpose of financing the operations of the Armed Forces against the Russian and Communist threat in Malaya was not about local political and social interests. It was a war about guarding economic interests, mainly, of the United States and Britain in Malaya as a part (or slice) of the entire sterling area. In the Federation of Malaya, the IBRD and IMF provided financial aid for social and economic development that became to be known in the "Draft Development Plan for Malaya 1950-1960." This articulates the process by which IBRD- finances and strategies determined the Armed Forces Programmes for the Federation of Malaya.

## **The IBRD Policies and Social and Economic Programmes**

The IBRD made fiscal policies and provided funds that went into the making of the ten-year economic development plan, which was split into two five-year periods:

A. **"The Draft Development Plan for Malaya, 1950-1955,"**<sup>78</sup>

B. **"A Plan for the Development of Malaya, 1956-1960 or The Draft Development Plan 1956-1960."**<sup>79</sup>

The ten-year economic plan (in **parts A & B** above) was executed into 5 interrelated divisions of national development programme:

1. A plan indicating sources of funds for the national economic development programme [i.e. sources of funds: the IBRD through the Government of Britain, Colombo Plan and CDC];
2. Development of Trade and Industry;
3. Development of Capital Resources and Utilities: Agriculture, Land, Fisheries, Forestry, Mining and Power, Transport and Telecommunications, Industry and the Entrepot Trade (**Table 5: Section A**);
4. Development of Human Resources: Education, Medical and Health, Social Welfare and other services (see **Table 5: Section B**).<sup>80</sup>
5. Development of National Security capacities, especially in the Building of the Armed Forces Programmes relating to the Emergency.<sup>81</sup> This was not listed on the schedule of the ten/five-year plan outlined in **Table 5**.

The five areas of the ten-year plan so outlined above constituted the structure of national development programme. This structural arrangement enabled the interaction of funds from their respective sources namely, the IBRD and its agencies,

CDC, Colombo Plan, and projects of development as outlined in the ten-year plan. It should be stated at this early stage that the purpose of this thesis is to relate the process and scope to which the IBRD allocated funds and afforded policies that went into the making of the ten-year plan and the structure of government as whole.

The subsequent texts relates the mechanism by which multilateral finances and policies of the IBRD funded the departments of education, establishment of the Central Bank (Bank Negara), the department of defence (national security), herein referred to as the Emergency, and the Administrative Machinery of the Government of Malaya. The analysis made on the policy-making and financing of educational programmes signifies that this department related, and still relates, to the development of economic programmes categorized as capital resources and utilities in the development plans for Malaya (see **Table 5**).

Table 5: Projects Started(SRT) & Completed (CPD)  
on IBRD Finance, (EXP-Expenditure), 1950-1955

Section A:		Amount of Projects			EXP \$M '000'	
No.	DEPT/MIN	ADMN	SRT	CPD	EST	Actual
1	Agriculture	6	6	-	2788	3282
2	Broadcasting	4	2	-	502	760
3	Electricity	14	14	-	188381	221562
4	CAV	9	5	-	3730	4410
5	Cooperative	1	1	-	5	2
6	Drainage	85	55	13	27935	38477
7	Film Unit	4	2	1	467	1248
8	Fisheries	4	1	-	3268	3268
9	Forestry	12	7	2	6584	7198
10	Geological	3	1	-	1610	1573
11	Housing	1	-	-	3000	10000
12	Information	5	5	-	1427	2039
13	Lands	1	1	-	2910	80000
14	Marine	2	-	-	1300	825
15	MTLG	3	-	1	517	517
16	Mines	4	3	-	1022	901
17	Postal	13	3	6	2597	2597
18	PWK	159	32	72	165158	17814
19	Railways	6	3	-	110720	120270
20	RIDA	1	1	-	2991	2991
21	RDT	6	1	4	365	618
22	TELECOMS	28	23	-	29024	39724
23	Veterinary	5	2	2	1572	1378
<b>SECTION B: DEVELOPMENT OF SOCIAL SERVICES</b>						
24	Education	63	9	15	44416	51139
25	Medical	56	45	1	18100	18516
26	Labour	4	3	-	775	772
27	SWF	47	16	6	2881	8662
<b>Grand Total</b>		<b>546</b>	<b>241</b>	<b>123</b>	<b>\$624045</b>	<b>\$802948</b>
<b>CO 1022/337: Progress Report, 1952, ff. 153-154.</b>						

Abbreviations in Table 6: MTL, Meteorological; RDT, Road Transport; PWK, Public Works; CAV, Civil Aviation; TELCOMS, Telecommunications; SWF, Social Welfare; ADMN, Adminstred; SRT, Started; EST, Estimate; CPL, Completed; DEPT, Department; MIN, Ministry.

It should be stated here that the IBRD funded the Emergency as an international war in Malaya. It combined IBRD- finances and multilateral Armed Forces to stop the perceived conquest of Malaya by the then Soviet Russia and Communist China.<sup>82</sup> The Emergency or Russian military advance and spread of communism stood in the way of the Bretton Woods (Anglo-American) Agreements and the provisions and conduct of which, required the IBRD to afford financial aid towards social and economic development for the sterling area namely, Malaya.<sup>83</sup>

The IBRD financed educational and Armed Forces programmes on the criteria of their social and political objectives (cost-effectiveness and cost-sufficiency) that directly related to the outline of economic development of the ten-year plan. In this regard, this thesis explains the processes by which the IBRD, the "international authority," as the source of funds and policies constituted the authoritative allocation of funds. This authority decided the interplay between social and economic development plans and administrative mechanisms for the Government of Malaya, see **Table 5.**

In the beginning of the ten-year plan, the IBRD considered a policy that "the standard of social and economic development [of Malaya] relates to resources in the land, in labour, capital, and administrative and organizational resources required for development."<sup>84</sup> This policy was further tied on the strategy of creating the ten-year

plan constituting of "projects [schemes] indicating their significance, need for financial aid, problems associated with them, especially lack of funds, materials, capital and technical difficulties."<sup>85</sup>

The financial policies on Malaya's economic plans were coordinated by Dr. Antonine Basch for the "International Bank for Reconstruction and Development, 1818 H. Street, Washington 6, D.C., U.S.A."<sup>86</sup> References and correspondences of these IBRD-financial-policies on the ten-year economic plan were made in letters dated 8 July 1950/1952- from Dr. Antonine Basch to a multilateral committee on economic development of the Federation of Malaya.<sup>87</sup> The committee members that were connected to Malaya's development plans included the offices related to the Colombo Plan for South and Southeast Asia. To illustrate, they were:

1. C. Hart Schaaf, Esq.  
c/o ECAFE, Paruskawan Palace, Rajadamanern Ave., Bangkok, Thailand;
2. Mr. M. L. Qureshi  
c/o ECAFE, Paruskawan Palace, Rajadamanern Ave., Bangkok, Thailand;
3. Mr. Wilfred Malenbaum  
c/o Economic Development Division, State Department, Washington D.C., U.S.A.;
4. Assistant Secretary, Ministry of External Affairs, Wellington, New Zealand;
5. Mr. A. H. M. Hillis, Esq.  
c/o British Treasury, London, England [Great Britain];
6. [British] High Commissioner  
c/o Federation of Malaya;
7. Commissioner-General's Office  
c/o Phoenix Park, Singapore.<sup>88</sup>

In the pursuance of the fiscal policy lines coordinated by the multilateral committee, the IBRD appointed Professor Arthur Lewis and Sir Sydney Caine as both officials of the IBRD Mission to Malaya.<sup>89</sup> Arthur Lewis (Professor of Economics at the University of Manchester) and Sydney Caine (former Vice Chancellor of the University of Malaya) guided the design of the ten-year plan. They helped particularly in organizing social and economic projects of development that formed the structure of the ten-year development plan. This plan contained 546 projects of development, and these are outlined in the 27 Departments or Ministries that formed the Federal Government or the Administrative Machinery of Malaya in the period 1950-1960.<sup>90</sup>

It follows that the framework or structure of the ten-year economic and social development plans was the administrative role of the IBRD. This sheds light on the procedures by which the fiscal policies arising from the IBRD determined the economic structure and running of the ten-year plan for Malaya. In turn, this provided a conducive background for the coming in and allocation of IBRD-finance to the development plan. The implementation of these projects depended upon the raising of loans from the IBRD through the British Government and through the Colombo Plan, 1950-60.<sup>91</sup>



### **IBRD multilateral funding: The Colonial Development Corporation**

The IBRD financed the ten-year economic plan through the British Government and its agency, Colonial Development Corporation (CDC).<sup>92</sup> This channel disguised the direct involvement of the IBRD in financing and making of policies for the ten-year economic development plan. However, the British Government [Colonial Government] had acknowledged in a secret document the role and link of the IBRD in supplying funds to the sterling area or commonwealth nations namely, Malaya through the British Government:

"The Colonial Office [British Government] has for a long time been most anxious to introduce International Bank finance into the Colonial field. For this reason an amendment has been made to the Overseas Resources Development Act [Acts 1945/46-1960], enabling His Majesty's Government to guarantee loans from the Bank [IBRD] by the Colonial Development Cooperation [CDC]. Plans for an initial loan by the Corporation by the Bank [IBRD] are now well advanced. For this reason also, an act has been passed, enabling the Treasury to guarantee loans from the Bank [IBRD]."<sup>93</sup>

While the British Government secretly acknowledged that the IBRD was the source of funds for social and economic development plans for the sterling area, namely Malaya, the C.D.C distanced itself from any policy-making role relating to economic plans, and instead attributed this role to the IBRD. The financial link between the IBRD and the Government of Britain regarding the ten-year plan was established in a report of the CDC on its operations relating to economic plans for the commonwealth nations. The CDC clearly defined the role of the Government of

Britain in economic planning and financing in commonwealth nations as merely advisory:

"It is not always clearly understood that the CDC is not responsible, and therefore not equipped, for overall planning in colonial territories [such as the Federation of Malaya]. In so far as such planning takes place, it is the responsibility of the separate colonial governments who, in drawing up their own development plans, call in outside help ... [from IBRD] the International Bank Missions and the advisory services of the Colonial Office [Government of Britain]."<sup>94</sup>

In addition, the transfer of IBRD-finance to the Federation Government through the British Government was established by the Bretton Woods Agreement, 1945, which required, and still requires, the IBRD and IMF to afford funds and strategies for economic development plans of Malaya.<sup>95</sup> The subsequent legislation of the Bretton Woods Agreements, 1945-1960, concurrently gave effect to the "Colonial Development and Welfare Acts."<sup>96</sup> These were passed by the Government of Britain in response to the "Sterling Lending by the IBRD"<sup>97</sup> (as that which constituted the Bretton Woods Agreements of 1945 and its subsequent legislation). In the Federation of Malaya, the borrowing of funds from the IBRD was undertaken through the "Federation of Malaya [Loan] Ordinances and Rules, 1946-1960."<sup>98</sup> These loan ordinances were the legal and formal establishment of the IBRD as the source of funds for the ten-year national economic development plan. Therefore, the Federal Loan Ordinances and Rules, 1946-1960, represent the authority by which the IBRD financed the Draft Development Plan for Malaya, 1950-1960.<sup>99</sup>

## **IBRD Multilateral Funds: The Colombo Plan**

The Colombo Plan is a multilateral financial programme that was created on the basis of finances provided by the IBRD. It was established to afford funds and technical assistance for schemes of development for South and Southeast Asian nations in January 1950.<sup>100</sup> The Plan had its origins at the meeting of Commonwealth Foreign Ministers who converged at Colombo in 1950. It was mainly the members of developed nations and representatives of the IBRD who introduced the idea of the Colombo Plan and its developmental schemes for South and Southeast Asian nations.<sup>101</sup> The developed countries who attended the Colombo Plan meeting included, Britain, the United States, Canada, and Australia. The meeting was particularly attended by Representatives of the IBRD, "the importance of which as the source of finance for development programmes maintained close liaison with the committee and its work."<sup>102</sup> The financial role of the IBRD in the making of economic development plans for South and Southeast Asian nations particularly Malaysia was recognized by the Consultative Committee of the Colombo Plan:

"The importance of the International Bank for Reconstruction and Development (IBRD) as a source for the provision of finance for development programmes had throughout been recognized, and a close liaison with the Bank was established."<sup>103</sup>

The authority of the IBRD in providing finances for economic development of South and Southeast Asian nations enabled the Consultative Committee of the

Colombo Plan to coordinate programmes and policies relating to development programmes of member states. For this reason, the Consultative Committee invited countries in the area to exchange views on world problems particularly on the needs of the countries of South and Southeast Asia.<sup>104</sup> It became the responsibility of the Committee and purpose of the Colombo Plan to "survey the needs, to assess resources available and required and to focus the world attention on the development problems of the area and to provide a framework within which an international cooperative effort could be promoted to assist the countries of the area to raise their living standards."<sup>105</sup>

The Consultative Committee directed the Colombo Plan towards the vital importance of the political stability of the countries in Southeast Asia, and in the growth of an expanding world economy based upon multilateral trade.<sup>106</sup> Following these themes, The First Consultative Committee of the Colombo Plan was held at Sydney (Australia) in May 1950.<sup>107</sup> The original members who attended were, "the United Kingdom together with Malaya, British Borneo, Australia, Canada, Ceylon, India, New Zealand and the IBRD was represented at this meetings and the subsequent conventions."<sup>108</sup> The Committee decided to draw a development programme covering a six-year period from July 1st 1950 for commonwealth countries. This Committee also invited other countries in South and Southeast Asia to take similar action.<sup>109</sup> For these objectives, the Second Consultative Committee of the Colombo Plan took place at London (Britain) in September 1950.<sup>110</sup> The Third

Consultative Committee Meeting was held at Colombo in February 1951.<sup>111</sup> The Fourth Consultative Committee Meeting was held at Karachi (Pakistan) in 1952<sup>112</sup> and the Fifth Consultive Committee Meeting was held at New Delhi (India) in October 1953.<sup>113</sup> These Committees have since been followed by similar Colombo Meetings with the same developmental themes as initiated by the funds and policies of the IBRD for the development of South and Southeast Asian nations, specifically Malaya.

Malaya benefited from the involvement of the Colombo plan in financing and creating development projects by virtue of IBRD-finance. The central outcome of the Colombo Plan and its significance to Malaya's economic development was the addition of eight schemes or projects (see **Table 6**) at the total cost of M\$169.0 million to the Draft Development Plan for Malaya 1950-1955.<sup>114</sup> This initiative was made at the First Meeting of the Consultative Committee at Sydney in May 1950.<sup>115</sup> It was here that the five-year economic development plan was considered for nations of South and Southeast Asia. Subsequently, the Plan was adopted by the Federation Government of Malaya in September 1950.<sup>116</sup>

**Table 6: The Colombo Plan:**

**Funds for Development Projects 1950-1955**

<b>No.</b>	<b>Projects</b>	<b>Exp.(M\$-dollar)</b>
1	Planters Loans Board	7,000,000
2	Relenting (Small-holdings)	25,000,000
3	RIDA	15,000,000
4	Railway	7,000,000
5	Higher Education	5,000,000
6	Electricity	86,000,000
7	Ports	14,000,000
8	Housing	10,000,000
<b>Totals</b>		<b>M\$169,000,000</b>
<b>CO 1022/337, Progress Report, 1953, para. 10.</b>		

Abbreviations: Exp.=Expenditure M\$=Malayan dollar

**The Draft Development Plan for 1950-1955**

National finances (revenues and expenditure) were organized based on IBRD-finance and strategies for the five-year plan, 1950-1955. The IBRD considered three monetary strategies that went into the organization of Federal, States, and Settlement finances. Firstly, the plan was made on the policy that the Government of Britain prepare costs for social and economic programme of the Federation of Malaya and obtain funds from the IBRD.<sup>117</sup> Secondly, the plan was made on a design that total internal revenues, [Gross Domestic Product, GDP] and external loan funds from the IBRD were augmented as revenue [Gross National Product, GNP] of the Federation of Malaya.<sup>118</sup> Lastly, the nature of the Federation's GDP was associated

with its ability to raise loans abroad. In other words, the amount of loans that was raised for national development expenditure arising from abroad was related to the value of resources in the land.<sup>117</sup>

Ideally, the final source of funds for capital costs of the five-year plan were to be met from general revenue. This had been planned on the assumption that "the ability of a country to finance its programme depended basically on its own internal resources [GDP]."<sup>118</sup> This idea would have created a distinction between loan funds arising from the IBRD through Britain under Welfare Acts, 1945-1960, funds via the Colombo Plan and GDP as was derived from export duties on rubber, income tax, and others.<sup>119</sup> The distinction between GDP and loan funds was nullified by treating loan funds as augmentations of national revenue [GNP].<sup>120</sup> Hence, the prospective state of revenue of the Federation of Malaya became the primary factor governing its ability to raise loans abroad (i.e., within terms of financial policies of the IBRD). Thus, the process by which the Federation Government raised funds establishes the authority of the IBRD in allocating finances for Malaya's development plans. This is articulated by the funding of 546 projects that formed the economic and social development programme of the five-year plan, 1950-1955, (see Table 5).

## **Loan Development Expenditure and Revenue 1950-1955**

Quantitatively, the five-year plan 1950-1955 constituted of 27 departments or ministries of the Federal Government. These departments involved 546 schemes of development (**Table 5**). In comparison, four departments were initiated on funds provided by the IBRD through the Colombo Plan (**Table 6**), and 23 ministries were created on loan funds from the IBRD through the British Government as was provided by the Welfare Acts and the Welfare Funds, 1945-1960. During the five-year term of the plan, the Federation Government authorized the raising of funds under Loan Ordinances, 1949-1955 (See **Table 7**).<sup>123</sup> Initially, the Welfare Acts allocated M\$214.6 million that created 85% of total projects of the plan. On the other hand, the Colombo Plan contributed up to M\$169.0 million which financed 15% of the plan. In sum, the Welfare Funds allocation of \$214,640 millions in addition to the M\$169.0 million from the Colombo Plan amounted to \$383.6 million of the entire loan development expenditure for the financial year 1951.<sup>124</sup>



**Table 7: Funds Authorized & Raised**  
**Under Loan Ordinances 1949/50-1955**

(Figures in \$M million dollars)

<b>Ordinance</b>	<b>Funds Authorized (\$)</b>	<b>Funds Raised</b>
16/49	100	100
59/51	100	100
56/53	55	34.30
12/55	160	nil
27/55	40	40
<b>Total</b>	<b>\$M455</b>	<b>\$M274.3</b>
Source: Federal Secretariat, P/PB 13, Try. Y 261/C: Treasury Memorandum, Draft Development Plan, 1956-1960, p. 10.		

**Note:** The figures excludes the Security Loan Ordinance of 1952 issued to meet the deficit of \$97 million that was caused by expenditure on the political objective to stop Russian expansion and communism (Emergency) into Malaya.

In the period 1952-1955, the five-year plan required further raising of loans of \$455 million that arose from recurrent expenditure (see Table 7). For this reason, the Federal Government issued Loan Ordinances 1952-1955 for further raising of loan funds from the IBRD. These financed the annual development expenditure of the plan that increased progressively from \$383.6 million (in 1951) to \$672.1 million in 1952, \$744.2 million in 1953, \$762.2 million in 1954, and \$868.6 million in 1955 (Table 7). The financial year 1955 involved actual development expenditure of \$3,928.1 million. The total of which, was realized within range of the actual revenue of \$4,161.2 million that was generated from internal sources of revenue (GDP) in the five-year plan, 1950-1955 (see Table 8).

**Table 8: Federal Revenue and Expenditure 1950-1955**

Revenue '000'		Expenditure SM ('000')		
Year	Actual	Estimate	Actual	%
1950	433.4	259.81	340	9
1951	735.4	526.79	548.7	14
1952	725.1	449.34	672.1	17
1953	657.8	346.37	744.2	19
1954	775.2	302.48	762.2	19
1955	834.3	261.64	868.6	22
<b>Totals</b>	<b>\$4,161.20</b>	<b>\$2,146.43</b>	<b>\$3,928.10</b>	<b>100%</b>
See P/PB 13, Try. Y 261/C: Treasury Memorandum, 1956-1960, p. 8.				

These figures suggest that the Federal Budget was financed by the loan funds provided the IBRD on the security of national resources (revenue funds). Therefore, contributions of loan funds from the IBRD were realized in the 546 projects or resources of development on which the funds were expended during the term of the plan. In all, the Welfare Funds via Britain and funds from the Colombo Plan articulates the penetration of IBRD-finance in creating and implementing the "Draft Development Plan for Malaya, 1950-1955" or the "Yellow Book."<sup>125</sup> This plan also attests to the relationship between the allocation of funds from IBRD to the 27 departments and the 546 schemes of development in the period 1950-1955 (see **Table 5: Sections A & B**).

To illustrate the significance of IBRD- funds and policies in the making of the five-year plan as a whole, it is pertinent to relate the building of educational programmes to the development of national security or the Armed Forces Programme

that was absent in the ten-year plan, (compare **Tables: 3-4 and 5**). The development of educational programmes (within the sector of social services) related significantly to other departments of the ten/five-year plan. Equally, the Department of Defence related directly to other Departments and the conduct of which was considered as a condition upon which IBRD-finances were extended. The Department of Defense (Armed Forces programmes) did not appear on the list of the ten/five-year plan (**Table 5**), thus it significantly explains the manner by which the international hand of the IBRD in harmony with the British Government exclusively conducted such programmes for the Federation Government.

### **The Development of Education**

In the social services sector, the IBRD directed development of human resources towards preparing a strong population that follows a stronger economy. In this regard, the IBRD Mission including, Sir Sidney Caine, Professor A. Lewis and others expressed concern that the whole idea of economic development of the Federation of Malaya would have been futile if the population were not prepared to match the pace of economic advancement.<sup>126</sup> While preparing a stronger population depended in part on the promotion of educational services during the five-year plan, 1950-1955, it took the form of improving health, housing and settlement and telecommunications standards throughout the entire term of the plan.<sup>127</sup> Education

was given the highest priority in relation to social and capital resources. The IBRD conducted the development of educational projects based on the strategy of the "10-Point Programme of the White Paper Policy,"<sup>128</sup> the significance of which required

" ... Continued vigorous [and] expansion of the education-resources to keep pace with the growth of school age population and if possible increasing the percentage enrolled."<sup>129</sup>

In pursuit of the 10-Point Programme of the White Paper Policy, educational projects (schools, colleges, and the University of Malaya currently known as the National University of Singapore) were established upon provisions of IBRD finance that was provided to the Department of Education in the five-year plan, 1950-1955. These were established as follows:

- (1) Training Colleges: Separate New Colleges for Malay Vernacular Teachers for Men and Women, Training Centres for Indian Teachers and Indian Schools for Men and Women, Four Normal Schools for Chinese Vernacular Teachers;
- (2) Primary Education: English Schools, Malay vernacular schools, extension of junior technical schools;
- (3) Secondary Schools: Including Malay Colleges and a new technical college in every state as a provision for pre-university classes;
- (4) Higher Education: This Plan constituted of an annual contribution to the University of Malaya that was supplemented by a capital grant. In all, the entire educational programme of the Federation of Malaya was built under the exclusive

policies and funds of the IBRD during the financial year 1950-1955.<sup>130</sup>

In sum, it was mainly through the Welfare Funds coordinated by the British Government that the IBRD provided M\$52.5 million for the development of educational projects in the period 1950-1960.<sup>131</sup> By virtue of these funds, a total of 80,000 pupils and students enrolled in primary schools compared to 30,000 children in school (1947-1949) before the five-year plan.<sup>132</sup> A total of 282 schools and 42,964 classrooms were established all over the country in the period 1950-1956 (see Tables 9-10).<sup>133</sup>

**Table 9: Educational Projects Started & Completed on IBRD Finance, 1950-1955**

Department of Education						
Amount of School Projects in States					Exp. \$000	
Sates	1950	1953	1954	1955	Est.	Actual
Kedah	31	30	20	20	1,645	1,717
Kelantan	12	12	7	7	1,726	1,726
Melacca	3	3	1	1	180	175
Negri Sembilan	7	7	0	0	524	524
Pahang	2	2	0	0	100	150
Perak	1	0	0	0	6,727	6,922
Trengganu	1	0	1	0	150	183
Perlis	10	4	6	0	410	410
Selangor	13	11	0	15	1270	3716
Johor	13	13	9	8	273	236
Penang	6	6	0	0	1064	1066
Totals	99	88	44	51	14069	16825
Source: CO 1022/337: Progressive Report, Malaya, 1955, para. 84.						

**Table 10: Educational (School) Projects Completed on IBRD Finance 1956-1960**

School Projects	Amount of Projects
Class Rooms	4,277
Workshops	25
Science Libraries	70
Domestic Science Rooms	17
Halls and Gymnasiums	50
School Libraries	25
<b>Totals</b>	<b>6,864</b>
Source: Federal Secretariat, Treasury (PS)/ 3124: Colombo Plan, Annual Report, 1957, p. 11.	

The development of the educational projects through the Ten-Point Programme of the IBRD manifest the extent to which IBRD finances and strategies determined the progress of educational services and institutions. The IBRD related the development of education to other Departments or Ministries. The IBRD Mission of Sir Sydney Caine, Mr. G. M. Watson<sup>132</sup> made the best summary accounts for the interaction between IBRD-finance and strategies and the 27 departments (ministries) and their projects of development involved during the five-year plan 1950-1955.<sup>133</sup> It also made recommendations on the economic development of Malaya in view of progress of the schemes of development that had been started and completed up to 1955. While pointing at the background policies of the five-year plan, the Mission acknowledged success of this plan and projected similar achievements for future plans on condition that the Government followed development strategies of the IBRD:

"By Asian standards, the Malayan economy has reached a relatively advanced stage [as measured against the financial year 1950-1955], not only in the level of per capita income, but also in structure: its is a more varied and complex economy that [than] is characteristic of most underdeveloped countries. Power, transport, communications and other basic facilities are reasonably well developed, there is a substantial nucleus of skills and enterprise; standards of public administration are high, and institutional patterns and habits of commerce and finance are correspondingly advanced. We expect a continuing growth of manufacturing activity in the Federation of Malaya, mainly following the pattern of expansions and additions of small-scale enterprise over a very wide front but possibly also a few lines of larger scale manufacturing. How large and how rapid this expansion is likely to be is, of course, impossible to predict but we believe it can be accelerated by the governmental measures and policies we recommend."<sup>136</sup>

In this report, the IBRD Mission projected an infinite future of the IBRD in determining processes of economic and administrative affairs of the Government of Malaya. These were the measures of the IBRD that directed the establishment of a Plan for the Development of Malaya, 1956-1960. Similar measures preceded the organization and allocation of Federal, States and Settlements' finances under a centralized banking system of the Central Bank or Bank Negara that emerged in 1956/7; Armed Forces Programmes (the Emergency) relating to National Security; and the creation of a new Administrative Machinery for the independent Government of Malaya that emerged in 1957.

## **The Draft Development Plan 1956-1960**

The Federal Government of Malaya invited the IBRD Mission in 1956 to advise on policies and provisions of funds for the five-year plan 1956-60.<sup>137</sup> In acknowledging this invitation, the IBRD Mission that had been in Malaya on the preparation of economic and administrative programmes, (upon their return to Washington D.C. on December 30, 1957), expressed satisfaction of the Federation's cooperation with the IBRD in a letter that was written by the Director of the Department of Operations-Far East to Sir Henry Lee (the then Honourable Minister of Finance).<sup>138</sup> This Plan led to measures and processes upon which the IBRD allocated funds for economic development plans and afforded strategies for the Federation of Malaya in the period under review. The coordination of policies and funds from the IBRD was still conducted by the British Government throughout the term of the five-year plan. The Mission considered to continue the five-year plan, 1956-1960, on the existing fiscal policy. This policy directly associated the nature of the Federation's revenue with its ability to raise loans abroad or locally. That is, the amount of loans raised was directly related to the value of resources in the country.<sup>139</sup>

The policy became the principal object for the making of estimates on revenue, expenditure and loan requirements for the five year plan 1956-60. In June 1956, the Government of Britain made loan arrangements for the plan in question on the basis of available revenue from the Federation's resources. Revenue estimates were based



on taxation, tin and rubber production. The financial capacities of these resources enabled the Federation Government to raise loan funds from the IBRD. Upon completion of revenue estimates and relating them to required loans for development expenditure, the five-year plan 1956-1960 emerged and the Federal Government declared it as "**A Plan for the Development of Malaya 1956-1960.**"<sup>140</sup>

### General Revenue

Federal Revenue for the five-year plan 1956-1960 was derived mainly from export duties on rubber and tin as the most important resources that enabled the Government to raise loan funds from the IBRD. It is against this background that the IBRD Mission provided price estimates for rubber and tin production for the period 1956-1960 (see Table 11).

**Table 11: Capacities of Rubber Production Vs Price Estimates 1956-1960**

Year	Volumes of Rubber (million tons)			Price Est.(\$)
	A	B	(A+B)	
1956	360	260	620	100
1957	370	240	610	75
1958	380	230	610	70
1959	390	220	610	65
1960	400	210	610	65
<b>Totals</b>	<b>1900</b>	<b>1,160</b>	<b>2,860</b>	<b>\$275</b>
Source: P/PB 13, Try. Y 261/C: Treasury Memorandum, 1956-1960, p. 13.				

Note: Est, Estimate; A, Rubber production from Estates;  
B, Rubber production from Small-holdings.

The estimates guided the Economic Division of the Treasury to calculate prices and volumes of production of both commodities as the main sources of internal revenue.<sup>141</sup> Rubber production was estimated at 360.0 million tons at the average price of \$0.90 (\$128.5million) in 1956; 370 million tons at the average price of \$0.75, in 1957; 380 million tons at the average price of \$0.70 in 1958; 390 million tons at the average price of \$0.65 in 1959, and 400 million tons at the average price of \$0.65 in 1960.<sup>142</sup> While the total amount of rubber production in estates was estimated at 1,900 millions tons, it involved a total estimate of 1,160 million tons from small-holdings<sup>143</sup> (see **Table 11**). It can be seen that rubber production remained constant at declining prices and eventually failed to generate adequate revenue for financing of the five-year plan, 1956-1960.

The IBRD Mission made prices estimates relating to export duty on tin production in line with the following assumptions:

- "(i) That the surplus of world production was distinct from strategic requirements of some 20,000 tons per annum;
- (ii) That deliveries of stockpile purchases for the Government of the USA were to be completed by about the end of April 1956, after which there would have been no further purchases by the US Government for stockpile purposes;
- (iii) That consumption of tin continued to increase though a reduced rate and that production gradually decreased;
- (iv) the surplus through 1956 reduced to 15,000 tons and that thereafter a further annual decrease of 2,000 to 3,000 tons was expected;

(v) That in the middle months of 1956 a surplus was thrown on the market which caused a sharp decline in prices;

(viii) That during the second quarter of 1957 it was necessary to impose export restriction that could not exceed 10%; (ix)

That Buffer Stock operations and export controls were the result of an average price of \$700,000 ton or \$350 per ton."<sup>144</sup>

The decline in prices and estimates of Rubber and tin production were affirmed by the actual volume and prices of the two commodities as realized during the five-year plan 1956-1960. Actual volume of rubber production amounted to 625,601 tons, while actual volume of tin production amounted to 1, 440 tons in 1956 and increased at the average of 2% in total production in the period 1957-1960.<sup>145</sup>

While receipts from rubber and tin contributed to 60.7% of the GDP, indirect taxes generated 24.6% and other receipts contributed to 12.9% of the entire revenue (see Table 12).

**Table 12: Percentages of Total Revenue 1956-1960**

Sources of Revenue	Percentages
Indirect Tax	60.70%
Direct Tax	26.40%
Other Receipts	12.90%
<b>Totals</b>	<b>100.00%</b>
Source: P/PB 13, Try. Y 261/C: Treasury Memorandum, 1956-1960, para. 2.	

Rubber and tin production were the main internal resources of revenue. The Sydney Mission of the IBRD noted that the estimates of tin and rubber offered the best state of revenue and considered that the capacity of Federal Government to derive revenue from rubber and tin be the basis of raising loans for the financial year 1956-1960.<sup>146</sup>

However, the entire General Revenue Surplus (of \$365 million) was used up by the end of 1958 to meet the deficit of the three years 1956/58 and by the end of 1960 the Government had accumulated a deficit of \$507.2 millions.<sup>147</sup> Under these circumstances, the Government had no money to spend on expansion of the schemes of economic development unless it provided more revenue increased taxation or obtained outside financial help. As such, the IBRD Mission designed the strategy for the Federation Government "to contract rather than to expand the scope of Government activities [projects of development] while pursuing an undeviating course of economy."<sup>148</sup>

Due to lack of adequate revenue, there were no further expansion or creation of new development projects that depended upon raising loans from IBRD-finance, which had been already provided for the five-year plan, 1956-1960. This was realised in estimates and actual Federal expenditure and revenue during the five-year, 1956-1960.

All loans that were fully raised on the authority of Loan Ordinances 1949/50-1960 were expended by the end of 1960. The excess of \$118.52 millions were found from

general cash balances of Treasury Bills and Deposits of the Federal Government (see Tables: 13-14).<sup>149</sup>

**Table 13: Federal Public Debt due Funds  
Raised under Loan Ordinances 1949-1960**

<b>Year</b>	<b>Funds Authorized (\$M) million</b>	<b>Funds Raised (\$M) million</b>
Ord., No. 16, 1949	100	nil
Ord., No. 59, 1951	100	nil
Ord., No. 56, 1953	55	20.7
Ord., No. 12, 1955	160	160
Ord., No. 27, 1955	40	nil
Ord., No. 1956	143.6	146.6
Extra Exp. 1956	100.3	100.3
Education (Balance)	104.3	104.3
Expatriate Ser.	60	60
<b>Totals</b>	<b>\$M863.2</b>	<b>\$M588.9</b>
Source: P/PB 13, Try. Y 261/C: Treasury Memorandum, 1956-1960, p. 9.		

Exp= Expenditure; Ser= Services; Ord=Ordinance

In addition to the \$455 millions authorized in 1956, the Legislative Council authorized Government to spend \$143.6 millions in the course of the financial year 1956/60. Also, Government decided to ask the legislative expenditure of some \$100.3 millions and \$243.9 millions in the same period that was found from the general cash balances.<sup>150</sup> In the same period, the Legislative Council also approved the Report of the Education Committee that required \$125 millions of capital expenditure; the services charges on this sum were put at the rates of \$8.75 millions per annum.<sup>151</sup>

**Table 14: Statements of Capital Commitments 1956-1960**

<b>Projects of Development</b>	<b>Expenditure (\$M) million</b>
Loan Ordinance 1953-1955 (Transferred)	221
Advances 1956	144
Supplementary Budget 1956	100
Compensation and Pension Commutation	95
Education	-
Capital transferred from 1956 estimates	100
Replanting	137
Armed Forces	20
<b>Totals</b>	<b>\$M817</b>
Source: P/PB 13, Try. Y 261/C: Treasury Memorandum, 1956-60, p. 15.	

#### **Federal Loan Development Expenditure**

Total Federal development expenditure for the five-year plan 1956-1960 accumulated a sum of \$3,969.3 million which exceeded total revenue estimate at \$3,097.1 million (see **Table 15**). Since total expenditure of \$3,969.3 million exceeded total revenue of \$3,097.1, millions, the Federal resources duly failed to generate adequate funds for financing the development programme as outlined in the five-year plan 1956-1960. As a result, the Government authorized the raising of loans that involved a sum of \$817 million in 1960.<sup>152</sup>

**Table 15: Revenue & Expenditure Excluding  
Armed Forces Programmes (The Emergency) 1956-1960**

<b>Year</b>	<b>Revenue 000'</b>	<b>Expenditure 000'</b>	<b>+/-</b>
1956	709.6	772.2	62.6
1957	614	765.9	151.9
1958	584	794.8	210.8
1959	587	814.7	227.7
1960	602.5	821.7	212.2
<b>Totals</b>	<b>\$M3,097.1</b>	<b>\$M3,969.3</b>	<b>872.2</b>
Source: see, P/PB 13, Try. Y 261/C: Treasury Memorandum, 1956-60, p. 11.			

\$M= Malayan dollar.

**Note:** On December 31, 1960, actual total revenue amounted to \$M32.9 million and actual total expenditure was \$M29.8 million as published in the Federation of Malaya, Estimates of Revenue and Expenditure.<sup>153</sup>

The development loan expenditure was expended only to capital commitments that involved costs of supplementary Budget of 1956 of \$100 million, advances of \$144 million, repayment of 95 million, replanting, education, and Armed Forces. Apart from the schemes of development, the financial year 1956-1960 also made no provision for payment to the United Kingdom Government of the first annual repayment instalment of the interest-free War Damage loan which amounted to \$5 millions. The annual cost of servicing Public Debts was put at \$45.3 millions.<sup>154</sup>

The "Treasury estimates of recurrent expenditure"<sup>155</sup> followed the pattern in which the Mission of the IBRD in concert with Government of Britain arranged annual estimates relating to projects of capital nature, i.e., Public Works (non Recurrent), Drainage and Irrigation, ("taken as between \$4-5 millions per year and included in the item Allocations to States and Settlements") and rubber replanting.<sup>156</sup>

They also included full estimates of increases in recurrent expenditure on the development of educational projects at the cost of \$58 millions per year by 1960 as proposed in the Report of the Education Committee 1956. This was approved by the Legislative Council as Paper No. 21/1956 on 16th May, 1956.<sup>157</sup> The Development Plan assumed separation of the Federal Budget into two parts: an "ordinary budget" and a "capital budget," the arrangement of which was adopted in the approved estimates for the financial year 1956-1960.<sup>158</sup> The "ordinary budget" involved recurrent expenditure on services especially educational projects.<sup>159</sup> These were treated as new services and were considered together with requirements of other Ministries and Departments of the ten/five-year plan (see **Table 15**).

Ultimately, the budget for the ten/five-year plan 1950/55-1960 accounted for the raising of IBRD-finance authorised by the Federation of "Malaya Loan Ordinances" in the period under review. These budgets accounted for the allocation of such IBRD-finance that went into the funding of creating and implementing projects of development for the departments and ministries of the Federal Government. However, IBRD-finances and strategies towards the Armed Forces



Programme (the Emergency) were excluded on the outline of ten/five-year plan (Table 16) and its budget thereto. Also, IBRD-finances for the establishment of the Central Bank (Bank Negara) were neither accounted for in the Federal Budget nor listed on the schedule of the ten/five-year plan 1950/55-1960.

**Table 16: Revenue & Expenditure Including Armed Forces Programmes (The Emergency) 1956-60**

Year	Revenue	Expenditure	-/+ General Balances	Revenue
Figures in (\$M) Million				
1956	710	772	-62	302
1957	614	766	-151.9	151
1958	584	795	-210.8	-60.3
1959	587	815	-219.2	-288
1960	603	822	-872.2	-507.2
<b>Totals</b>	<b>\$M3,097</b>	<b>\$M3,969</b>		
Source: P/PB 13, Try. Y 261/C: Treasury Memorandum, 1956-1960, p. 11.				

## Conclusion

The main outcome of the operations of the IBRD- policies and finances in Malaya in the period, 1950-1960, was the creation of a unified administrative machinery closely tied to monetary management and control of the Central Bank. The Central Bank was the executing agency of the IBRD in Malaya. Equally important was the establishment of the Armed Forces Programme under the funding of the IBRD. The purpose was aimed at keeping Malaya as an important resource area and market for the Bretton Woods' monetary system against the then perceived conquest

of the country by Russia and China.

The 1957 Memorandum by the Minister of State for Colonial Affairs, [C. P. (57) 12], summarises the main processes involved in this period. It dealt with the establishment of the Centralized Banking System, Armed Forces Programme, the Development Plan for Malaya, 1956-1960 and the independent Government of Malaya that emerged in 1957. The above Memorandum explains the processes and scope by which the "international authority" of the IBRD provided the order under the legislation of the Bretton Woods Agreements, 1950-1960. The enforcement of these Agreements enabled IBRD and IMF to allocate funds for the administrative and economic development plans of Malaya. The actual implementation of the IBRD programmes in Malaya revealed weakness in the administrative machinery and the economic performances in the period 1950-1960. Hence, IBRD Missions were organised and sent from Washington D.C. to survey and make recommendations for the administrative and economic plans for Malaya. The various IBRD Missions that visited Malaya in the course of the ten-year plan, noted that the Federation faced serious problems, especially lack of skilled personnel to undertake the physical developmental work on the ground at the end of 1960.<sup>160</sup> The Federation lacked skilled local personnel to replace the expatriate officers from Britain in whose hands the Federation Government had been functioning up to 1960.

The IBRD Mission designed a "**Malayanisation Scheme**,"<sup>161</sup> to solve the financial and organizational problems for the Federation Government of Malaya. The

IBRD drew this Scheme as the only alternative to the serious shortages in revenue and its over dependence on tin and rubber production; shortages in trained personnel in the military, civil administration and developmental work. Thus, the IBRD decided to extend the Development Plan 1950/55-1960, "into the Malayanisation Scheme to about 1961 or even 1962."<sup>162</sup>

The IBRD extended the ten/five-year 1950/55-1960 to find solutions to the problems particularly relating to shortages in revenue. As such, the IBRD decided that the policy to invite foreign private investments become the objective of the Government in order to enhance desired levels of income.<sup>163</sup> This policy was also designed to bridge the gap between unskilled personnel in development-work and the pace of economic development.<sup>164</sup> In other words, the IBRD associated the Malayanisation Scheme with the strategy to launch a vigorous policy of training local officers to replace expatriates especially from the British Government who had been serving mainly in civil or public services of the Federation of Malaya: "The Government is . . . pursuing a vigorous policy of training suitable local officers to replace expatriate officers when the latter retire under the Malayanisation Scheme."<sup>165</sup>

These operations enabled the IBRD as the international hand to decide on the allocation of funds and processes of government for the Federation of Malaya in the period 1950-1960.

## Endnotes

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1.CO 537/4873: Note by the Colonial Office, Present Impediments in the way of Borrowing by Colonial Government from the International Bank [for Reconstruction and Development (IBRD)], 1949, f. 176.

2.On the concept "international authority," see Gordon L. Weil, et. al., **The Gold War: The Story of the World's Monetary Crisis**, London, Secker & Warburg, 1972, p. 3.

3.Federal Secretariat, Try. (EC.) 84: Memorandum from the Member for Economic Affairs: Progress Report on the Development Plan 1950-52, p. 1.

4.On the fixed exchange rate system and its function in Malaya before the legislation of the **Bretton Woods Agreements, 1945: Proclamation Number 29 and Proclamation Number 32**, see Chapters 2-3.

5.**Annual Report, Federation of Malaya, 1948**, Kuala Lumpur, Government Printer, 1949, pp. 31-32.

6.**Reports of the Director of Audit of Malaya and the Malayan Railway for the Year 1951: Together with the Reports and Certificates of the Director General of Colonial Audit therein**, Kuala Lumpur, Government Printer, 1953, p. 1.

7.The question on the establishment of a Central Bank of Malaya is detailed in the Report of the Mission of the IBRD, Federal Secretariat, CSO. 2294/55: Memorandum from the Financial Secretary, Central Bank, 1955, ff. 167-480.

8.On the initial publications relating to the creation and purpose of the Central Bank, see, "Malaya: "Creation of a Central Bank of Malaya," **Far Eastern Economic Review**, No. 1, Vol. 21, 1958, p. 179. See especially, Sydney Caine, "The Passing of Colonialism in Malaya," **Far Eastern Economic Review**, No. 1, Vol. 2, 1958, p. 560.

9.Originally, the legal and formal powers of the IBRD and IMF in making decisions and providing funds for the Government of Malaya were written in the "**Bretton Woods Agreements: Proclamation Number 29, " A Proclamation to Give Effect to Certain Provisions of the Bretton Woods Agreement"**, see **British Military Administration: Malaya, Gazette of the Malay Peninsula**, Vol. 1, No. 5, December, 1945, pp. 49-50.

10. On the Subsequent legislation of the Bretton Woods Agreements about the formal, legal and monetary authority of the IBRD and IMF in providing funds and policies for the Federal Government, see **Bretton Woods Agreements, Ordinance, No. 75 of 1957**, Kuala Lumpur, Government Printer, 1958.

11. For details on the operations of the offices of the IBRD and IMF as the Currency Board Commission, see **Annual Report, 1948, Op. Cit.**

12. CO 940/136: Federation of Malaya, Memorandum from the Financial Secretary, Central Bank, October 27, 1955, f. 609.

13. CO 940/152: Council of Ministers, Memorandum from the Financial Secretary, Central Bank, February 27, 1957, ff. 288-289.

14. Ibid.

15. Ibid., f. 610.

16. Federal Secretariat, Treasury/Try. (FS) 0.3878: Appointment of a Banking Advisor, 15th February 1957, f. 289.

17. Ibid.

18. Ibid.

19. Ibid., f. 294.

20. Ibid., ff. 290-295.

21. Federal Secretariat, Try(F)2294/56: Memorandum from the Financial Secretary, Central Bank, 23rd May, 1956, f. 27.

22. Ibid., f. 29.

23. Federal Secretariat, 56 DC & I. 01046/5: Terms of Reference of General Survey by Mission of IBRD to Malaya, 1956, f. 100.

24. Ibid.

25. Ibid., f. 105.

26. Ibid.

27. Ibid., f. 103.

28. Ibid., f. 102.

29. On the debate about setting up a Pan Malayan central banking system or two separate central banks between Malaya and Singapore, see Harvey Stickwin, "Malaysia or Singapore: Integration?" **Far Eastern Economic Review**, No. 1, Vol. 52, 1966, p. 99.

30. Federal Secretariat, 56 DC & I. 01046/5: Terms of Reference of General Survey by Mission of the IBRD, Op. Cit., ff. 106-107.

31. Ibid.

32. On the constitutional arrangements, see **Agreement 1956, Federation of Malaya**, Kuala Lumpur, Government Printer, 1957, para. 129-152.

33. Federal Secretariat: Try(F)2294/56: Council of Ministers, Memorandum from the Financial Secretary, Central Bank, 23rd May 1956.

34. Ibid., f. 23.

35. Federal Secretariat, Treasury/Try.(FS) 0.3878: Central Bank, February 15, 1957, ff. 1-2.

36. **Central Bank of Malaya, First Annual Report by the Board of Directors**, Central Bank, Government, 1959, p. 1.

37. **Federation of Malaya Ordinances and Rules, Bretton Woods Act, N. 75, 1957**, Kuala Lumpur, Government Printer, 1958, p. 498.

38. Ibid.

39. Ibid.

40. Ibid. See also **Appendix 5**.

41. **Malayan Constitutional Documents, Second Edition, Vol. 1**, Kuala Lumpur, Government Printer, 1962, p. 233.

42. Ibid.

43. Ibid.

44. Ibid., p. 502.

45. **Report of a Mission Organized by the International Bank for Reconstruction and Development on the Requests of the Governments of the Federation of Malaya, the Crown Colony of Singapore and the United Kingdom**, Government Printer, Singapore, 1955, p. 166.

46. **Federation of Malaya, Trade Classification**, Kuala Lumpur, Government Printer, 1963.

47. CO 537/4873: Southeast Asia General, South-East Asia, Brief for the United Kingdom Delegation to the Colombo Conference, January, 1950, f. 49.

48. On the authority of the IBRD and IMF in making decisions and providing funds for the Government of Malaya, see **British Military Administration: Malaya, Gazette, Op. Cit.**, p. 1. On the Subsequent legislation of the Bretton Woods Agreements, see, **Bretton Woods Agreement, Ordinance, No. 75 of 1957, Op. Cit.**

49. CO 537/4873: Brief for the United Kingdom Delegation to the Colombo Conference, Op. Cit., f. 49.

50. CO 537/4873: Regional Cooperation in SEA, Op. Cit., f. 94.

51. Ibid., f. 94.

52. Ibid., f. 35.

53. Ibid., f. 36.

54. Ibid.

55. Ibid.

56. Ibid., f. 201.

57. On the details of the letters of correspondences between the British personnel serving in Malaya and the Ministry of Defence of the British Government in the period 1950-53, see CO 1022/34: Soldiers', Sailors' and Airmen Families Association, 1950-53, f. 40.

- 58.CO 1022/34: Ministry of Defence, Minutes of a Meeting on Malaya held in Sir Maurice Dean's Room, Ministry of Defence, S. W. 1., Friday, November, 1951, ff. 15-17.
- 59.Ibid., f. 14.
- 60.Ibid.
- 61.Ibid.
- 62.CO 1022/34: Ministry of Defense, Defense Costs, 1951-53, ff. 16-17.
- 63.Ibid.
- 64.See **Appendix 4**.
- 65.CO 1022/34: Ministry of Defense, Op. Cit.
- 66.Federal Secretariat, CSO.933/94: Report of International Bank for Reconstruction and Development on the Economic Development of Malaya, June 2, 1955, f. 116.
- 67.Ibid.
- 68.Great Britain/CAB 124/84: Federation of Malaya, Memorandum by the Minister of State for Colonies, January 9, 1957, f. 192.
- 69.Ibid.
- 70.Ibid.
- 71.Ibid., f. 194.
- 72.Ibid.
- 73.Ibid., f. 196.
- 74.Ibid., f. 194.
- 75.Ibid.
- 76.Ibid.
- 77.Ibid., ff. 196-199.



78. **Draft Development Plan of the Federation of Malaya**, Kuala Lumpur, Government Printer, 1950.
79. Federal Secretariat, Try. Y. 261/C: Explanatory Note on the Treasury Memorandum and the Draft Development Plan, 1956-60.
80. CO 1022/337: Progress Report, Development Plans, Federation of Malaya, 1950-1952, ff. 153-154.
81. Great Britain, CAB 129/84: Cabinet, Federation of Malaya, Memorandum by the Minister of State for Colonial Affairs, f. 192.
82. CO 537/4873: South-East Asia, Brief for the United Kingdom Delegation to the Colombo [Plan] Conference, January 1950, f. 49.
83. CO 537/4873: Note by the Colonial Office, Present Impediments in the Way of Borrowing by Colonial Government from the International Bank, 1949, f. 176.
84. Federal Secretariat, Treasury/SEA 69/14/01: Economic and Financial Situation of the Federation of Malaya, Review of the Development [Plan] in the First and Second Years of the Programme, 1950-1952, para. 1.
85. Federal Secretariat, Treasury/ (Ec.)6500/139/52: Synopsis of the Report of the Consultive Committee, 1952, pp. 7-8.
86. Federal Secretariat, SEA. 69/14/01: Colombo Plan Questionnaire, August, 1952, ff. 364-371.
87. Ibid.
88. Ibid., f. 370.
89. The IBRD appointed Sir S. Caine and Professor Arthur Lewis as the officials of the IBRD Mission to set up development projects for Malaya based on their experience in designing similar development projects in other developing states. Sir S. Caine had just completed an economic surveys in Jamaica and Ceylon as the head of the IBRD Mission, see CO 1022/337: Progress Report, Malaya, 1950-1952, para. 148.
90. Ibid.

91. **The Colombo Plan: Annual Reports of the Consultative Committee on Economic Development in South and South-East Asia, 1950-1960**, London, Her Majesty's Stationary Office.
92. **Colonial Development Corporation: Fabian Research Series, No. 186, 1957**, London, Fabian Colonial Bureau, 1957, p. 10.
93. CO 537/4873: Note by the Colonial Office, Way of Borrowing by Colonial Office from the IBRD, Op. Cit., f. 176.
94. **Colonial Development Corporation, Op. Cit.**, p. 10.
95. **British Military Administration: Malaya, Gazette of the Malay Peninsular**, Vol. No.5, 29th December, 1945, p. 1.
96. For details relating to the passing of IBRD-finance through the British Government to Malaya, see **Colonial Development and Welfare Acts, 1927-70: A Brief Review**, London, Her Majesty's Stationary Office, 1971.
97. **Economic Development in the Commonwealth**, London, Central Office of Information, 1960, p. 66.
98. **Federation of Malaya, Ordinances and Rules, 1950-1960**, Kuala Lumpur, Government Printer.
99. **Ibid.**
100. **The Colombo Plan: The First Annual Report of the Consultative Committee on Economic Development in South and South-East Asia, May, 1950**, London, Her Majesty's Stationary Office, para. 1.
101. **Ibid.**, para. 2-7.
102. **Ibid.**, para. 4.
103. **Ibid.**, para. 8.
104. **Ibid.**, Para. 2.
105. **Ibid.**, para. 2.
106. **Ibid.**, Para. 4-5.

107. *Ibid.*

108. For the subsequent conventions of the Colombo Plan, see **The Colombo Plan: The Second-Fifth Annual Report [s] of the Consultative Committee on Economic Development in South and South-East Asia, 1952-1960**, London, Her Majesty's Stationary Office.

109. **The Colombo Plan: The First Annual Report**, *Op. Cit.*, Para. 2.

110. **The Colombo Plan: The Second Annual Report of the Consultative Committee on Economic Development in South and South-East Asia, September, 1950**, London, Her Majesty's Stationary Office.

111. For details of the third meeting of the Consultive Committee of the Colombo Plan, see **The Colombo Plan: The Third Annual Report of the Consultative Committee on Economic Development in South and South-East Asia, February, 1951**, London, Her Majesty's Stationary Office.

112. **The Colombo Plan: The Fourth Annual Report of the Consultative Committee on Economic Development in South and South-East Asia, March, 1952**, London, Her Majesty's Stationary Office.

113. **The Colombo Plan: The Fifth Annual Report of the Consultative Committee on Economic Development in South and South-East Asia, October, 1953**, London, Her Majesty's Stationary Office.

114. CO 1022/337: Progress Report, *Op. Cit.*, para. 7.

115. **The Colombo Plan: The First Annual Report**, *Op. Cit.*, Para. 2.

116. **The Colombo Plan: The Second Annual Report**, *Op. Cit.*

117. Colonial Development Corporation, *Op. cit.*, p. 10.

118. CO 1022/337: Progress Report, *Op. Cit.*, para. 50.

119. *Ibid.*

120. *Ibid.*, para. 55.

121. *Ibid.*, para. 15.

122. Ibid., Para, 50.

123. The Federation Government raised loan funds from the IBRD under the following Loan Ordinances: No. 16 of 1949, No. 59 of 1951; No. 56 of 1953; No. 12/13 of 1955, and the Federation of Malaya Security Loan Ordinance, 1952. see **Ordinances and Rules, Federation of Malaya, 1949-1965**, Kuala Lumpur, Government Printer.

124. Ibid.

125. Ibid., para. 4-5.

126. **Report of a Mission Organized by the International Bank for Reconstruction and Development on the Requests of the Governments of the Federation of Malaya, the Crown Colony of Singapore and the United Kingdom**, Government Printer, Singapore, 1955, p. 33.

127. Ibid.

128. Ibid., p. 101.

129. Ibid.

130. CO 1022/337: Progress Report, Op. Cit., para. 84.

131. Ibid.

132. **Report of a Mission Organized by the International Bank for Reconstruction and Development**, Op. Cit., pp. 102-105.

133. Federal Secretariat, Treasury (PS)/3124: Colombo Plan, Annual Report, 1957, p. 11.

134. On details of the involvement of Sir Sydney Caine and Mr. G. M. Watson as the IBRD Mission in the making of educational projects for Malaya, see **Report of a Mission Organized by the International Bank for Reconstruction and Development**, Op. Cit.

135. Ibid.

136. Ibid., p. 27.

137.Federal Secretariat, Try. 7/5(S): International Bank for Reconstruction and Development, December 30, 1957, f. 12.

138.Ibid.

139.CO 1022/337: Progress Report, Op. Cit., para. 50.

140.Federal Secretariat, Try. Y. 261/C: Op. Cit., p. 1.

141.Ibid., p. 7.

142.Ibid., p. 8.

143.Ibid.

144.Ibid., p. 9.

145.Federal Secretariat, Treasury (PS)/3124: Colombo Plan Annual Report, Op. Cit., p. 1.

146.Ibid.

147.Federal Secretariat, Try. Y. 261/C: Explanatory Note on the Treasury Memorandum, Op. Cit., p. 4.

148.Ibid.

149.Ibid., p. 9.

150.Ibid., p. 3.

151.Ibid., p. 3.

152. See **Table 14**.

153.**Federation of Malaya, Estimates of Revenue and Expenditure, 1st January to 31st December, 1960**, Kuala Lumpur, Government Printer, 1960, p. 27.

154.Federal Secretariat, Try. Y. 261/C: Explanatory Note on the Treasury Memorandum, Op. Cit., p. 9.

155. See **Tables: 13-14**.

156.Federal Secretariat, Try. Y. 261/C: Explanatory Note on the Treasury Memorandum, Op. Cit., p. 1.

157.Ibid.

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159.Ibid.

160. See Federal Secretariat/ Treasury (PS) 3124: Colombo Plan Annual Report, Op. Cit.

161.Ibid.

162.Ibid.

163.Ibid.

164.Ibid.

165.Ibid.