INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION

1972 ANNUAL MEETINGS
OF THE
BOARDS OF GOVERNORS

SUMMARY PROCEEDINGS

WASHINGTON, D.C.
SEPTEMBER 25-29, 1972
INTRODUCTORY NOTE

The 1972 Annual Meeting of the Board of Governors of the International Bank for Reconstruction and Development, held jointly with that of the International Monetary Fund, took place in Washington, D.C., September 25-29 (inclusive). The Honorable Ali Wardhana, Governor of the Fund for Indonesia, and the Honorable Radius Prawiro, Governor of the Bank for Indonesia, served as Chairmen. The Annual Meetings of the Bank's affiliates, the International Finance Corporation (IFC) and the International Development Association (IDA), were held in conjunction with the Annual Meeting of the Bank.

The Summary Proceedings record, in alphabetical order of member countries, the texts of statements by Governors relating to the activities of the Bank, IFC and IDA. The texts of statements concerning the IMF are published separately by the Fund.

M.M. MENDELS
Secretary
INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT AND AFFILIATES

Washington, D.C.
December, 1972
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*Report I related to the business of the Fund.*
I have had the privilege of visiting most of the 124 countries represented here in this distinguished audience. On this occasion I would like to extend my welcome to you, my best wishes to the heads of government that I also had the privilege to meet, and particularly the best wishes of the American people to all of the people of the many countries represented at this gathering.

It is customary in addressing such a significant international gathering to say that we are participating in a great moment in history. Great moments in history are easy to perceive—headlines blaze, and the world is riveted to television screens as world leaders meet.

But great movements in history are much harder to perceive while we are living through them. The action is slower, less dramatic, infinitely more complex, as changing circumstances and the new needs of people alter the behavior of nations.

I am convinced, on the basis of the evidence of the past year, that we are not only participating in a great moment in history but that we are witnessing and helping to create a profound movement in history.

That movement is away from the resolution of potential conflict by war, and toward its resolution through peaceful means.

The experienced people gathered in this room are not so naive as to expect the smoothing-out of all differences. We anticipate that the potential for conflict will exist as long as men and nations have different interests, different approaches to life, different ideals.

Therefore, we must come to grips with the paradoxes of peace:

As the danger of armed conflict between major powers is reduced, the potential for economic conflict is increased.

As the possibility of peace grows stronger, some of the original ties that first bound our postwar alliances grow weaker.

As nations around the world gain new economic strength, the points of commercial contact multiply along with the possibilities of disagreement.

There is another irony we should all recognize. With one exception, the nations gathered here whose domestic economies are growing so strongly today can trace much of their postwar growth to the expansion of international trade.

The one exception, of course, is the United States—the industrial nation with by far the smallest percentage of its gross national product in world trade.

Why, then, is the United States—seemingly with the least at stake—in the forefront of those working for prompt and thoroughgoing reform of the international monetary system, with all that will mean for the expansion of trade now and in the future?
One reason, of course, is our national self-interest. We want our workingmen and women and businessmen and women to have a fair chance to compete for their share of the expanding trade between nations. A generation ago, we deliberately set out to help our former enemies as well as our weakened allies so that they would inevitably gain the economic strength which would enable them to compete with us in world markets. Now we expect our trading partners to help bring about equal and fair competition.

There is another reason, more far-reaching and fundamental, that motivates the United States in pressing for economic and monetary reform.

Working together, we must set in place an economic structure that will help and not hinder the world's historic movement toward peace.

We must make certain that international commerce becomes a source of stability and harmony rather than a cause of friction and animosity.

Potential conflict must be channeled into cooperative competition.

That is why the structure of the international monetary system and the future system of world trade are so central to our concerns today.

The time has come for action across the entire front of international economic problems. Recurring monetary crises, such as we have experienced all too often in the past decade; unfair currency alignments and trading arrangements, which put the workers of one nation at a disadvantage with workers of another nation; great disparities in development that breed resentment; a monetary system that makes no provision for the realities of the present and the needs of the future—all these not only injure our economies, they also create political tensions that subvert the cause of peace.

There must be a thoroughgoing reform of the world monetary system, to clear the path for the healthy competition of the future.

We must see monetary reform as one vital part of a total reform of international economic affairs, encompassing trade and investment opportunity as well.

We must create a realistic code of economic conduct to guide our mutual relations—a code which allows governments freedom to pursue legitimate domestic objectives but which also gives them good reason to abide by agreed principles of international behavior.

Each nation must exercise the power of its example in the realistic and orderly conduct of internal economic affairs, so that each nation exports its products and not its problems.

We can all agree that the health of the world economy and the stability of the international economic system rest largely on the successful management of domestic economies.

The United States recognizes the importance of a strong, non-inflationary domestic economy, both in meeting the needs of our own citizens and in contributing to a healthy world economy. We are firmly committed to reaching our goals of strong growth, full employment and price stability.
We are encouraged by the record of our current economic performance. We are now experiencing one of the lowest rates of inflation, and highest rates of real economic growth, of any industrial nation.

Recent gains in the productivity and the real income of American workers have been heartening. We intend to continue the policies that have produced these gains.

We also recognize that, over the longer term, domestic policies alone cannot solve all international problems. Even if all countries achieved a very large measure of success in managing their own economies, strains and tensions could arise at points of contact with other economies.

We cannot afford a system that almost every year presents a new invitation to a monetary crisis. That is why we face the need to develop procedures for prompt and orderly adjustment.

It is very easy for me to use the term "prompt and orderly adjustment." And many would say that that is a term that only concerns bankers and finance ministers and economists. But that phrase "prompt and orderly adjustment" in international monetary matters encompasses the real problems of working men and women, the fears and hopes of investors and managers of large and small businesses, and consequently it is the concern of the political leadership of every nation represented in this room today. No nation should be denied the opportunity to adjust, nor relieved of the obligation to adjust.

In the negotiations ahead, there will be differences of opinion and approach. You saw some of those differences at the Smithsonian not a year ago. I had the opportunity to see them at another level in meetings with President Pompidou in the Azores, Prime Minister Heath in Bermuda, Chancellor Brandt in Florida, Prime Minister Sato in California, and I know how intricate, how difficult the problems are that you will be considering at these meetings.

Immediate interests inevitably will seem to be in conflict, and there will be times when impasses develop that may seem impossible to resolve. But the world has had some experience recently with long, hard negotiations—for example, the Strategic Arms Limitation Agreement signed by the Soviet Union and the United States early this summer.

That was bilateral negotiation, between two nations and not among 124. But its complexity seemed almost infinite; the obstacles had been hardening for 25 years; the issue of national security was as sensitive a matter as can exist between world powers.

We came to an agreement in Moscow this year because the issue that united us—seeking an end to the wasteful and dangerous arms race—was greater than the issues that divided us.

We reached agreement because we realized that it was impossible for either side to negotiate an advantage over the other. The only agreement worth making was one which each side had a stake in keeping.

Those two principles can guide us in building the monetary system of the future.
We recognize that the issues that divide us are many and serious. But the impetus that will make this negotiation successful is the force that unites us; a common need to establish a sound and abiding foundation for commerce, leading to a better way of life for all the citizens of the world.

That common need, let us call it the world interest, demands a new freedom of world trade and a new fairness in international economic conduct.

It is a mark of our maturity that we now see that an unfair advantage gained in an agreement today only sabotages that agreement tomorrow. I well remember when I was a first-year law student 32 years ago what the professor of contracts said as he opened the course. He said a contract is only as good as the will of the parties to keep it. The only system that can work is one that each nation has an active interest in making work.

The need is self-evident. The will to reform the monetary system is here in this room. And in a proverb that has its counterpart in almost every language—where there is a will, there is a way.

We are gathered to create a responsive monetary system—responsive to the need for stability and openness, and responsive to the need of each country to reflect its unique character.

In this way we bring to bear one of the great lessons of federalism: that often the best way to enforce an agreed-upon discipline is to let each member take action to adhere to it in the way that is best suited to local character, stage of development and economic structure.

For its part, the United States of America will continue to rise to its world responsibilities, joining with other nations to create and participate in a modern world economic order.

We are secure enough in our independence to freely assert our interdependence.

These are the principles I profoundly believe should and will guide the United States in its international economic conduct:

We shall press for a more equitable and open world of trade.

We shall meet competition rather than run away from it.

We shall be a stimulating trading partner and a straightforward bargainer.

We shall not turn inward and isolationist.

In turn we shall look to our friends for evidence of similar rejection of isolationism in economic and political affairs.

Let us all resolve to look at the ledgers of international commerce with new eyes—to see that there is no heroism in a temporary surplus nor villainy in a temporary deficit, but to see that progress is possible only in the framework of equilibrium. In this regard we must take bold action toward a more equitable and open world trading order.

Like every leader of the nations represented here, I want to see new jobs created all over the world, but I will not condone the export of
jobs out of the United States caused by an unfairness built into the world's trading system.

Let all nations in the more advanced stages of industrial development share the responsibility of helping those countries whose major development lies ahead, and forego the temptation to use that help as an instrument of discrimination or rivalry.

Far more is at stake here than the mechanics of commerce and finance. At stake is the chance to add genuine opportunity to the lives of people in all nations, the chance to add stability and security to the savings and the earnings of hundreds of millions of people, and the chance to add economic muscle to the sinews of peace.

I have spoken this morning in general terms about how we can advance our economic interdependence. Later this week, Secretary Shultz will outline a number of proposals which represent the best thinking of my top economic advisers. I commend these to you for careful consideration.

The word "economics," traced to its Greek root, means "the laws of the house."

This house we live in—this community of nations—needs far better laws to guide our future economic conduct. Every nation can prosper and benefit working within a modern world economic order it has a stake in preserving.

Very little of what is done in these negotiations will be widely understood or generally appreciated.

But history will record the vital nature of the challenge before us. I am confident that the men and nations gathered here will seize the opportunity to create a monetary and trading system that will work for the coming generation—and will help to shape the years ahead into a generation of peace.
OPENING ADDRESS BY THE CHAIRMAN
ALI WARDHANA
GOVERNOR OF THE FUND FOR INDONESIA

The honor which falls to me and Governor Prawiro at this time to serve as Chairman of the distinguished assembly here for the Annual Meetings of our four institutions has been received in my country with deep gratitude but at the same time with extreme modesty. In contrast to the past, our meetings are taking place under extraordinary circumstances teeming with both challenging opportunities and complicated problems. We seem to have reached a point of no return when we can only go forward in search for new avenues and horizons. At this moment when the urgency of the new and demanding tasks we have accepted is almost overwhelming, I can only feel somewhat comforted to find myself in the company of those whose ability in the field of our work has been demonstrated on many occasions and furthermore whose proven dedication to international cooperation is the basis for and the hope of solving the monetary and development problems of the international community.

I extend a warm welcome to the Governors and Alternate Governors of our institutions and to those who are participating in our meetings as advisors, observers, and special guests. In addition, it gives me the keenest pleasure to welcome to our midst for the first time the Governors for the new members of the Fund and Bank—Oman, Bangladesh, Bahrain, the United Arab Emirates and Qatar, as well as the Governor for the new member of the Fund—Western Samoa. Further, I should like to give a cordial welcome to observers from Romania, which has applied for membership in the Fund and the Bank.

It is always a pleasure to hold our discussions in these familiar surroundings. I am sure that I speak for all of us in expressing my deep gratitude to the United States for its customary hospitality and for the congenial atmosphere that prevades the scene of our deliberations. It is with great pleasure that I look forward to the address of the President of the United States, who will honor us with his presence later this morning. This honor enhances the prestige of our assembly. We appreciate this opportunity to welcome him.

I would like to turn first to the sphere of the International Monetary Fund. When we last met in these Annual Meetings, only six weeks had elapsed since the momentous events of August 15, 1971. That was a period marked by anxiety over the change in the status of the U.S. dollar and the unsettled conditions then prevailing; while the need for reform dominated our thoughts, the way ahead was by no means clear.

Today, we can be more confident. While the end of the road is still not visible, we have a clearer view of options that are open to us and of the conditions to be fulfilled as the basis for a viable and enduring fu-
ture system. In addition, we are better equipped with the machinery needed to help us decide on our direction with experience and wisdom.

This is because of the great amount of groundwork that has been done since last September. During the past year, the Fund has been pre-occupied with the many facets of the problem of how the nature and management of the international monetary system can be improved.

I shall now comment briefly on the developments of the last twelve months, on the degree of progress they have brought, and what lies ahead for the Fund.

A first but important step forward, as we all know, was the Smithsonian Agreement of December 18, 1971, under which the currencies of the major industrial countries were realigned and provision was made for wider exchange rate fluctuations. Never before in monetary history had it happened that exchange rate adjustments were negotiated among so many countries, and I would like to pay tribute to all the parties concerned—the United States, the European countries, and Japan—for their spirit of cooperation which eventually triumphed over their originally deep differences. I cannot fail, however, to mention that the developing world was disappointed not to have been involved in the realignment process, a fact which has been corrected meanwhile by their future involvement in the Committee of 20. Immediately after the realignment the Fund adopted its decision on a temporary regime of central rates and wider margins. These and other steps restored a measure of order to the international monetary system and enabled the Fund to continue its operations, even though on an interim basis. While it is true that on the whole realignment as a temporary measure was beneficial, its effect on individual countries, especially on the less developed ones, has still to be measured.

The restoration of some degree of order also created a climate in which a start could be made on planning for longer-term reform. Circumstances were not to allow us to forget the need for such reform. The floating of the British pound on June 23, following disturbances that left no other acceptable choice of a means of relieving the pressure on that currency, once more brought the need for more permanent solutions sharply to our attention.

We are now ready, I am confident, to progress more rapidly. I have spoken of the conditions to be fulfilled, the various options open to us and the machinery for choosing wisely among them. They have to be discovered and negotiated in due course. As far as the machinery is concerned, it lies in two bodies of the Fund.

The first is the Executive Directors themselves, to whom we have given a continuing task of studying all aspects of the international monetary system. This task, on which they have worked so diligently in the past year, has increased the competence of the Executive Board to continue to supply us with carefully considered reports on which to base our decisions. The second body will become operative this week as one
result of that work. We have approved the proposals which the Fund Executive Directors have worked out to establish a qualified, representative forum to consider all matters of monetary reform and to present proposals for action to the Board of Governors. This forum is of course the Committee of 20, or, as it is formally named, the Committee of the Board of Governors on Reform of the International Monetary System and Related Issues. Keeping the responsibility for monetary reform precisely where it belongs, that is, in the International Monetary Fund, this Committee's structure will be patterned after that of the Fund's newly elected Executive Board so as to ensure recognition of the needs of both the developed and the developing countries. The 20 members of the Committee will be policymakers in the financial sphere. In arriving at proposals to be made to the Board of Governors, they will be assisted by associates who are also policymakers in the realm of finance, and by advisors selected for their technical qualifications. The Committee will also enjoy complete freedom to call upon other assistance in any form or from any source it deems fit. Clearly, a Committee so structured, and buttressed by a body of competent Deputies, will be able to give broad consideration to the totality of reform requirements without losing sight of objectives that may be of particular concern to various segments of our international community.

As its name indicates, the Committee, in considering and making proposals for the reform of the international monetary system, will also take into account related issues. Matters in such areas as international trade, capital movements, investment, and development will all have an important bearing. Money is not a goal in itself, as Mr. Schweitzer has pointed out. The monetary system should be the efficient servant of international trade, payments, and development. In presenting a unified package of reforms, the Committee must therefore make allowance for matters that, although strictly speaking do not belong to the monetary sphere itself, are most relevant to the working and operation of the reformed system. We have every reason to expect that the Committee will achieve success in arriving at proposals that will enable the Fund Board of Governors to offer the world a more effective and viable monetary system.

I turn now to the direction in which we should move. Chances for the success of the overall reform endeavor are surely better because the groundwork has been so carefully laid by the Executive Directors and staff of the Fund, under the able guidance of Mr. Schweitzer. The Resolution on the international monetary system taken by the Board of Governors of the Fund at our last Annual Meeting called for thorough studies by the Fund Executive Directors of all aspects of international monetary reform. Acting pursuant to that Resolution, the Executive Directors have submitted to us a report on the reform of the international monetary system. It sets forth various alternative types of action in many areas that might be taken to effect a reform of the system. It
will be considered by the Committee of 20 in accordance with the Committee's terms of reference, and will undoubtedly be a very useful aid to its initial deliberations.

This is not to say that we have reached the point where the task of the Committee will be an easy or simple one: difficult negotiations lie in store on all matters related to the reform. Although I shall make no attempt here to comment in detail on the Report of the Executive Directors, I should draw attention to the fact that the array of subjects and options that it covers—ranging for example from the functioning of the exchange rate mechanism to the arrangements for the settlement of imbalances and ways of dealing with disruptive short-term flows—is itself indicative of the magnitude of the task which the Committee, and, in turn, we as the Board of Governors, face in the immediate future.

The need for monetary reform, which benefits the international community as a whole, provides an unprecedented, and probably unique, opportunity to assist at the same time in dealing with the problems of the developing countries. This is clearly not the time to comment in any detail on the specifics of any link between steps to reform the world monetary system and the needs of the developing countries. But it seems that one cannot review the problems of development, as I shall be doing later in my speech, without acknowledging that in the absence of some form of link, a world monetary reform will strengthen primarily the economies of the already developed countries.

Monetary reform is in the interest of all nations. The crucial challenge we face is to devise a system which benefits all, but which does not neglect the special needs and problems of the world's poorer nations.

In concluding my remarks on the International Monetary Fund, I wish to make clear that, although I have thought it appropriate today to emphasize its work on reform of the international monetary system, I am by no means unmindful of the continuing services the Fund renders to its members by its credit facilities and stand-by arrangements, as well as the special drawing rights facility. The Fund also assists members with advice, consultation, documentation, and technical assistance and training. With the same capable leadership from Mr. Schweitzer as in its work on reform, it performs these vital services and constantly seeks ways to adapt its policies so as to perform them better in a changing world. It rightly deserves the continued support of all its members.

We turn now from the problems of international monetary reform to the equally important questions of economic development.

One cannot review the Annual Reports of the World Bank institutions without commending their outstanding contributions to the process of development:

Bank operations have expanded rapidly. For the first time the annual lending operations of the World Bank Group totaled more than three billion dollars.
The Bank borrowed nearly one and three-quarter billion dollars—some 21 per cent more than in fiscal year 1971. This great success in mobilizing large sums for development purposes in the world capital markets is heartily applauded.

IDA's Third Replenishment is a cause of relief and gratitude. IDA has continued its invaluable contribution to the cause of development. But its replenishment cannot be a whole-hearted relief until a more rational machinery is found that will ensure that IDA funds will flow more readily, more evenly, and more certainly.

The International Finance Corporation has continued to expand its activities in partnership with private enterprise committing some $116 million during the fiscal year—more than 2½ times its annual average.

Our knowledge of the development process has been extended and the Bank and its affiliates under the leadership of Mr. McNamara have again taken the lead in seeking to formulate and implement development strategies which respond to the deepest-felt needs of today's developing world.

Taking the world as a whole, the level of official development aid to the developing countries has in real terms increased during the past year by about 5 per cent—although it is still below what is urgently needed and can be effectively used.

Many agencies are now active and effective in the field of development, and concessionary funds for a number of them have been replenished. There is a trend for more aid to be channeled through multilateral agencies. The infrastructure in many poorer countries is being expanded to form a firm base for continuing development, and the process of institution building is continuing without pause. The "green revolution" holds out the hope of producing increasing benefits.

The past few years have seen a steady expansion in the organizations whose purpose it is to support development, to provide assistance, and to channel aid.

The Bank Group organizations have steadily enlarged and broadened their operations, as have the regional banks. National development finance institutions are growing in number and size. UN agencies provide aid and technical assistance on a growing scale, working closely with the Bank Group and with the OECD and its Development Assistance Committee.

Bilateral aid organizations in developed countries have been major contributors to the resources available for development. The role which the Bank has developed in coordinating, through Consortia and Consultative Groups, the assistance available to individual countries emphasizes the range of resources now available to meet particular development needs. These are major building blocks for development.

Another basis for optimism is the extent to which the basic infrastructure facilities of the developing countries have been expanded dur-
ing recent years. Development activity has added to communications systems, highway and railway networks, ports and coastal shipping facilities, and electric power installed capacity, so that they now form a sound basis for further development.

The Bank Group’s contribution to infrastructure development in the third world has been substantial in money terms. But at least as important as the money input is the contribution it has made to the development of efficient management institutions for infrastructure facilities. I hope the Bank will continue to help in this direction. It should, I believe, increase its efforts to provide training for personnel from the developing countries so that they can further enlarge and improve their operating and management capabilities.

What I have been saying does not mean that there is no longer need for expansion of infrastructure. Indeed, the investment required to improve and expand infrastructure is multiplying as development proceeds. Larger resources will be needed in the future and, I hope, these needs will be taken into account in the Bank’s lending programs.

At the same time the increasingly wide scope and variety of the Bank’s projects is much to be welcomed. Good examples of this expansion are the Bank’s increasing involvement in agriculture, education, family planning, and urbanization, including the beginning of efforts to assist in the important problem of housing.

The expansion of agricultural production is both a necessity and an immediate opportunity for the developing world. In some parts of the world at least, agriculture is changing fast. New varieties of cereals and other crops, along with the greater use of fertilizers and the new pesticides, have dramatically increased production.

But the “green revolution” has only reached a relatively small number of countries and people. Much more effort is needed to devise means by which the benefits of this revolution can be translated into higher income and better living standards for the mass of small, poor farmers who make up so large a part of the population of the developing countries. The Bank is turning its attention in this direction.

Additional research is needed to develop new varieties of crops giving increased yields and resistance to disease. It is needed to fit new crops to different conditions in the many countries to which the revolution is still to come. The Bank is deeply involved in research of this nature, acting jointly with FAO and UNDP as co-sponsor of the new Consultative Group on International Agricultural Research. The programs it endorses are of major importance: it is essential that they should be adequately financed.

Whole communities need to be developed so as to be able to benefit from their agricultural production potential: they need roads to bring produce to market, storage and marketing facilities, credit institutions, rural electrification, schools and agricultural training. Thus within a greatly expanded agricultural lending program, the Bank is beginning to
place increased emphasis on integrated rural development. Through such an approach the mass of poor villagers who would otherwise be by-passed by development can be helped to break clear of the vicious circle of subsistence agriculture.

The Bank's policies in agriculture are typical of its growing concern for the balanced and effective development of key sectors in the developing countries. A like concern is evident in the Bank's efforts to create and to enlarge development finance institutions which are contributing to the growth of industry in the developing countries. It is to be hoped that, in the industrial as well as the agricultural sector, it will find means of helping those institutions to become effective in the development of small and medium-size domestic enterprises. It is to be hoped that they will provide the planning, the management and the financial assistance which such enterprises often have difficulty in obtaining. These resources are vitally needed if enterprise and industry are to develop along socially and economically healthy lines.

Yet, despite these dedicated efforts, not only by the Bank, but by other partners in the development process, overall growth achievements have been limited and the overall growth prospects for most developing countries remain uncertain.

At the same time, serious questions have begun to arise all over the world about the meaningfulness of growth which neither reduces unemployment nor increases the incomes and the levels of living of the poorer sections—the major sections—of the developing countries' populations. Many societies are acutely conscious that the problems of unemployment and mass poverty are becoming worse even where the rate of GNP growth is conventionally regarded as fairly respectable.

This paradox has led to a search for growth and development strategies which combine the objectives of rapid growth with more employment and greater distributional justice. There is the danger, however—evident in much of which is fashionably written and said—that the search of new strategies will obscure the simple need that rates of growth in the developing countries should be much higher than those conventionally regarded as acceptable and feasible. To put it crudely, one cannot more equitably distribute nothing. That such higher rates of growth are possible and will, more than anything else, contribute toward the solution of the twin problems of unemployment inequity has been demonstrated in a number of countries where resources in the measure required have been available.

At this critical juncture of economic development, the developing countries need not only more options and better strategies, but also, and even more importantly, more resources. They need larger amounts of foreign aid, better access to foreign markets, and aid on terms which put less constraint on their sustained growth and development. It is a matter of great anxiety, therefore, that most of the current indicators on aid, trade and foreign debt show unfavorable trends exactly at a
time when so much of the future course and complexion of development is at stake. The situation shows a variety of challenges to the developed as well as the developing world.

Primary commodity prices and export earnings are crucial to the development of the economies of the poor nations. Speaking in Santiago to the UNCTAD last April, Mr. McNamara said that the developing countries' most imperative need was to expand export earnings. For many less developed countries, export earnings depend on commodity prices. Yet the prospects are for a further deterioration in the 1970's of the terms of trade for primary producers.

Those developing countries which have made special efforts to expand their manufactured exports, and to rely less upon primary exports, have been hampered in many cases by discriminatory tariff barriers of the industrialized countries. These are serious barriers against development itself. It is obviously important that the coming year should see improved conditions of trade, and renewed economic expansion, resulting in increased demand for the exports of the developing world.

To move ahead in the process of development, a massive transfer of resources is required. Because of the heavy demands on the foreign exchange resources of many developing countries to service their existing external debts, the transfer must be mainly on concessionary terms. Both the World Bank and the IMF are deeply involved in the search for ways and means to enable these countries to continue their developmental efforts without being burdened by unmanageable debt payment obligations.

What, then, are the prospects for foreign aid? The net flow of external finance to the developing world, in one form or another, seems to have risen only slightly in real terms in 1971. For most developed countries the Pearson Commission target of 1 per cent of GNP is still far from being realized. And the target adopted for the Second Development Decade, of 0.7 per cent of GNP by 1975 in the form of official development assistance, is likely to be achieved by only a conspicuous few. Indeed, in the past few years there has been strong pressure in some major countries to cut back aid programs, or to concentrate on investment at commercial interest rates. Although 1971 saw the largest overall increase in recent years in official development assistance, this increase was offset by a hardening of terms by inflation. There is an urgent and undeniable need to reverse this trend. I would remind this audience of Mr. Pearson's address to the Annual Meetings in 1969 when he said: "The flow of public and private resources from developed to developing countries, with the results achieved, represents an example of foresight too rarely in evidence in world affairs. It would be tragic if we now turned our backs on this effort."

Even with the most strenuous efforts we are all aware that the rate of population growth in the developing countries can be slowed only grad-
ually. These countries therefore face an incredibly difficult task to achieve even the smallest improvement in the well-being of the average citizen. To seek, in addition, to reduce unemployment and to deal with mass poverty are tasks that may well be unprecedented in modern history—tasks made even more difficult by the prospects, already mentioned, of a deterioration in the prices of their commodity exports, by the barriers against their export of manufactures, and by stagnating aid levels.

If we are to consider in all candor the problems that jointly face us, we must add to this list the deterioration in the aid climate. This is not a question only of the magnitude of aid, but also one of attitude towards aid. A number of bilateral donors and of recipients are, as we all know, finding the usual aid relationships increasingly difficult.

Under the circumstances, long-standing desires for linking the creation of world liquidity to the needs of developing countries are, as I have said before, increasingly being voiced.

There are other important problems facing the developing countries. I referred earlier to the problem of population growth. Development, in the ultimate analysis, is an effort to raise the quality of life of whole populations. But growth in per capita income continues to be hampered by an unprecedented growth in population. The average rate of population growth in developing countries is 2.6 per cent—a rate at which population nearly doubles every 25 years. Thus, a large part of the economic growth of the developing world goes not to make countries richer, but to stop them getting poorer.

Each country must decide for itself whether to attempt to alter the course of recent population growth; the World Bank is helping increasingly in population projects. In my own country we have a major family planning program, which has been expanded significantly with the help of the Bank and other international agencies. Although it is a large and ambitious program, it is only a start.

The world as a whole is increasingly concerned with the problems of pollution. The developing world has pollution and environmental problems which it shares with the most highly developed nations, but it also has problems of the quality of life which are uniquely its own. The developing countries share with others the problems of soil erosion, over-exploitation of forests, pollution of water supplies and of the air, and rapid extermination of wild life. Their cities suffer even more intensely than do those of the developed countries from unplanned and excessively rapid growth, growth which outruns development of essential services.

Most of all, however, the quality of life in both their cities and their countrysides suffers from a daily ration of hunger, malnutrition, disease, inadequate shelter, and inadequate opportunities for training, education, and productive work. The Bank has shown that it is aware of these problems and, I am sure, will demonstrate its increasing concern for them.
These, then, are some of the problems of finance and development facing our member countries today. I am sure many Governors will be dealing with them also during our discussions. In concentrating on a few I have not meant to imply that these are the only important problems facing the developing world. I do believe, however, that they are critical—critical, in fact, to the effort to narrow the gap—not the gap between the rich and the poor countries but the real gap that confronts this one world, the gap between the present misery of so many of our people and a life for all of them, free from hunger, disease, ignorance, fear and hate.

It will be obvious to Governors from what I have said that our organizations are facing challenges which will require imagination, courage, wisdom, hard work and difficult decisions. But the welfare of many millions of people will be affected by that work and those decisions. The tasks are monumental: however, I am confident that the progress we shall make this week will give direction and inspiration for a real move ahead in the years to come.
I. Introduction

Last year, in this forum, I discussed a number of problems which were of serious concern as the Second Development Decade got under way. Now that the trend of the decade is becoming more clearly predictable, I want to explore with you today an issue that is central not only to its success, but to the efficacy of the entire development process.

That issue is the critical relationship of social equity to economic growth.

But before turning to that, I should like to:

- Review the progress of our Five-Year Program for the fiscal years 1969-73.
- Assess the current state of development throughout our developing member countries.
- And, based on that assessment, sketch the outline of a program for the Bank for the five years 1974-78.

II. The Bank Group's Operations in Fiscal Year 1972

Let me begin by touching upon our operations during the past fiscal year. For that period, new loans, credits and investments totalled $3.1 billion. This compares with $2.6 billion to 1971, $2.3 billion in 1970, $1.9 billion in 1969, and $1.0 billion in 1968.

To finance growing disbursements, and to increase the level of liquidity, the Bank borrowed, net of retirements, $1.1 billion during the year. This brought our liquid reserves to $3.2 billion—up $700 million from June 30, 1971. Net income for the year was $183 million, excluding a gain on revaluation of $51 million.

The year, then, was a productive one operationally. But as I have indicated to you before, the development task before us requires that we plan on a broader scale than year-to-year operations make possible. That is why in the fall of 1968, when I first met with you, I proposed a Five-Year Program. That Program will be completed next June 30th, and I want to report to you now on its progress.

III. The Bank Group's Five-Year Program

You will recall what we set out to accomplish. Our analysis of the overall requirements for economic progress in our developing member
countries convinced us that we should greatly broaden and expand the Bank Group's operations both in scope and in size.

We proposed as our overall lending objective that we should double the Bank Group's operations in the period 1969-73, as compared with the period 1964-68. Were we to achieve this goal, it would mean that during the five years the volume of lending would approach the total amount lent during the previous 23 years of the Bank's operations.

I can report to you today that we will not only meet that goal, but will surpass it.

But it was not principally the size of our operations which concerned us when we launched the Five-Year Program. We did not merely want to do more. We wanted to do more of what would contribute most to development.

Thus, within the overall lending program, we were resolved to shift our emphasis both into different sectors and into different geographical areas.

What does that mean in practice?

- In a developing world in which hunger is chronic, it means intensifying our efforts in agriculture. We have quadrupled our operations in that sector.
- In a developing world darkened by functional illiteracy, it means expanding our efforts in education. We have tripled our operations in that sector.
- In a developing world caught up in the threat of unmanageable population pressures, it means facing up to that complex and controversial problem. We have established a Population Projects Department, and we have launched important initiatives in that sector.

In our previous meetings, I have stressed the damaging effect of runaway population growth on a developing economy. I have pointed out the strains this creates both at the family and the national level for any country struggling to improve the quality of life for its people.

Overly rapid population growth simply erodes and dissipates development gains in every sector: savings evaporate, scarcities multiply, resources are stretched so thin that in the end they cannot cover the most essential needs.

While the population problem is clearly one which cannot be solved within the confines of a five-year plan, or a development decade, or indeed even during what is left of our century, it is by its very nature a problem that can grow only worse with procrastination and delay. That is why we believe the entire international community must assign it the highest priority.

The Bank's initial work in the population field consisted of sector missions to a dozen different countries and projects deliberately initiated in smaller member countries in order to provide us with working experience on a scale commensurate with our new capabilities.
But in the early summer of this year we approved far-reaching projects in two of our largest member nations: India and Indonesia.

The project in India—a joint effort with the Government of Sweden—will develop what promises to be the most advanced systems approach to the population problem in any developing country. It will provide the essential information and analysis required to shape the overall massive effort India is making to reduce its current population growth.

Both the size of India's problem, and the magnitude of its effort to solve it, can be grasped in the statistics. The nation's total population now stands at over half a billion. It is growing by an additional million each month. The government has set up an organization of 80,000 persons to administer a family planning program to serve one hundred million couples. The Bank project is designed to help support that program with the experimentation and the systems analyses required to make it effective.

Like India, Indonesia is serious in its determination to provide its people with effective family planning assistance. With a population of more than 120 million, currently growing at an annual rate of 2.5%, it ranks fifth among the world's most heavily populated countries. Some two-thirds of its people live in Java and Bali, where the average density is nearly 1600 persons per square mile.

With the participation of the United Nations Fund for Population Activities, WHO, UNESCO and UNICEF, the Bank project provides $13 million for a greatly expanded family planning program. In addition to the construction of 300 health centers and the provision of the required vehicles and equipment, the project will help finance the training of several thousand field workers, the preparation of public school curricula, and a program of research and evaluation.

Should the overall objectives of the project be reached—and both the government and we are confident that they can—Indonesia's population by the end of the century, even though it will be twice as large as it is today, will be 50 million less than it would otherwise be.

What all this demonstrates is that our Five-Year Program has shifted the Bank's emphasis toward those sectors which in today's conditions require intensified effort: agriculture, education, and population, among a number of others.

But as I have indicated, our shifts in emphasis have been geographical as well as sectoral. In Africa, we expect to more than treble our lending over the previous five-year period.

And for the group of our poorest member countries—those whose per capita incomes average less than 100—we will quadruple our lending.

To achieve these goals has, of course, required a substantial strengthening of the Bank Group both organizationally and financially. The professional staff, for example, by the end of the five-year period will have increased by 125%. 
Recruitment of highly qualified staff, representing the broadest possible geographical experience, has been facilitated by a worldwide interest in the work of the Bank. In the past year, more than 2400 candidates, from 98 countries, applied for 52 available openings in our Young Professionals Program.

Doubling the volume of our lending operations has meant, of course, that we had greatly to expand our borrowing capacity. This in turn depends on governments granting us access to their countries’ capital markets. Despite recurrent and unsettling readjustments in the international monetary system, they have continued to do so.

Not only have we continued to borrow in our more traditional markets, but we have entered new markets as well, and have utilized new borrowing instruments, and new channels of distribution. Net borrowing for the five-year period will approximate three and three-quarter times that of the earlier period and liquid reserves will increase by about 125%.

Neither the expansion of operations nor the shift into less traditional sectors of lending has adversely affected net income. On the contrary, total net income during the five-year period will be approximately 30% higher than that of the previous period, and this despite a significant increase in the subsidy to the developing countries implicit in the Bank’s lending rate.

Organizationally, then, and financially, the Bank Group will complete the first Five-Year Program in a position of strength.

But while encouragement over the Bank’s operations is one thing, complacency with the state of development is quite another. And there is little danger of confusing the two if we take an objective look at the current prospects of the developing nations.

IV. The State of the Developing World and the Bank’s Program for FY74-78

In its strategy for the Second Development Decade, the United Nations set as a target that the average annual rate of growth in Gross National Product for the developing countries should be at least 6%. To make that possible, the developed countries were to increase their concessional aid—known as Official Development Assistance—to 0.7% of their GNPs by 1975.

As I pointed out earlier this year at the United Nations Conference on Trade and Development in Santiago, it is now clear that the objective of 0.7% will not be reached. There seems little likelihood that during the first half of the decade Official Development Assistance will exceed 0.37% of GNP—only half of the Second Development Decade target (see table on page 31).

That is regrettable in the extreme, but we must be realistic. And realism dictates that we try to assess the effects of this massive shortfall in concessional aid.
The first, and least tolerable, of the effects is that the poorer of our member countries—those with per capita GNPs of less than $200—will be penalized the most. Their needs for Official Development Assistance are the greatest, and their chances for finding feasible alternatives are the least.

What is more, these countries collectively contain 1.1 billion people, 64% of the aggregate population of our entire developing country membership. They are the very countries which have suffered the greatest burdens of poverty during the past decade. Their GNPs grew annually at an average rate of only 4.1% and their per capita incomes at a miniscule 1.7%.

With the ODA objective only half achieved, these poorer nations have almost no hope of attaining the 6% growth target. That will condemn them to so slow an economic advance over the decade that hundreds of millions of individuals within these countries will be able to detect virtually no improvement whatever in their desperately low standards of living. Their per capita incomes will rise by no more than two dollars a year.

Projected to the end of the century—only a generation away—that means the people of the developed countries will be enjoying per capita incomes, in 1972 prices, of over $8000 a year, while these masses of the poor (who by that time will total over two and one-quarter billion) will on average receive less than $200 per capita, and some 800 million of these will receive less than $100.

The deficit in development assistance will penalize the poorest countries the most. But even for those developing countries which are somewhat better off, a deficiency in ODA will cause serious economic and financial problems.

Publicly guaranteed debt in the developing world currently stands at about $75 billion, with annual debt service of approximately $7 billion. Debt service payments rose by 18% in 1970, and by 20% in 1971, representing twice the average rate of increase over the 1960s, and reflecting a hardening of the terms of debt as the proportion of concessionary aid in the total flow of external assistance to developing countries declined.

Given the shortfall in ODA, and the growing debt problem, it seems clear that the World Bank Group should try to continue to expand its operations. If we were to fail to make this effort, our developing member countries would be driven to an even greater dependence on higher-cost, shorter-maturity sources of external capital with the inevitable exacerbation of their debt-servicing burdens. They would have little choice, for without a reasonable flow of external finance they simply cannot meet even minimal development requirements.

For the Bank Group to relax in its resolve to do everything it feasibly can to assist in this situation would be to shirk our central responsibility: to recommend those policies, provide that technical assistance,
and help finance those projects which will most effectively support our developing members' own struggle to advance the welfare of their people.

With careful planning and your support, we are convinced that the Bank Group can obtain the necessary funds to continue to expand its operations during a Second Five-Year Program. And that is what we propose to do.

As an overall goal, for the period FY 1974-1978, we propose to increase our financial commitments to our developing members by an average of 11% a year, and to shift an increasing percentage of these commitments to International Development Association credits.

If we can achieve this expanded level of operations—and I am confident that it is possible—it would mean that the World Bank Group would help finance, and provide technical assistance for some $50 billion of capital improvements in our developing member countries during the Second Five-Year Program period. This would be in contrast to $30 billion of such projects from 1969 to 1973, and $13 billion from 1964 to 1968.

V. Social Equity and Economic Growth

Given the unfortunate shortfall in ODA, the consequent aggravation of the debt problem, and the procrastination of the developed countries in dismantling discriminatory barriers to trade from the developing countries, the Second Development Decade's 6% growth target is not going to be met by many nations and is going to be an exceptionally arduous task for many others.

But let us suppose that it were in fact to be accomplished by 1980.

Would that achievement, in itself, guarantee a significant advance in the quality of life for the majority of the two billion people who live in our developing member countries?

The frank answer is no.

The answer is no because increases in national income—as essential as they are—will not benefit the poor unless they reach the poor.

They have not reached the poor to any significant degree in most developing countries in the past, and this in spite of historically unprecedented average rates of growth throughout the sixties.

To understand this, it is useful to distinguish between three broad categories of poverty in the developing world.

First, there is great poverty in those countries, generally rather small, which simply have very few resources—natural, financial, or skilled—with which to promote growth. There is so little wealth in these nations that even if it were more equitably distributed, virtually everyone would still be very poor. These are the countries (there are 25, with populations totalling 140 million) which the United Nations has desig-
nated as the least developed and for which special measures of assistance have been approved.

Second, there are particularly impoverished regions in most of the larger developing countries—for example, the southern republics of Yugoslavia, the North East of Brazil, or the North East of Thailand. The integration of these regions into the more rapidly growing parts of the economy often poses difficult cultural as well as economic problems. These areas are, however, readily identifiable geographically, and it is possible to devise and implement programs specifically aimed at increasing the productive capacities and incomes of their populations.

But it is the third category that is the largest, the most pervasive, and the most persistent poverty of all. It is the poverty of the low-income strata—roughly the poorest 40%—of the total population in all developing countries. It is they who—despite their country’s gross economic growth—remain entrapped in conditions of deprivation which fall below any rational definition of human decency.

This is not simply the poverty of a highly disadvantaged country, nor of a particularly backward geographical region in any otherwise rapidly advancing country. Rather, it is the poverty of those people widely dispersed throughout every developing country who, for whatever reason, lie beyond the reach of traditional market forces and present public services. It is the poverty of those masses of the population which current government policies do not adequately encompass, and which external assistance cannot directly reach.

This poverty of the poorest 40% of the citizenry is of immense urgency since their condition is in fact far worse than national averages suggest. Our studies, for example, indicate that:

- In 10 countries, with per capita incomes averaging $145, the poorest 40% of the population receive a per capita income of only $50.
- In another 10 countries with per capita incomes averaging $275, the poorest 40% of the population receive a per capita income of only $80.

What we are dealing with here are problems that are difficult to grasp in their concrete, day-to-day realities.

When we reflect that of the more than half a billion persons living on the Indian subcontinent, some 200 million subsist on incomes that average less than $40 a year, how are we to comprehend what that really implies? The estimate is that if India were to depend exclusively on the growth of national income to solve its massive nutrition problems, it would require more than 30 years before the poorest third of the country could afford an adequate diet.

When we reflect that of the two billion persons living in our developing member countries, nearly two-thirds—some 1.3 billion—are members of farm families, and that of these there are some 900 million whose annual incomes average less than $100, what frame of reference are we to call on to make that fact meaningful?
To many in the affluent world, to be a farmer suggests a life of dignity and decency, free of the irritation and pollution of modern existence: a life close to nature and rich in satisfactions.

That may be what life on the land ought to be. But for hundreds of millions of these subsistence farmers, life is neither satisfying nor decent. Hunger and malnutrition menace their families. Illiteracy forecloses their futures. Disease and death visit their villages too often, stay too long, and return too soon.

Their nation may be developing, but their lives are not. The miracle of the Green Revolution may have arrived, but for the most part, the poor farmer has not been able to participate in it. He simply cannot afford to pay for the irrigation, the pesticide, the fertilizer—or perhaps even for the land itself on which his title may be vulnerable and his tenancy uncertain.

His nation may have doubled or tripled its educational budget, and in the capital city there may be an impressive university. But for 300 million children of poor farmers like himself there are still no schools—and for hundreds of millions of others if a school, no qualified teacher—and if a qualified teacher, no adequate books.

His nation may be improving its communications, and jet aircraft may be landing at its international airport in increasing numbers. But for the poor farmer who has seldom seen an airplane, and never an airport, what communications really means—and what he all too often does not have—is a simple all-weather road that would allow him to get his meager harvest to market when the time is right and the prices are good.

Let us be candid.

What these men want are jobs for their survival, food for their families, and a future for their children. They want the simple satisfaction of working toward something better: toward an end to misery, and a beginning of hope.

We are not talking here about a few maladjusted discontents.

We are talking about hundreds of millions of desperately poor people throughout the whole of the developing world. We are talking about 40% of entire populations. Development is simply not reaching them in any decisive degree. Their countries are growing in gross economic terms. But their individual lives are stagnating in human terms.

What can be done?

That is the question I want to explore with you now.

VI. A Plan of Action

One must begin by analyzing the policy options which are generally proposed. They present clearly conflicting schools of thought.

One view is that governments in developing countries should make rapid economic growth the first objective, and that income redistri-
bution and increased employment can be achieved later through fiscal and institutional changes.

Other argue that the growing pressures of poverty are so overwhelming that their widespread relief should be the central objective of development strategy, even if that entails major sacrifice in the pace of overall growth.

Of course it would be comforting to continue to believe that there is no conflict between rapid overall growth and comparable improvement in the incomes of the poor. But, unfortunately, in the real world in which we live, the evidence suggests that there is. There is a natural tendency for growth to be concentrated in the modern sectors of the economy with little current benefit to the lowest income groups. What data there are—while admittedly incomplete—indicate that this pattern of growth has developed in many countries.

But if few dispute the fact that there exists some conflict between maximization of growth and the rapid reduction of poverty, many argue that in the long term the conflict is irrelevant since it can—given sufficient time—be resolved. In the long term, rapid growth will increase productivity, and furnish the resources which can be redistributed to those who cannot yet be accommodated in the high-productivity, high-wage, modern sector.

The same view holds that even in the short term—in a decade, say—it is possible at least to reduce the conflict between rapid growth and more equitable income for the poor by shaping an economy which provided the proper incentives, which strengthens the fiscal system, and which emphasizes the right adaptive technologies.

But although this argument is correct as far as it goes, it doesn't go far enough. A decade may be the short term for a development planner. But a decade is the long term for a subsistence tenant farmer whose children are most likely to die before the age of five, whose diet is already so inadequate that he cannot stave off chronic ill health, whose illiteracy limits his future ability to learn new skills, and whose perpetual indebtedness to the money lender and dependence on the land owner leave him neither options nor hope.

On the other hand, one must recognize that if a government were to initiate policies to increase the income growth of the lowest 40% of the population—with a view to assuring that, at a minimum, their share of the nation's overall economic growth does not decline as it has in the past—there are legitimate questions as to what the impact of such policies would be on the rate of overall national growth. Would it seriously hamper it? Would it prevent it altogether? What precisely would happen?

There are at least three possible consequences of economic policies directed to more equitable income distribution which are thought to hamper growth. They are: reduced entrepreneurial incentives; lower savings rates; and the choice of obsolete technology.
Let us consider these for a moment.

It is often suggested that wide disparities in income are necessary in order to provide entrepreneurial incentives. Without arguing whether such incentives are important stimuli to productivity, one can question the amount of incentive that is required to motivate the desired degree of effort.

In a study of the income disparities of 39 developing countries, in which the income of the wealthiest 5% is measured as a multiple of the bottom 40%, there is a wide range of differences among countries. There are eight countries in which the per capita income of the top 5% is more than 30 times greater than that of the lowest 40%. There are 16 countries in which the ratio is less than 15 to one.¹

But the significant point is that when one compares these two sets of countries on their per capita growth performance during the 1960s, there is no discernible relationship between the size of the incentives and the rapidity of the growth. The average rate of growth of the group of countries with the greatest disparities was not significantly different from the group with the least. This indicates that there may well be substantial scope in the developing countries for moderating the highly skewed disparities in income without crippling the incentives to greater productivity.

Similarly, flexibility in the relationship between income distribution and the volume of savings available for socially productive investment may, in fact, be far greater than is generally assumed. While it is true that higher incomes permit a higher rate of savings, the real question is what becomes of those savings. If they are used for production of luxury goods to meet a demand pattern distorted by a skewed income distribution, it is questionable whether the high savings rate is, in fact, promoting any crucial national interest. If, on the other hand, a more equitable distribution of income results in a somewhat lower gross rate of savings, but more investment in the production of essential commodities, the lower rate of growth in national income may be accompanied by an increase in the incomes of the bulk of the population.

Finally, there is the question of the choice of technology. It is often asserted that rapid economic growth demands adoption of technologies which, by their very nature, penalize employment and perpetuate poverty. The argument is that unless the modern sector is so equipped, its inefficiencies will restrict the country’s capacity to export and perpetuate a costly dependence on imports for even the most basic requirements.

But here again, the argument is oversimplified. The issue is not so much modern technology versus traditional technology. The real issue is efficient technology versus inefficient technology, and the essential question is how ought one to measure that efficiency. Efficiency as

¹In the United States, the ratio is 5 to 1.
such is a relative term. A technology is efficient or inefficient relative to the resources one has available. In a labor-scarce, affluent, developed economy, the most efficient technology is capital-intensive and highly automated—it produces at the lowest cost per unit in terms of the scarce resource: labor.

But in a developing economy, where labor is abundant, and sophisticated skills are scarce, it is clearly inefficient to emulate technologies which lead to high costs per unit measured in terms of the scarce resource: capital. And yet that is the result when, in the rush to industrialize, developing countries subsidize capital by creating a structure in which foreign exchange is undervalued, credit is underpriced, and tax incentives mis-directed.

If government policy were directed towards promoting a price structure which reflected the scarcity values of labor and capital more realistically, the technological choice would be different. The result would be greater employment, broader income distribution, and more competitive patterns of production of precisely those labor-intensive goods which labor-scarce affluent countries need, but cannot themselves produce inexpensively.

What, then, are we to conclude from this analysis?

The answer is that while we obviously do not know as much as we want to know about the relationship of more equitable income distribution to overall economic growth, we know enough to conclude that:

- It is possible to design policies with the explicit goal of improving the conditions of life of the poorest 40% of the populations in the developing countries—and that this can be done without unacceptable penalties to the concomitant goal of national growth.
- Without specific emphasis on such programs, there will not be significant progress in reducing poverty within acceptable time periods.

We know, in effect, that there is no rational alternative to moving toward policies of greater social equity.

When the highly privileged are few and the desperately poor are many—and when the gap between them is worsening rather than improving—it is only a question of time before a decisive choice must be made between the political costs of reform and the political risks of rebellion.

That is why policies specifically designed to reduce the deprivation among the poorest 40% in developing countries are prescriptions not only of principle but of prudence. Social justice is not merely a moral imperative. It is a political imperative as well.

What, then, can be done to attack the problem of massive poverty within the developing world?

The first and obvious step is the political resolve to make the effort. It is clear that in the end each country must make its own decision as to how and when to deal with its internal inequities. The problems of
poverty are rooted deeply in the institutional frameworks, particularly in the distribution of economic and political power within the system. Outside agencies can assist but cannot solve such problems. It is governments that have the responsibility of essential domestic reform, and there is no way they can escape that responsibility. To postpone reform on the grounds of political expediency is to invite political extremism. To remain indifferent to social frustration is to foster its growth.

Political will, then, is the first requisite.

Public understanding is the second. The fact is that all of us need a clearer perception of the problem. We need both more and better quantitative data on past and current trends in employment and in income distribution. And we need them urgently. I propose that the developing countries address this task of gathering income data, and that as a practical matter they set a target date of 1975 for a greatly expanded program of censuses, sample surveys, and specific studies. The international agencies—our own included—can assist technically and financially, and provide a multilateral forum for this effort.

Third, all of us need to identify concrete policies and actions which can reduce the skewness of the income distribution. Admittedly, we are on the frontier of a new field of knowledge here, and we have far more questions than we have answers. But the urgency of the situation is such that we simply cannot wait until all the answers are in. We must begin now with what we know now. And we clearly know enough at least to make a beginning. If we make mistakes we will simply have to learn from them. But the greatest mistake of all would be for the international development community to sit back and continue to do in the future what it has done in the past: to ignore the problem. It is the time for new approaches.

What ought they to be?

• The first step should be to establish specific targets, within the development plans of individual countries, for income growth among the poorest 40% of the population. I suggest that our goal should be to increase the income of the poorest sections of society in the short run—in five years—at least as fast as the national average. In the longer run—ten years—the goal should be to increase this growth significantly faster than the national average.

• Given the intimate link between poverty and massive unemployment, unemployment and underemployment must be attacked head-on. With 20% or more of entire populations already jobless or virtually idle—and with the population explosion pouring a growing stream of new entrants into the labor pool each year—unless policies and programs are devised to absorb surplus labor into productive jobs, little can be done to improve the lot of the desperately poor. Job creation must therefore become a direct objective in itself. It will be necessary to organize rural and urban public works—the building of market roads; construction of low-cost
simple housing; reforestation programs; expansion of irrigation and drainage facilities; highway maintenance, and similar low-skill, labor-intensive, and economically useful projects. The Bank will assist in financing such projects.

- Institutional reforms to redistribute economic power are critically required in many developing countries: land reform, corporate reform, tax reform, credit and banking reform, and many others. Continuation of the existing land tenure patterns, tax laws, and banking regulations will simply assure that the present distribution of assets and income will be perpetuated. The Bank will support reforms in these areas with technical and financial assistance.

- Shifts in the patterns of public expenditure represent one of the most effective techniques a government possesses to improve the conditions of the poor. Too often these expenditures—on health, on transport, on water supply, on education, and on many other sectors—end by benefiting the already privileged far more than the mass of the disadvantaged. This, in part, is because these services are more concentrated in the urban areas and better neighborhoods. But it is also a function of the greater participation of the highly privileged in the political process. Governments can best begin to shift public expenditure towards those who need it the most by initiating surveys on the effects of their current patterns of disbursement: where do the funds really go, and who benefits the most? The Bank will assist in such surveys and, based on them, will help design programs, to be financed by it and others, which will improve the distribution of public services.

- Finally, policies should be undertaken to eliminate distortions in the prices of land, labor, and capital. To underprice capital for the wealthy and make credit expensive for the poor; to allow liberal access to scarce resources for the privileged, and price them out of reach of the deprived; to provide subsidies for the powerful, and deny them to the powerless—these are wholly self-defeating approaches to development. Such policies lead a nation inevitably toward economic imbalance and social instability.

These, then, are the general measures which all of us in the international development community should move toward with all the urgency that we can command. We in the World Bank Group can assist our developing member countries in this effort, and we fully intend to do so.

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1This is strikingly illustrated in the access to public services. School enrollment ratios and the quality of education, for instance, are almost uniformly higher in the higher income groups. And, in a sample of 20 developing countries, the allocation of scarce foreign exchange was ten times greater for the importation of private cars than for public buses.
VII. Summary and Conclusions

Let me summarize and conclude the argument I have put before you this morning.

Current development programs are seriously inadequate. They are inadequate because they are failing to achieve development's most fundamental goal: ending the inhuman deprivation in hundreds of millions of individual lives throughout the developing world.

Why are these programs failing?

There are two overriding reasons: the affluent nations are not moving effectively enough to assist the indigent nations; and the indigent nations are not moving effectively enough to assist the poorest 40% of their own populations.

The affluent nations have, of course, their own domestic priorities. But their growing incremental income is so immense, their technological capacity so powerful, and their whole range of advantages so disproportionately gigantic, that no rational argument can be made for their refusal to do more to assist the disadvantaged nations.

Collectively, the affluent nations are currently providing only half the targeted 0.7% of their GNPs in the Official Development Assistance which will make so decisive a difference to the development efforts of the poor countries. These amounts of money are miniscule in light of the fact that the collective gross national products of the developed nations, which totalled $2000 billion in 1970, are expected to grow to more than $3000 billion in 1980.

The rich nations are not being asked to diminish their riches in order to help the poor nations. They are only being asked to share a tiny percentage of their continually increasing wealth.

Further, the rich nations are failing the poor nations—and themselves—in another critical respect. They are refusing to give the poor nations a more reasonable opportunity to trade fairly with them. Discriminatory trade restrictions on the part of wealthy countries are indefensible on two counts: they penalize the people of the poor countries, and they penalize their own domestic consumers. The trade problem is admittedly complex, but the essence of it is simple enough. The political pressures of special-interest groups in affluent nations are prevailing over the interests of the majority of ordinary citizens in rich and poor countries alike.

If the rich nations do not act—through both aid and trade—to diminish the widening imbalance between their own collective wealth and the aggregate poverty of the poor nations, development simply cannot succeed within any acceptable time frame. The community of nations will only become more dangerously fragmented into the privileged and the deprived, the self-satisfied and the frustrated, the complacent and the bitter. It will not be an international atmosphere conducive to tranquility.
The developed nations, then, must do more to promote at least minimal equity in the distribution of wealth among nations.

But the developing nations must do more as well.

Their internal equity problems are no less important than those of the international community at large. In the developing nations' pursuit of rapid economic growth, the poorest 40% of their populations are being largely left behind.

It is becoming increasingly clear that the critical issue within developing economies is not simply the pace of growth, but the nature of growth. The developing nations achieved an overall average annual GNP growth rate of more than the targeted 5% by the end of the sixties. But the social impact of that growth was so severely skewed, and the numbers of individuals all but passed by so absolutely immense, that the simple statistical achievement of that target was misleading.

Governments exist to promote the welfare of all of their citizens—not just that of a privileged few. Absolute egalitarianism is as chimerical as absolute laissez-faire, but what is certain is that absolute human degradation—when it reaches the proportions of 30 to 40% of an entire citizenry—cannot be ignored, cannot be suppressed, and cannot be tolerated for too long a time by any government hoping to preserve civil order.

It would be naive not to recognize that that time, in many quarters of the world, is running out.

The task, then, for the governments of the developing countries is to reorient their development policies in order to attack directly the personal poverty of the most deprived 40% of their populations. This the governments can do without abandoning their goals of vigorous overall economic growth. But they must be prepared to give greater priority to establishing growth targets in terms of essential human needs: in terms of nutrition, housing, health, literacy, and employment—even if it be at the cost of some reduction in the pace of advance in certain narrow and highly privileged sectors whose benefits accrue to the few.

Such a reorientation of social and economic policy is primarily a political task, and the developing countries must decide for themselves if they wish to undertake it. It will manifestly require immense resolve and courage.

The task of political leadership in the wealthy world is to match that resolve and courage with a greater commitment to equity between their own affluent nations and the grossly disadvantaged developing nations.

I believe that no one within this forum would deny that the time for significantly greater social and economic equity both among nations and within nations has indeed come.

Given more than a million years of man's life on earth, it has been long in arriving.

Now that it is here we cannot escape asking ourselves where our responsibilities lie.
It seems to me that the character of our entire era will be defined by the shape of our response.

Projected Flow of Official Development Assistance
Measured as a Percent of Gross National Product*

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*Countries included are members of OECD Development Assistance Committee, accounting for more than 95% of total Official Development Assistance. Figures for 1970 and 1971 are actual data. The projections for later years are based on World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements made by governments. Because of the relatively long period of time required to translate legislative authorizations first into commitments and later into disbursements, it is possible to project today, with reasonable accuracy, ODA flows (which by definition represent disbursements) for 1975.
STATEMENTS BY GOVERNORS AND ALTERNATE GOVERNORS

AFGHANISTAN: GHOLAM HAIDER DAWAR

Governor of the Bank

I feel urged by developments since our last meeting of Governors to present my views on the reform of the international monetary system, on international trade and on development aid.

As the monetary development of the last months shows, the system of Bretton Woods, designed 25 years ago, is not suitable any more to meet the ever-changing requirements of international payments. The realignment of parities in December 1971 did not lead to a better balancing; the balance of payments of the United States of America has not recovered.

Since the floating of the rate of exchange of the pound sterling more governments have expanded their foreign exchange controls in order to protect themselves from undesirable inflow or outflow of speculative capital. At the same time these protectionist measures endanger international economic cooperation and with that a source of progress for developed and underdeveloped countries alike. But whereas the developed countries on the grounds of their economic and political weight and because of their administrative and organizational skills can cope with the difficulties, the least developed countries have to endure them fatefuly.

A fundamental reform of the international monetary system has to be implemented soon if world trade will not suffer.

... UNCTAD III in Chile again has shown that it is very difficult for the least developed countries to increase their share in international trade and transport. Moreover, at present the existing share in world trade is threatened by increasing protectionism of the developed countries. Protection of agriculture increases steadily and administrative barriers grow.

The less developed countries have to fear that the disputes between the developed countries will hurt their own interests. They are in a weak position anyway as they do not have the experience or the efficient machinery to overcome trade barriers. They cannot exert pressure at all as their market position generally is rather unimportant.

The setbacks in trade policy are due to the negligence with respect to nondiscrimination, mainly by the creation of regional trade communities like EEC and EFTA. The next GATT round of negotiations will have to deal with the increasing protectionism of many governments and

1 Comprising statements relating to the work of the IBRD, IFC, and IDA. Omitted passages are indicated by dots (...). Statements relating to the International Monetary Fund are reproduced in the IMF Summary Proceedings.
will have to remind them to stick to the obligations they have undertaken. Moreover, a solution has to be found for the problems of international coordination, for the strengthening of international institutions and for the problems of the developing countries.

The increasing integration of the developing countries into world economy will strengthen their economic potential and they will become equal partners in the course of time. Increasing integration under prevailing conditions will only be possible if the developing countries get preferential treatment instead of obstacles being built up. Therefore, trade advantages which developed countries will agree on for themselves in the next GATT round should automatically and without reciprocity apply to developing countries.

The status of underdevelopment has many aspects. For a long time the donors believed it possible to solve our problems by extending credit as if the capital thus received could bring forth durable changes on its own account. Today many developing countries find themselves faced with huge foreign debts without being in a position to reduce them out of the return of the capital investment. In many cases, the donors had a decisive say on the utilization of the credits. Therefore, they should be prepared now to participate through new agreements in alleviating the debt burden.

The noneconomic problems of development mostly are much harder to overcome than the economic problems and therefore require special efforts. This is above all true for education and training. The donors should pay more attention to the mobilization of human resources of the developing countries.

The aid offers of many a donor country still show the predominance of technical aspects in the assessment of projects. The technical and the anticipated economic feasibility of a project are very often jeopardized by the special traditional social setup and behavior. The efficiency of aid in many cases surely could be improved considerably if these aspects would get more attention.

The World Bank undertakes in exemplary manner to give aid that leads to sustained progress. Its endeavors to build up functioning institutions deserve special mention. As representative of one of the less developed countries I therefore would like to express our feeling of thankfulness.

**AFGHANISTAN: HABIBULLAH MALI ACHACZAI**

*Governor of the Fund*

... If the principle of an expanding role for SDRs is accepted, it would be necessary substantially to reform the present SDR system. In this context, there are these aspects which, in my opinion, deserve particular attention. Firstly, it is important that future allocations of SDRs be large enough to secure an adequate supply of international liquidity
for the further expansion of international trade and to obviate the need for restrictive and protectionist trade and exchange practices. It is to be hoped that a decision can be reached on a larger allocation of SDRs next year. Secondly, in future allocations of SDRs, the needs of developing countries deserve increased attention. While the question of a link between SDRs and development finance raises some difficult problems, I firmly believe that if this issue is approached with a spirit of good will on the part of all countries, it will be possible to work out arrangements that will not only assist the developing countries in their aspirations to raise the standard of living of their peoples, but will also be of lasting value for the world economy as a whole. . . .

**AUSTRIA: HANNES ANDROSCH**

*Governor of the Bank*

May I first of all express our gratitude on behalf of the Austrian delegation to our American friends for serving once again as the host country. Furthermore, I would like to thank the Executive Directors and the staff of the World Bank Group and the IMF for the work they have done during the last year.

As the threshold of 1973, the world economy is in a state that is characterized by many gratifying and favorable aspects. On the other hand, it also contains elements causing concern.

Among the positive aspects we may count the trend toward an upswing in the economies which has generally become apparent. This will result in the strengthening or restoration of full employment and thus in economic growth and increased individual affluence.

However, this gratifying picture is overshadowed by difficulties which I should like to describe briefly. I am referring to these difficulties not only because they are the concern of the authorities in the various countries but also because they have to be rated as the very topics of the Annual Meeting for which we have gathered here.

At the top of the list we have to put inflation, which, though differing from country to country, is the main problem of economic policy in these days.

The problem of maintaining monetary values on national and international levels is closely linked to the problem of the future world monetary system.

There is no doubt that the Smithsonian Agreement of last year was a valuable contribution to restoring to some extent orderly conditions for the conduct of international trade and capital transactions. However, we have to be aware that several of the pillars of the Bretton Woods system have broken down, forcing us to search for a design of an inter-
national monetary system that will once again establish a reasonable and lasting basis for the international monetary relationships.

We have to admit today that the continuous loss in monetary values and the uncertainty in the international field do foster the dangers of the formation of new monetary blocks, the dangers of a revival of isolationist tendencies and the dangers of international division of labor being impaired by a retreat from the level of liberalization that we have achieved between countries.

Another set of problems which we will have to deal with now and in the future concerns the economic and financial situation of the countries in the Third World. In many cases a scarcely bearable burden of debt—with an expensive service—is linked with unsatisfactory receipts from exports which frequently are limited to a few types of goods.

The World Bank, the International Development Association and the International Finance Corporation have performed valiantly in the financing of development.

The problems of development aid are, to a wide extent, linked with the difficulties I mentioned above. The increase of so many prices in the world economy means, for instance, for the developing countries a continuous rise in import prices not matched, in many cases, by a similar upward movement in their export prices.

Furthermore, inflation leads to a diminution in the real value of aid which is only partly offset by a decrease of countries’ foreign debt expressed in real terms.

How can we possibly proceed in trying to solve, at least partly, the problems I have briefly mentioned?

First let me say that I don’t think any future solution could be found solely along the path of a decision against or in favor of a single currency or a group of currencies.

Let me elaborate this point further: a very cornerstone of the reconstruction of Europe was laid when—after the ravages of conflict—the so-called dollar gap was closed during the postwar period. Thus, if we resort to a solution solely at the expense of the dollar, this would neither be fair nor economically sound. Rather, I believe our future action ought to be oriented along the line of cooperative partnership among all countries...

...World trade will develop successfully only when it is not impeded by any uncertainty or disturbance stemming from a disorderly monetary system.

We shall therefore have to focus our attention on the optimal control of short-term capital movements.

Partly as a result of these movements, partly as a result of other developments, a huge “overhang” of U.S. dollars has been accumulated outside the United States. The suggestion, to implement a recycling of dollars to the United States, which I submitted to last year’s meeting of this distinguished audience, has in the meantime been accepted else-
where. I still believe that in principle this could and should be discussed further. Careful consideration could also be given to the idea of devoting parts of that “overhang” to low-cost development financing. The World Bank seems to offer a suitable way for channeling those funds to developing countries. This would ensure that the funds would not contribute to additional tensions on international money markets.

BANGLADESH: TAJUDDIN AHMAD
Governor of the Fund

It is indeed a very happy occasion for me to represent Bangladesh for the first time at the joint Fund-Bank meetings in Washington. On behalf of the Government and people of Bangladesh I wish to offer my warm thanks to you, Mr. Chairman, and to others, for the kind welcome extended to us. We are grateful to the World Bank and the Fund and to the member countries for their support for our early membership. We take this to be evidence of your general concern for our economic recovery and continued development.

I am sure you are all aware of the devastation suffered by Bangladesh in the recent past. My Government gratefully acknowledges the efforts of the United Nations and a number of friendly countries for their help, particularly in the critical fields of food supplies and their distribution. Thanks to such multilateral and bilateral assistance particularly from our great friend and neighbor India and the resolute efforts of our people, we have been able to avoid major economic crises. We have made progress toward the resettlement of refugees, the reconstruction of physical infrastructure and the restoration of domestic production and exports. We have still a long way to go.

Bangladesh is one of the largest nations of the world, but in terms of per capita income it is one of the poorest. It has the highest density of population and a high rate of population growth, which is common in developing countries. Its main resource is its people. Its natural resources are mainly agricultural. The socio-political objective of Bangladesh is to build a socialist economy within a democratic framework. The main focus is on a significant role for the public sector in economic activities.

In our efforts to reconstruct and develop our economy and achieve real social progress, we expect the help and support of the Bank and the Fund. We are happy to note that the Bank has speedily taken steps to reactivate the unfinished projects in Bangladesh. We have already received several missions from the Bank, and both the Bank and the Fund now have resident representatives in Bangladesh.
We look forward to playing a full and active role in the international economic community. But as we review the history of the past two and a half decades we find not only that the world continues to be divided between rich and poor nations but also that there is a lack of harmony between these two groups. The volume of official international economic assistance by the donor countries has stagnated and falls far short of the target of 0.7 per cent of GNP laid down by the Pearson Commission. Foreign assistance still continues to be tied to projects as well as to sources of procurement. There are countries which lend on such hard terms and for such short periods that their loans are virtually indistinguishable from suppliers' credit granted by individual exporters. The less developed among the poor countries need soft loans and for a sufficiently long term to be able to generate adequate surplus for repayment. We hope that renewed efforts will be made by the developed countries for softening the terms of aid.

We in Bangladesh would like to join other developing countries in urging upon the rich countries of all socio-political complexions to appreciate that a world divided against itself by a widening chasm between the rich and the poor is a threat to peace and stability. We feel that the flow of international assistance should be revived to a higher level; in particular, we feel that credits by IDA and generally loans on IDA terms should be increased in volume and must continue to be available for the poorest parts of the world. The importance of program assistance is particularly great for the least developed countries of the world like Bangladesh where the shortage of aggregate resources, not just foreign exchange, is an acute problem. In this context, we look to the World Bank as an institution with an important developmental role to perform and not merely as a source of finance and a traditional banker. We wish to contribute in any way we can to the speedy evolution of a wider role for the Bank. We also welcome the increasing appreciation by the Bank of the need for investment in education, health and population control as being of crucial importance. We suggest that the time has now come for IDA to emphasize financing local cost components of the social sector investment program, by integrating such financing with program credit.

We in Bangladesh believe that in the long run we must rely on our own domestic resources for development and that when we seek foreign assistance, we do so with the knowledge and determination that in the long run we must dispense with such assistance and become self-sustaining. At present, more than four fifths of total investment in the developing world as a whole is financed by domestic resources. But the rate of investment is lower than desired and needs to be raised. Moreover, in order that domestic resources are not only augmented but achieve a greater efficiency of use, we need a well-organized and stable international trading and payments system.
At the moment, the poor countries are denied access to the markets of the developed world by means of tariffs, quotas and internal restrictions. The rich countries continue to pursue protectionism in the agricultural sector even when comparative advantage distinctly lies with the poor, agricultural countries. The exports of labor-intensive manufactures are thwarted by a "cascading" structure of industrial protection in the rich countries. It has taken years of bargaining and negotiations to evolve the current rather limited system of generalized preferential scheme already hedged in by escape clauses of all descriptions. Yet we regard this as a good beginning but we hope that the developed countries will take positive steps to make it effective and useful.

We are concerned by the fact that the balance of payments problems of the rich countries affect, sometimes seriously, the fortunes of the poor countries. The floating of exchange rates in a few advanced countries in the recent past has adversely affected those poor countries which keep their foreign exchange resources in the currencies of some advanced countries. The sudden depreciation of reserve currency, when it is allowed to float in the exchange market, imposes heavy financial losses on the poor countries who can ill afford such losses. The recent floating of the pound sterling is a case in point. No sooner had we started accumulating foreign exchange reserves than we were suddenly faced with the phenomenon of the floating of the pound sterling and the consequent unforeseen loss in the real value of our reserves. We hope that the recent efforts to evolve a more satisfactory international payments system will meet with success.

The problems of international monetary and fiscal management in the rich countries, we hope, would be solved by such means that would help and not hinder the development efforts of poor countries. The richer countries have substantial resources, a wider range of instruments of economic policy and considerably more diversified economies. They can, therefore, deal more effectively with their internal problems of structural reallocation of resources and inflation without adversely affecting the economies of the poor countries. I am indeed happy to note from the statements made by representatives of rich countries that their intention is to keep the interests of developing countries in mind while evolving a new world monetary system.

We welcome the creation of special drawing rights in the Fund. But we are not happy at the way in which attempts to expand their role and to increase the efficiency of their use in the international payments system, including that of the poor countries, face persistent obstacles. Indeed, the hesitation about the establishment of a link between SDRs and aid to poor countries, which we strongly support, does not appear to be justified. This is specially so because the amount of additional assistance involved is rather small. Moreover, given the professed preference of rich countries to channel an increasing amount of foreign assistance through multilateral channels, a link between SDRs and assistance to the poor countries should be welcomed by them. . . .
... I wish to conclude by again emphasizing that Bangladesh is set on a course of fundamental change in its social fabric. We look forward to active cooperation with all nations of the world, both rich and poor, having different social and economic systems. We look to the Bank and the Fund as institutions of central importance in the gradual development of an efficient and equitable international society.

BELGIUM: ANDRE VLERICK

Governor of the Bank

... The last point concerns the legitimate interests of the third world countries in the reform of the international monetary system.

This question was dealt with in great detail at the last UNCTAD meeting in Santiago, but no agreement was reached.

The idea most frequently voiced in this connection is that of the creation of a link between the issue of special drawing rights and development aid. We are in favor of such a link and wish to make it quite plain that this is our position.

I can see no reason to justify the fact that three quarters of the allocations of special drawing rights are distributed to the rich countries. This is even less acceptable in that the flow of official aid to developing countries is definitely too small and that the underdeveloped countries are suffering an increasingly crushing debt burden, as the Bank's Report very well brings out.

There is no fundamental economic reason why some of the SDRs created might not be used to further the development of the third world. After all, in our countries, when money is created as the counterpart of bank credit, this creation of money is designed to achieve two goals: that of creating an appropriate amount of liquidity in the economy and that of promoting the best use of the national resources. The increase in liquidity is not distributed to the public in accordance with a system of individual quotas. At the international level, there is nothing to prevent some of the SDRs created from being used specifically for a development objective of the underdeveloped countries.

As regards the formula chosen, our preferences are for direct allocation by the Fund to the development agencies, such as the International Development Association. With regard to the precise procedures, we think they should meet two criteria, namely, the link should not be cause for developed countries to reduce their national aid effort, and the link should not influence decisions on the volume of special drawing rights to be created. In fact, the decision as to the volume of SDRs to be created should be adopted on the basis of an objective estimate of liquidity needs. This is indispensable for the very stability of the international monetary system.
It is exactly for this reason that we do not favor the creation of special drawing rights next year at the same rate as in previous years, world liquidity being overabundant. Such creation could be justified only if accompanied by a substantial reduction in other forms of liquidity. However, we are prepared to envisage a lower allocation of SDRs with a transfer of the currency equivalent, in its entirety, to the International Development Association. By this formula we could both remain faithful to the fundamental principles underlying special drawing rights and take into account the interests of the developing countries. . . .

I should like to conclude by mentioning the dynamic action of the World Bank under the leadership of Mr. McNamara. Not only has the volume of operations doubled in these last five years compared with the preceding five years, but—which is most important—great efforts have been made to bring more of the results of this development to the poorest of the developing countries. The expansion of the Bank’s activities in the area of agriculture, and in teaching, is significant in this connection.

The Belgian Government supports these efforts without reservation. It was in this same spirit that Belgium last year participated in the special increases in the Bank’s capital and that it opened its market to two loans issued by the International Bank for Reconstruction and Development during the last financial period.

As concerns the International Development Association, we have learned with pleasure that the conditions for the entry into effect of the Third Replenishment of this institution’s resources have finally been fulfilled. This will enable my country to make payment of the 1971 and 1972 tranches. Through this replenishment, mixed Bank/IDA financing can be extended to a larger number of countries, and this seems to me essential at a time when, for many of them, external indebtedness is becoming an increasingly disquieting problem.

Finally, I should like to stress the importance of the International Finance Corporation’s role in the industrial sector. The IFC has not only committed a record amount of capital, but has also provided more incentives for more investment of private capital in enterprises located in the poorest countries than has hitherto been effected.

In conclusion, development aid policy has once more found in the Bank Group instruments of tried and true efficacy. My Government is particularly happy to have the opportunity of contributing to these institutions.

BOTSWANA: Q. K. J. MASIRE

Governor of the Bank

The upheaval in international monetary affairs which we have witnessed over the past 15 months has driven the major industrial coun-
tries to consider actively a major reform in the system. But it has also
distracted the developed countries from the problems of the less de­
developed world. It is not easily appreciated that a country with an economy
as small and as poor as Botswana is relatively far more vulnerable to the
disruption of its trade and financial affairs caused by this upheaval than
the larger and more developed nations. Botswana is therefore as con­
cerned as any other country—if not more so—to see appropriate reforms
devised and implemented.

My country welcomes the establishment of the Committee on Re­
form of the International Monetary System and Related Issues on
which the less developed countries will be represented. In my view it is
vital for this Committee to set about its task energetically and for all its
members to treat the work of the Committee as a matter of the highest
priority.

The developed countries have frequently stressed that the most im­
portant issue to be resolved is to devise a mechanism which brings
about equilibrium in countries’ balances of payments. The less de­
developed countries have repeatedly stressed that no new system can be re­
garded as meeting their needs unless it incorporates a built-in mecha­
nism ensuring a steadily expanding flow of financial resources to pro­
mote their development. We regard these two objectives of stability and
development as equally important. We do not accept the argument that
the problem of increasing the flow of financial resources to the less de­
developed countries should be kept separate from and subsidiary to the
question of reform of the monetary system. More particularly we are
convinced that there are no overriding technical problems to prevent
the establishment of a link between special drawing rights and de­
velopment. We consider it in the long-term interest of all countries which
seek peace and stability in the world that future increases in the
transfer of resources to the less developed countries should be by means of
politically neutral assets such as SDRs, administered by international
institutions such as the IMF and the World Bank Group.

... Turning now to the activities of the World Bank Group, we are
pleased to note that a major reorganization has been instituted on a
regional basis. This should enable the projects staff to become better
acquainted with the special circumstances of each region and hence
adapt their operating policies more closely to our needs. This reorgani­
zation should make decentralization to regional offices easier at a later
date if such a move should seem desirable. I mentioned last year that
consideration should be given to moving the Bank’s headquarters to a
less developed country. I repeat the proposal again this year because I
am convinced that Washington has very serious disadvantages. Apart
from the very high cost structure, which greatly increases the operating
expenditures of the Bank, the whole environment in which the staff
lives is quite inappropriate for an organization concerned with the prob­
lems of the less developed world.
I have noted the emphasis which the President of the Bank has placed on aiding the least developed countries, and I greatly welcome his announcement that IDA lending to us will be quadrupled. However, this increase relates to the two five-year periods 1964-68 and 1969-73. But in the base period the actual amounts lent by IDA to the least developed countries were very modest indeed. The proposed quadrupling of lending will only make a major impact on the least developed countries if this rate of increase is continued into the next five-year period 1974-78.

Looking back over the past year, it is encouraging to note the Bank has continued to diversify its activities. We particularly welcome the increasing assistance in tackling problems associated with urbanization and rural development. The relationship between the two is close since poverty in the rural areas drives people into the squatter settlements around the towns looking for work. Solutions to the problems of urbanization are inevitably incomplete unless success is also achieved in promoting rural development.

Finally, I would like to welcome the news that the U.S. Government anticipates that it will be able shortly to confirm its contribution of $960 million to the replenishment of IDA.

BURUNDI: JOSEPH HICUBURUNDI

Governor of the Bank

It is a pleasurable duty for me to thank the people and Government of the United States for their kind hospitality to us once again, and also for the excellent arrangements made to ensure the success of these meetings. These ideal arrangements will help to clear our minds and will assist us, we trust, in finding proper solutions to the multiple problems before this eminent gathering. We must thank and congratulate the Managing Director of the IMF for all that he has done to contain the effects of the international monetary crisis, and in particular for his efforts to safeguard the interests of the developing countries. Likewise, our thanks are also due to the President of the Bank and his staff. We have taken special note of the fact that the lending operations of the Bank and IDA show an increase. We should like to express the hope that this trend will be maintained, since the road before us is still a long and a hard one.

During our meeting in Copenhagen in 1970, some outstanding speakers gave a highly competent description of the problems facing the international monetary system. Since then, a number of solutions have been proposed, particularly special drawing rights that are to serve as a new reserve instrument and boost international liquidity. There is nevertheless still much to be done in order to link the creation of SDRs
and the financing of the development of the Third World countries more closely.

We repeat the wish already expressed numerous times to see SDRs really fulfill their role in the service of development through a more flexible and equitable distribution procedure. A year later, we have to admit with regret that the measures then proposed have not yet produced any effect and that in fact the general situation has instead deteriorated. The suspension of the convertibility of the U.S. dollar put an end to the system of parities. The problem of international trade has become all the more acute. The growth and equilibrium of numerous economies and the continuation of several development programs have been seriously jeopardized. The general determination to find a way out of the impasse has resulted in urgent measures being adopted with general consent. The increasing of the flexibility of exchange rates by widening of the fluctuation margins has made it possible to solve, at least partially, certain problems of the industrialized countries, but is raising serious difficulties for the developing countries. While the Washington agreements of December 1971 resulted in a resumption of economic expansion for the developed countries, we cannot say the same for the developing countries. The monetary realignment and the widening of fluctuation margins have meant an appreciable shrinking of income for the underdeveloped countries. The deterioration in the terms of trade occasioned by the inflationary forces at work in the industrialized countries has frequently been denounced here and elsewhere. Always expressed in currencies long considered immutable, the prices of commodities, which form the chief resource of the Third World, have again been affected by the uncertainties about the reserve currencies.

Today, it is apparent that real solutions have not yet been found. The situation has even worsened noticeably. It has accordingly become vitally important to reconsider the entire range of problems and to study them with the firm resolve of arriving at solutions that are appropriate, just and equitable for all.

A harmonious international monetary system has not yet been re-established; international trade is still hobbled by the uncertainties regarding the future. For the developing countries, the situation is more critical than ever. Economic growth is held back and the share of the developing countries in international trade is declining all the time, while that of the developed countries is growing steadily.

Commodity prices have taken a serious tumble and several developing countries have seen their resources shrink, while on the other hand the inflationary trend in the developed countries has rendered imports of finished products extremely costly.

Hence, for certain less developed countries the general realignment of par values has had a cumulative negative effect, while their export earnings have diminished, owing to the devaluation of the currencies of the countries which buy raw materials and commodities, and the cost of
imports has risen substantially because of the revaluation of the curren-
cies of the countries which supply finished products. The flow of capi-
tal for investment purposes in the less developed countries has slack-
ened while the cost of credit has risen at the same time. We are there-
fore obliged to note that all the measures taken and recommendations
put forward at previous meetings have had but few positive effects for
the developing countries. In particular, the latter have had to bear the
consequences of a system which they did not devise. Any measures
which include restrictions on international trade or introduce uncer-
tainty into international payments hit the developing countries the
hardest, although they are the least to blame for the situation the inter-
national monetary system is presently in.

At this juncture, allow me to express our disappointment at seeing
that the recent reorganization of the Bank has been carried out without
the developing countries, and Africa in particular, being given a fair
place in the new structure.

We do not in any way doubt the competence, devotion and goodwill
of the Bank's staff; we should only have liked to have been more
closely associated with the top management of the World Bank and its
affiliated institutions. We are convinced that qualified Africans could be
available if responsible posts were offered them. We shall therefore re-
peat the desire already voiced on many occasions at our meetings, and
also in Santiago, that the developing countries should take part in the
framing of any new international monetary system, since the impact of
these decisions is of capital importance to them, too.

CANADA: JOHN N. TURNER
Governor of the Bank

The Fund and the Bank are recognized as among the most effective
of all international institutions. I welcome this, my first opportunity, to
participate in these annual meetings. . .

. . . Let me turn now to World Bank matters. Commitments by the
World Bank Group reached a record level of $3 billion during the last
fiscal year. This is the latest chapter in a remarkable record of achieve-
ment in directing a flow of capital to assist developing countries in
building their basic economic capacity.

But we face continued challenges, and the President of the Bank has
made plans for future expansion of its activities. Canada's support for
this planned expansion is based on a belief that the Bank is well ad-
vanced in the process of reorientation—that it is taking a fresh look at
past and present performance and at its organizational structure in or-
der to direct its energies to the priority tasks.
We have witnessed the infusion of social considerations—such as the distribution of income, the creation of employment, the problems of urbanization—into recent development programs and projects. I congratulate the Bank on the impetus it has given to this thrust, both through the forceful reminders by the President of the importance of social factors and through practical demonstration in recently approved projects.

The Bank should also continue its active role in strengthening domestic financial and development agencies in the developing countries. Many of the Bank's projects include specific assistance to the local agencies which plan and implement these projects. But obviously much more can be done and we should not overlook the contribution which can be made by what have come to be known as program loans, loans made by the Bank to local agencies which they in turn can administer according to their own priorities. I do not wish to review the lively debate that has taken place over the years on this subject. I do suggest, however, that the Bank could well consider again during the coming year the justification for a substantially increased volume of program loans.

I have referred to the challenges which we face in the development process. It is the urgency and complexity of the problems faced by the developing countries which generate these challenges, not the identification of the problems themselves. If I were to ask my fellow Governors from the developing countries what are the major barriers to steady economic progress in their countries, there would undoubtedly be a disturbing variety and familiarity in their responses. I dare say, however, that judged on the basis of urgency, two overriding themes would emerge from these responses. One theme would be the creation of gainful employment for burgeoning labor forces. The other would almost certainly be the growth in debt service payments, an issue to which Canadian representatives have referred on numerous occasions in the past.

Clear and incontrovertible evidence is accumulating from all quarters that employment creation will be one of the highest priority tasks in the developing countries in the next two decades. The solutions are complex and must be adapted to the situations of individual countries. In some cases, they may involve the selection of labor-intensive techniques; in others, a balance will have to be struck between assistance to the traditional sectors of the economy, such as agriculture and small-scale industry, and to the more technologically oriented sectors. It is clear, however, that in all countries the problems must be solved at both the national and the project level. The Bank Group can play a leading role through advice in the adoption of employment-creating national development plans, and through the careful formulation of projects to ensure the maximum employment generation.

The steadily rising total of international indebtedness of the developing countries is not a recent phenomenon. I raise this issue again today
because I believe the debt burden of developing countries threatens to be one of the villains of the current development decade. While some developing countries have been able to finance without undue strain a high ratio of debt repayments to foreign exchange earnings, for others the effort has endangered imports, investment and development. Since the mid-1950s, total annual debt-service payments have been growing at an average annual rate of about 14 per cent. This has been nearly double the average rate of growth of export earnings. Such a relationship obviously cannot continue indefinitely. There must be an adequate continuing flow of development assistance on appropriately soft terms to balance this ratio.

For its part, Canada has attempted in its assistance program to give practical demonstration of its concern for the major impediments to economic and social development of the developing countries. Our aid program has grown by over three and one-half times since 1965 and has represented an increasing proportion of our GNP. The bulk of Canadian bilateral loans are now provided at zero interest, with repayment over 50 years. Over 25 per cent of Canada’s development assistance program is being contributed to multilateral institutions.

In 1970, Canada decided to devote in future an increased proportion of its development assistance to the international financial institutions, because it is our firm belief that for many developing countries these agencies provide the most effective channel of assistance on terms appropriate to their individual circumstances. This is particularly true of the least advantaged of the developing countries where the need is greatest and the problems of poverty most difficult.

You will therefore understand my pleasure in the recent announcement by the U.S. Government concerning its contribution to the Third Replenishment of the resources of the International Development Association. We can now look forward to the completion of the Replenishment Agreement and a resumption of momentum in IDA lending operations.

But there are growing needs for IDA credits in the developing countries and the President of the Bank has reminded us that we need to start thinking in the very near future about negotiation of a Fourth Replenishment of the Association’s resources. Canada supports the priority of this task. We consider that what is now required is a more profound realization by donor countries that IDA operations are essential to the development effort as a whole and that they therefore deserve the highest possible priority within the financial resources available for development assistance. In this way, we will be able to complete the preparation of the Bank Group to face the challenges of development in the decade before us.

Canada is committed to the Fund and the Bank. Anything we can do to facilitate solutions to the urgent problems facing us we will do. Canadians want us to get on with the job.
CENTRAL AFRICAN REPUBLIC: FRANÇOIS PEHOUA

Alternate Governor of the Fund

By virtue of practices established in common accord among the representatives of the United Republic of Cameroon, the People's Republic of the Congo, the Gabonese Republic, the Republic of Chad, and the Central African Republic, I have the honor to speak here today on behalf of all those countries.

These five Central African States, freely grouped within a single institution for monetary cooperation, have for a number of years now maintained fruitful economic and monetary relations within the larger sphere of the franc area, in a spirit of effective solidarity to the benefit of their balanced growth. . . .

. . . The circumstances under which we are meeting here again unfortunately will not permit me to express a corresponding degree of satisfaction at the results of cooperation among all the nations of the world. . . .

. . . The consequences of the dollar devaluation pursuant to the decisions adopted in December 1971 by the rich nations have spread almost overwhelmingly to the poor countries.

World prices for most raw materials, excepting petroleum, have not been adjusted; they have remained at the same nominal level expressed in dollars, which means—taking into account the increase of domestic prices in the United States—a considerable diminution of the purchasing power of the producing countries. There is already acute disappointment with regard to cocoa, of which commodity the States in our area of issue are the fifth most important world producers, and do not have the protection of an international agreement; but there is even greater disappointment as concerns coffee, the international agreement for which could reasonably have allowed a readjustment of prices so that at least producers would be no worse off than before.

Although to a lesser extent, in view of present developments, there is still some concern with regard to cotton, a most important product in three of our countries, which is having to suffer the competition of man-made fibers.

Numerous authorities in the international sphere have since borne witness to these alarming situations. The impressive number of statements, recommendations, or resolutions already placed on record on this subject and which will continue to be, in this room and elsewhere, are the measure of the acuteness of the crisis, for the solution of which the cooperation of all IMF members, without exception, is necessary. The failure of the last UNCTAD (United Nations Conference on Trade and Development) held in Santiago, Chile, strengthens our conviction in this regard. . . .

. . . My remarks, which are intended as a positive contribution in the search for solutions to the crisis, will first of all deal with the harrowing
problems of the international monetary situation and their effects on the expansion of the balanced growth of international trade and on the realization of the development goals defined by the United Nations strategy for the seventies, before I go on to measure the impact of the activities of the World Bank and its affiliates on the realization of these same goals.

From the balance sheets drawn up by various specialized international institutions or working parties, dealing with the results of the First Development Decade, it is possible to measure the extent to which Third World countries have fallen further behind the rich countries with regard to the development of their resources and of their share in world trade. The current reform of the international monetary system should furnish the occasion for finding ways of correcting this trend, and favor a development of all members' productive resources and the balanced expansion of international trade.

Such a result appears improbable by reason of the poor countries' notorious insufficiency of financial resources for their development—an insufficiency provoked, as we know, by the restrictions on the volume of development aid, the continuous deterioration in the terms of trade, and the harmful consequence of anarchic, uncontrolled monetary manipulation.

Thus, we think, only measures involving the stabilization of prices for primary products at a remunerative level, the adjustment of prices for these products in line with the recent erosion of certain currencies, and the increase of financial resources for development channeled through the international monetary system will have a decisive impact on the present imbalance between rich and poor nations.

I am happy to note that on this question our thinking is the same as that of the Executive Directors of the Fund, whose preliminary study gives very close attention to this alarming aspect of the problem.

Therefore, without prejudging any conclusions that may be reached by the detailed studies now commencing on this subject, we think the only true solution will be that provided by the formula of a link between SDR and development financing, which has been under discussion for some time now.

Our idea of the concept of a link to be established between SDR and development financing is not that one system be chosen to the exclusion of all others, but rather that there be a symbiosis of various complementary formulae, the final effect of which could have a real impact on the development of our countries. . . .

. . . In our opinion, the concept of the need for reserves should be reconsidered, including all the reserve requirements of the government sector, of the private sector, and of the international institutions, but also, and above all, those of the developing countries, whose specific interests are not taken into consideration at present.
The rich countries that oppose a further basic period of allocation of SDRs, on the pretext that the overall supply of world liquidity is adequate, display ill feeling in this matter because they perfectly well know that the problem—it is hardly necessary to recall—does not lie in the global amount of international liquidity but in the inequitable distribution of that liquidity among the rich and the poor countries, which provokes monetary inflation in the former and an acute deflation of the means of payment in the latter.

To prevent an over-abundant global supply of international liquidity, there should be more effective redistribution and allocation of this liquidity, so that the underdeveloped countries, in proportion to their greater need, receive a larger share of SDRs. The developed countries will find it more advantageous to transfer part of these resources to the developing countries because, by helping them gradually to increase the level of economic activity and the number of jobs in those countries, the latter contribute in return to an increase in world trade and also to economic expansion and integration, in the mutual interests of both poor and rich countries.

What makes this question even more important for our countries is the fact that they have a very vulnerable balance of payments and are without access to such diversified credit facilities as the developed countries, and that it is difficult for them to bring their imports into line with their foreign exchange receipts on account of the demands and constraints of their development.

... Returning to the problems entailed by transfers in the form of development aid, I think I can say that the most appropriate formula would consist of making this transfer both through international or regional development institutions, and through the direct allocation to member countries of larger amounts of SDRs for development purposes. Neither of these courses should be any bar to the rich countries' increasing the aid that they recognize as necessary to furnish to the developing countries.

In fact, if we wish to assure the success of the UN's Second Development Decade, it is essential in the light of the developing countries' needs that SDRs be added to existing bilateral and multilateral aid and that it become a supplementary means of making good the Third World's liquidity shortages, thus contributing to the achievement of the objectives assigned for this period.

... As may be the case with my foregoing remarks, the ideas I am now about to express regarding the activities of the agencies composing the Bank Group will probably be a repetition of some already put forward—the expression of the same hopes or fears to which so many others, doubtless better qualified than I to do it, have never ceased to give voice in all the forums in which the serious problems of development have been debated.
But as long as the appeal thus made to the conscience of the world
remains without response, and as long as the measures advocated to im-
prove the future of the international community remain pious hopes,
we will not cease to make ourselves heard, and we are resolved to re-
mind those largely responsible for the solution of these serious prob-
lems of the responsibility that they bear.

The following summary analysis will show, once more, that the ob-
stacles we have continuously deplored in the activity of the interna-
tional institutions with the duty of contributing to the program of de-
velopment in the world are still considerable, in spite of the progress we
have been able to make in the last four years.

In this connection, the balance sheet of the Group's activities is en-
couraging, and for this we may commend Mr. McNamara, its dynamic
President, who can be proud of having kept his commitment to double
the amount of the lending by the Bank and its affiliates in the years
1969 to 1973 compared with the five previous years. To judge by the
statistical results of four years' activity, we may be justified in believing
not only that the promise has been kept, but that it can be substantially
surpassed.

For this we must pay homage to him publicly on behalf of all our
countries.

The efforts made by the Bank during these periods has greater im-
pact in that, over and above the comparative statistics of loans or cred-
its granted, the expansion of its financing has been accompanied by a
diversification of its spheres of action which, from first being agricul-
ture, education, and energy, have branched out into transport, infra-
structure, telecommunications and tourism, industry, and—most re-
cently—public health.

While insofar as this is concerned we have sufficient reason for satis-
faction, we must, however, emphasize there is still a great deal to be
done to ensure that the work thus undertaken can exert its full effect
on the economy of our States.

In view of the continuous decline of bilateral aid, it is to be feared
that the difficulties and dissensions of the rich countries will be re-
lected in an increasingly great restriction of multilateral aid, the vol-
ume of which hitherto dispensed is still too low. Consequently, it is
more than ever necessary that the developed countries consent to main-
tain and increase their contribution to the Bank's resources, especially
those of the International Development Association, so that those agen-
cies fulfill the role assigned to them.

We are convinced that the diversification of the lending of the Bank
and its affiliates will have beneficial results for our economies only if
such loans are big enough to permit the financing for each country,
over a long period, of programmed action covering several complemen-
tary sectors, on the model of the country programming system recently
adopted by the UNDP.
The formulation of a program of lending per country will improve the planning and distribution of the Bank’s resources, and, thanks to the assistance the Bank can give countries in drawing up such programs, will eliminate difficulties that some states with weak administrative apparatus encounter when they try to submit projects that meet the criteria enforced by these institutions.

This situation, it must be stressed, means that the Bank has more often channeled its loans into countries with the means for presenting skillfully formulated projects, while the most necessitous states have continued to suffer cruelly from a lack of international assistance.

As to the terms of the lending of the Bank and its affiliates, our first criticism must be leveled at the slow and cumbersome nature of the institutions, whose doctrinaire formalism is quite unsuited to the problems and needs of our continent.

And then, the mystique of economic yield, so dear to the Bank’s experts, unfortunately often causes them to lose sight of the indispensable social aspects of development.

It would be highly advantageous for the states of the Third World, most of whom are small, to implement as a priority measure a special procedure for the financing of small projects, of which they are the main initiators.

We here refer again to our proposals, often emphasized in the past, that our national development banks, whose structures could be reviewed with the assistance of the Bank, receive the necessary funds to finance numerous small projects which, for our states, are economically and socially almost as advantageous as large projects, and which do not, individually, meet the criteria laid down by the Bank for their consideration. We have noted with satisfaction the interest that President McNamara has increasingly shown in this matter and we hope that this question will be given priority in this period now commencing.

Another grave defect in the Bank’s assistance is the small share it takes up in the projects it finances, with the result that countries with very small budgetary resources have to bear the burden of substantial local expenses entailed by these projects. The measures provided in this connection by the development strategy program of the seventies for the less developed countries, consisting of relieving them of the burden of counterparts, could be advantageously put into application as soon as possible, if what is wanted is really to help these countries to carry out their investment programs.

Furthermore, the Bank’s use of high interest rates, now up to 7.25 per cent, precisely at a time when the immense needs of Africa for sources of financing cannot be satisfied unless the supplementary foreign aid it hopes for is granted on favorable terms, aggravates Africa’s already unbearable burden of indebtedness. From the picture they present, it is clear that few poor states are in a position to accept the terms
of the Bank’s loans. Thus, only widening the scope of the financing of
the International Development Association to which these states could
have access can resolve this serious problem of the cost of borrowing.
Here again arises the problem of that institution’s resources, which have
never been large enough to allow it to respond to the many calls made
on it.

On the subject of the policy of sectorial diversification adopted by
the Bank for its lending operations, I had occasion earlier on to speak
with satisfaction of this happy innovation. However, I did not omit to
emphasize the necessity of incorporating this policy—if it is to be effec-
tive—in an overall development program. To this I would add the neces-
sity, in defining these programs, of seeking in each case to make the
Bank Group’s lending program as well suited as possible to the specific
situation of each country, since they do not all have the same geo-
graphic or economic characteristics: some countries have difficulties in
the area of transport and a need to focus greater endeavor on the devel-
opment of outward communications; others lack water, and their need
is greater in the domain of irrigation for agriculture, and so forth.

By a selective policy, therefore, it should be possible to give the less
advantaged countries the priority support best suited to their needs.

It is with this in mind that, while rendering well-merited homage to
the Bank Group for the important endeavors they have made overall in
the transport sector, I cannot omit pointing out the inadequate finan-
cing in this sector in certain states of our area of issue whose landlocked
geographical position places the problems of channels of communica-
tion among the very highest priorities.

Accordingly, we hope that the Bank’s five-year plan for transport
will give priority to infrastructure road and rail projects that can open
up the landlocked countries whose efforts for development are almost
completely frustrated by this serious obstacle.

Before I finish, I should like very briefly to make a few comments on
the Bank’s new sphere of activity which, to judge by the position it is
given both by our Executive Directors in their report and by President
McNamara in successive speeches since 1968, threatens to relegate
many aspects of the Bank Group’s activities to a secondary position.

I refer to financing assistance for population projects, an endeavor
which we, for our part, might describe as a new formula for develop-
ment financing by subtraction.

While considering that the problem of overpopulation in the world
indeed constitutes a real danger that should be forestalled now, we are
nevertheless sure that the degree of gravity of this problem varies very
much from country to country so that, although it may be urgent for
some to adopt immediate measures to halt their rate of growth, others
will need to adopt exactly the contrary measures, to favor a more rapid
growth of the population.
We ourselves continue to regard man as a factor of production who, when cared for and educated, can usefully place his energy and his intelligence at the service of development.

It is for this reason that, while giving our most attentive support to the population program advocated by the Bank, we request that the degree of priority accorded to this program should not be the same for all countries.

It would indeed be a pity if, in the difficulties being experienced by the international community in organizing effective cooperation founded on the solidarity and mutual aid of all member countries—like the cooperation we knew after the Second World War which was the basis for the creation of the Bank Group—we should today decide to adopt a solution whose real aim is to encompass the destruction of a large number of the inhabitants of the Third World, as though this result had not already been attained by other, more direct, means, in whose execution the Third World was not consulted.

Please forgive me for having held you for so long and for having expressed some ideas which some might find too outspoken, too incisive, and probably also too down-to-earth.

I could do no other than express them, for they represent our deepest concern and our highest aspirations.

Finally, I cannot conclude without associating myself with the words of welcome spoken to the new members of the Fund and the Bank, and, on behalf of the five member States of the Central Bank of Equatorial African States and Cameroon, sincerely thanking the American Government for its hospitality and the cordiality of its welcome.

**Chile: Alfonso Inostroza**

*Governor of the Fund and Bank*

The Delegation of Chile has traditionally addressed this meeting through a spokesman appointed by common agreement of the Latin American countries to speak on their collective behalf. But this time we have chosen to address the meeting directly, as we consider that there are some singular features of our country’s present relations with the World Bank that should be brought to light. This decision of ours does not, of course, imply that we disagree with the general remarks made for Latin America by the distinguished Governor for Venezuela. We feel that we are most closely associated with the regional interests of Latin America and we share most of the views expressed on behalf of our region. At the same time, however, we think it will be useful to express with the utmost frankness our opinion regarding certain policies pursued by the management of the Bank which affect both our country.
and others not necessarily forming part of the so-called Latin American group.

Chile views with concern the discrepancy that appears to exist between the policy actually adopted by the Bank's management toward our country in the recent past and many of Mr. McNamara's words and comments at last Monday's meeting.

One of the subjects which the Bank's President particularly stressed in his address was the dilemma or conflict that apparently exists between rapid global growth in a country's economy and the improvement in similar terms of the income levels of its poorest sectors. On this point, he emphasized that it was the ineluctable responsibility of every government to adopt the reforms needed to prevent this unjust paradox.

The present Government of Chile has made a very great effort to overcome this problem. In 1971, after several years of economic stagnation, the overall rate of growth in our economy rose to over 8 per cent. The unemployment rate, which had been more than 8 per cent, dropped to under 4 per cent, a figure that compares favorably not only with the usual indices for developing countries but also with those for many highly industrialized nations. There has been a very notable improvement in the distribution of income, in favor, precisely, of the large low-income sectors of the population to which Mr. McNamara referred. Chile has implemented extraordinarily important and far-reaching measures to modify the distribution of wealth and economic power, measures which it was necessary to impose in view of the economic and financial situation of our country. The agrarian reform process has been expanded and accelerated. Productive sectors of a monopolistic type that were operating at a low level of their installed capacity have been brought under social ownership. Credit has been rationalized and made democratic, with the banking system being incorporated in the area of social ownership. The production of basic resources has been nationalized. Such production constitutes over 80 per cent of the value of our country's exports but, until now, accounted for a very considerable flight of foreign exchange owing to the excessive profits obtained by foreign enterprises which in certain years, as in the case of some U.S. copper producers, made profits of over 200 per cent in relation to book value.

The Government of Chile has carried out all these changes at a time when the price of copper, its principal export product, has shown a considerable decline. This resulted last year in a drop of approximately $200 million in Chile's foreign exchange receipts. In addition, there has been a large increase in world prices for fundamental import items and an increased demand for certain consumer goods that results from the improvement in the income of the poorest sectors, which has naturally had an effect on our balance of payments situation. This situation has been aggravated by the decision of various foreign sources, which have
traditionally granted financial assistance to Chile, to close their operations with our country.

At this time I want to refer only to the attitude adopted by the management of the World Bank, because this institution traditionally has constituted one of our country's most important bases of external financial support, and also because the World Bank is an institution whose multilateral character we believe it necessary to preserve, as we consider that the present attitude of the Bank's management not only affects Chile but foreshadows a dangerous negative trend that, to a greater or lesser extent, may affect a large number of developing countries.

In the 22 months of the present Administration, our country has received not one new loan from the World Bank, in spite of having submitted elaborate projects for its consideration. Examples of these are a project to develop fruit growing, of great importance to Chile and with substantial effects on its balance of payments, which has been under consideration since July 1970; a project for the second stage of a program of cattle breeding development, which was initiated with the Bank's cooperation and analyzed on the spot by a mission which visited Chile in January 1971; a power program under the responsibility of our National Electricity Enterprise (ENDESA), a sector in which the Bank has been active in Chile since 1948, i.e., for over 20 years, and for which the Chilean Government has had to resolve to seek other sources of financing so as no longer to suffer the prejudicial effects of the Bank's dilatoriness. These projects have the features of feasibility, financial return, and other technical conditions that fully comply with the requirements laid down in the Bank's Articles of Agreement and in its general operating policies. The projects are entirely in accordance with the purposes of development, which is stated by the Bank to be the primary objective, and in some cases their technical analysis has been completed in full by the management. And yet their presentation to the Bank's Board of Executive Directors has been held up.

The origin of this behavior is the situation resulting from the decision of the Government of Chile to nationalize five private U.S. enterprises which were exploiting our principal copper deposits, as senior representatives of the Bank have informed the authorities of my country, including myself. This nationalization was the result of a reform of the Constitution which received the unanimous favorable vote of the members of the Chilean Congress, a reform establishing procedures that are entirely in concord with the principles of international law embodied in United Nations Resolution 1803. In accordance with the Chilean Constitution, it has been agreed that these enterprises shall receive compensation based on their book value. In some cases, also in accordance with the Constitution, deductions have been applied on account of excess profits, taking as a reasonable level of profit a percentage which in practice amounts to 12 per cent a year. This process of determining the
amount of compensation appropriate in each case has not yet been formally completed. However, it is possible to indicate that, following decisions recently adopted by the Special Copper Court established by our Constitution for the formulation of claims in these matters, only some of the five large copper companies nationalized will not have a balance in their favor when the deductions for excess profits are applied. It should be added that one of the nationalized U.S. enterprises was not affected by this type of deduction as it had not obtained profits of this kind. Furthermore, there are no significant differences of opinion between that enterprise and the Government of Chile as to the amount of the compensation, and the amounts presently under discussion before the competent Chilean court are really minimal within the overall context of these proceedings.

What is really unusual is that the management of the World Bank more than a year ago—even before the companies actually concerned took the matter before the Special Copper Court—decided to suspend new loans to Chile and indicated to the Chilean representatives that it was Bank policy not to grant credits to countries that were in conflict with other member countries on account of nationalization of foreign investments. Even if the words of the Bank spokesmen were a trifle ambiguous, in one way or another they alluded to the existence of a Bank policy along these lines. Neither the Articles of Agreement of the Bank nor the resolutions of its Board of Governors or Board of Executive Directors have ever laid down a general policy of this nature. It is true that the Bank, unfortunately, has on various occasions applied restrictive measures vis-à-vis certain countries which have carried out sovereign acts of nationalization of their natural resources. However, this casuistic application of restrictions or difficulties in approval of financing for certain countries obviously does not amount to proof of the existence of a general Bank policy regarding nationalization, which would not, in any case, be appropriate as it is not a function of the World Bank to be the universal judge for interpreting or pronouncing upon situations that are governed by the domestic legislation of each country and by the principles of international law contained in the resolutions of the United Nations.

In the case of Chile, the Bank’s management acted in a manifestly precipitate and prejudiced manner, long before the Chilean copper nationalization process was the subject of a final decision in regard to compensation. We do not understand on what grounds or in virtue of what powers the management of the World Bank takes decisions which amount to pressure to affect the outcome of a legal case still sub judice and regarding which it is really only entitled to carry out certain analyses in the event that the nationalization measures were directly to affect the feasibility of projects submitted to it for financing. In acting as it did, the World Bank acted not as an independent multinational body at the service of the economic development of all its members, but in fact
as a spokesman or instrument of private interests of one of its member countries. In any case, it is obvious for us that if the nationalization of natural resources undertaken by Chile involved any conflict with the Bank's general development policies, the management of the Bank is not the proper authority to suspend financing for Chile, which should in fact be done, if occasion were to arise, by the Board of Executive Directors or the Board of Governors.

Among the immediate action items which Mr. McNamara mentioned in his opening address, and which we consider highly apposite, he failed, however, to mention one that is of fundamental importance, namely, the position of economic dependence of the developing countries occasioned to a considerable degree by the obtaining of excessive profits by big foreign consortia, which is just what the Chilean Government has sought to correct. Neither did Mr. McNamara refer to the clear necessity that the Bank's management should act with independent and objective criteria and, moreover, that matters of general policy for the Bank should be discussed and decided upon by the full Board of Executive Directors.

We are perfectly well aware that to maintain and expand its operations the Bank must necessarily resort both to the capital markets and to allocation of public resources by the developed countries, and that the possibility of it obtaining more funds depends on the attitude and disposition of the Governors for such countries. It is public knowledge that the government of one of the chief contributor countries to the Bank has differences of opinion with Chile regarding the nationalization of our copper. This is commonly known. However, the Bank is not expected to take sides in any differences of opinion between its member countries, and it should not be forgotten that one of its basic purposes is to foster the development of the most needy nations, that Chile is a member country which was one of the initial group of signatories to the Bretton Woods Agreements, that our country has always performed all its obligations to the Bank and that, obviously, Chile cannot be arbitrarily deprived of its rights as a Bank member country.

This dilemma with which the Bank appears to be confronted, between the desirability of not creating problems with any of its sources of funds, and on the other hand its obligation to pursue its fundamental purposes of cooperating in the efforts of the developing nations to achieve social change and economic growth, just has to be solved. It is not possible to make declarations of multilateral convictions if, at the same time, what is actually done in practice appears to indicate that international financial instruments are being used for the foreign policy ends of a particular country. The World Bank cannot be an instrument of bilateral policy of any of its member countries. If those responsible for its management do not deploy all their efforts, clearly and resolutely, in defense of this principle they will be committing a serious historical error and will, furthermore, be contributing by their passivity...
or indifference to a rapid deterioration of one of the most important instruments of international cooperation established through the collective efforts of a large number of countries.

If certain governments are not able to recognize this truth at the present moment, it is essential that the Bank should make a serious review of the arrangements for obtaining its resources, which originated from the ideas prevailing at Bretton Woods. If the views of Bretton Woods as regards the international monetary system are now subject to a searching review and certain to be changed, we do not see why the World Bank could not also initiate a comparable review of the machinery by which it obtains its resources, with a view to preserving its multilateral character. On more than one occasion reference has been made to the possibility of seeking mechanisms by which the funds of the Bank could be derived from fixed allocations from its member countries, in accordance with their economic capacity, and similar schemes.

As noted by President Allende at the UNCTAD meetings held in Santiago in April and May of this year, "the ideas of Bretton Woods which brought forth the World Bank and the International Monetary Fund were characterized by monetary systems, trade, and development financing based on the interests of a few countries--ideas which, in practice, have proved incapable of raising the living standards of more than half of mankind and are not even capable of maintaining the economic and monetary stability of their creators."

The Government of Chile, faced with a balance of payments situation governed by the factors already referred to, decided at the end of 1971 to renegotiate its external debt, the service of which was taking up over 30 per cent of the value of its exports. In this, as in other matters, our country received the timely assistance of the International Monetary Fund, which I wish here to stress and to recognize once again. Nothing of the sort has happened as far as the World Bank is concerned. The management of the Bank has declared on various occasions that while, in general, the Bank prefers not to take part in debt refinancing arrangements, it is prepared to speed up disbursements of loans already approved and to grant additional loans, which amounts in practice to supporting the balance of payments of the country concerned and a contribution similar to that made by the creditor countries taking part in the refinancing arrangements. The World Bank has not followed this policy with Chile, since it has not granted us one single loan, while Chile has continued punctually to meet its debt service obligations to the Bank. In actual fact, the disbursements now being received in respect of loans approved by the Bank before President Allende's Government took office are approximately equal to the payments we are making to the Bank. If no fresh credits are granted to us, the time will soon come when Chile's debt service payments to the Bank exceed the sums which it receives from it. The paradox would
then come to pass of Chile becoming a net exporter of capital to the World Bank, instead of the Bank assisting Chile. This would, of course, constitute a most flagrant and unacceptable negation of the necessity referred to by Mr. McNamara to increase the flow of financial resources to the developing countries.

Mr. McNamara sought to stress the efforts of the World Bank Group to achieve an improvement in the geographic distribution of its lending and investments. We are convinced, however, that these efforts will not meet with true success while the World Bank persists in interposing factors which are unrelated to the technical and financial circumstances of the projects when decisions are made regarding the financing involved. Of the slightly more than $3 billion which the World Bank Group loaned or invested in the past fiscal year, the Bank and IDA placed approximately $1 billion in the Western Hemisphere, excluding—of course—the United States and Canada. Of this total, 82 per cent went to three countries and not one single investment loan appears to have been made to Argentina, Peru or Chile. Can this be termed an equitable geographic distribution of the resources of the Bank and its affiliates? We recognize that a large number of factors, of varying natures, enter into these matters, but we wish to stress that there is no proper geographic distribution of resources at present and that this situation is in many cases determined by factors unconnected with those which should be uppermost in the Bank’s decision-making.

The Chilean Delegation has sought to state with all frankness and in the most constructive spirit the observations and objections that we have concerning certain policies followed by the management of the Bank. We believe that it is advisable to speak in this way, since only insofar as we do so will it be possible to refine and to perfect the valuable instrument of cooperation and development that the World Bank ought to be. If we are forthright in saying what we think regarding matters we consider should be reviewed, we are equally so in recognizing the progress achieved by the Bank in various fields of its operations, such as the greater emphasis placed recently on its activities designed to assist the education sector and agricultural development.

CHINA: KWOH-TING LI

Governor of the Bank

I have the honor and pleasure to associate Governor K. H. Yu and myself with other Governors in expressing my sincere appreciation to the President of the Bank and the Managing Director of the Fund, the officers and the staff of these two institutions, for their most efficient preparation and handling of the Annual Meetings. I wish also to take this opportunity to extend our warmest welcome to the delegations of
all the new member countries that have joined us since the last Annual Meetings.

I would like to begin by making some comments on the business of the Bank Group during the year under review. From the Annual Report, the total commitment made by the Bank Group as a whole for the economic development of member countries represents an increase of 19 percent over the previous fiscal year. Lending operations during the year virtually assured attainment of the goal established by Mr. McNamara shortly after he became president four years ago, namely, to double in five years the amount of development financing by the Bank Group in the period 1964-1968.

What is more significant than the lending statistics as mentioned above is the Bank Group’s deeper involvement with member governments in helping to analyze their more difficult development problems and find effective ways to solve them. In this effort, the Bank has greatly expanded its work on country economic reports, sector and special structure studies, project appraisal and supervision, research, and the collection and analysis of data. Staff time devoted to the Bank Group’s technical assistance to member countries has increased even more than the totals of lending.

It is gratifying to note from the Annual Reports that, during the fiscal year under review, the activities of the Bank Group have been widened in both geographical areas and in the nature of the projects. Above all, FY 1972 was the first full year in which all projects considered by the World Bank Group were subjected to expert scrutiny in terms of their impact on the environment. I noted that nearly all sectors and geographic areas were affected.

The social projects as enumerated above are by no means a less important means compared to traditional industry projects to elevate the skill and intellectual level of manpower and to raise in due course the standard of living comparable to that of more advanced countries.

Now I would like to pay my tribute to Mr. McNamara and his associates for their successful borrowings in the world capital market in FY 1972 which reached a new peak level, both in amount and in the number of issues sold. I am very pleased to notice a marked decrease in the Bank’s borrowing costs from the previous fiscal year’s 8.0 per cent to this year’s 7.38 per cent. With lower borrowing costs, I would like to see the Bank’s lending rate, which has continued at 7.25 per cent since September 1970, move in the same direction in the near future, thus sparing the developing member countries some interest burden.

With regard to the Bank’s internal reorganization, I was very glad to learn that the first phase will include the establishment of five new regional offices and a projects staff to replace the present area and projects departments. With the creation of a new operational structure, I would assume that it will provide at least two advantages. First, it will bring the Bank Group closer to the developing countries in a way that
will make the development effort more of a partnership process. Second, it will help reduce the internal frustrations by improving communications and increasing the speed of decision.

President McNamara's analysis of the problems confronting the developing world is most far-reaching. His moving plea also sets a goal which all of us Finance Ministers who are involved in the allocation of national resources through fiscal and taxation policies should keep in mind. . . .

. . . In concluding my remarks, I take the opportunity to express, on behalf of my delegation, our sincere appreciation and warm thanks to the host country for its generous hospitality and excellent facilities which make our visit most pleasant.

ARAB REPUBLIC OF EGYPT: MOHAMED A. MERZEBAN

Governor of the Bank

. . . The other point is that of the proposed link to be established between the allocation of special drawing rights and the provision of additional financial resources to developing countries. It is gratifying that the Report of the Fund Executive Directors has dwelt at length upon this question and reviewed alternative possibilities for achieving this objective, either directly or by the channeling of additional resources through development agencies. Our consensus is that we place particular emphasis on the realization of the link as soon as possible—which could as well be achieved by a combination of some of the alternatives suggested. In the meantime, we need hardly make the point that the global volume of development finance provided by the industrial countries should not be reduced as a result of the implementation of the link, especially the flow of official assistance which has fallen disappointingly below the target of the Second Development Decade. The deterioration in the terms and conditions of development assistance also confirms the need for the link which should be instrumental for the provision of development assistance on concessional terms. . . .

. . . While the consolidation of the overhang of excessively accumulated U.S. dollar liabilities is a prerequisite for the orderly functioning of the new system, countries should be left free to determine their preferences for asset composition. Moreover, we hasten to add that in devising such consolidation schemes, serious thought should be given to the channeling of a part of the excess dollar holdings to the developing countries. Transfer of such resources should contribute to a partial solution of the problem, while providing an additional avenue for development finance. . . .
We have already noted that the objectives of the reform should include appropriate priority for development problems and the mechanisms which will facilitate and ensure a greater transfer of real resources to the developing countries. Establishment of a link between the creation of SDRs and development financing should be one of these mechanisms. The reform today provides an opportunity for analyzing the results of the prolonged debate on the subject and deciding on the instruments to be adopted.

The Latin American countries and the Philippines clearly distinguish the difference there ought to be between the additional creation of liquidities in the monetary system and the mechanisms which render possible a redistribution of financial resources for development. They accordingly reiterate their conviction that such creation should continue to be based exclusively on global liquidity requirements; however, they believe that a part of it could be employed—without departing from the aims or affecting the functioning of SDRs—for additional development financing.

There are various proposals for the application of the link and each of them is susceptible to a number of technical variants. This is not the occasion for evaluating their relative merits, but we should like to mention some of the chief criteria on which such an evaluation should be based: (1) compatibility of each alternative with the effective operation of the monetary system and of SDRs as main reserve asset; (2) the extent to which each of them ensures the achievement of the purposes of the SDR system, the criteria for its creation and its conditions of acceptability; (3) the probable contribution that each one can make to the additional transfer of financial resources for development; (4) the relative value of these contributions, in terms of quality, cost and conditions of utilization of the resulting financial flows; and (5) the degree of certainty that they yield with respect to the timeliness and distribution of these flows.

The Latin American countries and the Philippines are convinced that a positive decision which has duly weighed these criteria will furnish the mechanism for additional transfers of financial resources to foster their economic development. This would demonstrate by deeds and not words the interest which the big industrialized countries claim so much to have in our peoples.

1Speaking on behalf of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Guyana, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Trinidad and Tobago, Uruguay, Venezuela, and the Philippines.
EQUATORIAL GUINEA: ANDRES NKO IVASA

Governor of the Bank

First of all I should like to express our sincere appreciation of the hospitality afforded us by the United States, and to welcome the new members of this institution.

At this time, when the financial world has undergone a major crisis that has left it highly unstable, with unfavorable repercussions on the volume of world trade, it is important to underline the urgency of the search for ways of stabilizing the international monetary system.

The inconvertibility of the dollar and the floating of sterling have caused an upset in the price system and in the volume of trade, and there is no doubt that this affects the industrialized countries within the competitive system of world trade.

The inflationary process in the industrialized countries, in which spending leads to non-economic actions as well as having repercussions on domestic prices, is giving a severe buffeting to the economic systems of the developing countries.

Thus the African nations, most of which are primary producers and exporters, have had to pay higher prices for the manufactures that they normally import, but have not obtained any corresponding increase in the prices of their exports. As a result, the goods they need for development are becoming daily more expensive, whereas income from their exports is steadily shrinking in real terms, and becoming inadequate to cover the purchase of the capital and consumer goods essential to the economy and the population.

In my own country's case, the national effort has not been matched by efforts in the nations with which it has long-standing economic ties, particularly in the sphere of trade. The products exported by Equatorial Guinea—and this is true of all African countries—are steadily declining in price, with a serious adverse effect on its trade relations and the purchasing power of its currency. Furthermore, when we remember that for many years to come my country will be essentially dependent on income from exports for its economic and social development, it is not surprising that the fall in the value of its sales abroad has an effect on what is available to cover the basic necessities of life.

Furthermore, the savings accumulated by the less developed countries in the form of reserves are, for the same reasons, losing purchasing power abroad, and the cost of their external debt is rising as a result of the de facto devaluations brought about by the floating of exchange rates.

There is no doubt that this situation breeds uncertainty, aggravating the problems facing the developing countries in their efforts to achieve greater economic well-being for their people.

The effects have been extremely detrimental to the Republic of Equatorial Guinea, because its dollar reserves have lost a substantial
proportion—around ten per cent—of their purchasing power abroad, while at the same time there has been a sharp drop—of more than ten per cent—in the price of its principal export, cocoa.

For the reasons mentioned, I support, on behalf of my Government, all efforts made with a view to providing the International Monetary Fund with mechanisms ensuring international monetary stability and, if this should lead to creation of additional special drawing rights, seeing to more equitable distribution of those rights, in the light of the development needs of nations which, like mine, have felt the impact of international monetary instability.

It is also the desire of my Government—and I believe that many Third World countries will share this view—that the World Bank and the International Monetary Fund, being the institutions which keep watch over countries' economies, use their good offices with the competent bodies in order that developing countries' export products will have some price stability in the international market. If the present rate of price decline continues, our countries' development process will be greatly impaired.

As regards the financing of investment programs or projects of developing countries, the World Bank Group should certainly re-orient its policy. It is imperative that this institution render its assistance, not on the basis of criteria pertaining to countries' political structures, but rather taking into account the priorities in economic development per se and supporting all projects that accelerate growth, so as to maintain an acceptable employment level.

My address may be summed up in two essential points. First, this Meeting should promote discussion and prompt establishment of mechanisms that will provide the International Monetary Fund with the necessary means to achieve stability of the international monetary system. Second, the World Bank should strive to make country development the sole criterion for lending, and should at the same time consider the degree of development of individual countries to help them set up comprehensive plans that will assure economic growth at an accelerating rate.

It is essential that the efforts of this distinguished Meeting be crowned with success.

ETHIOPIA: MAMMO TADESSE

Governor of the Bank

Once more we are meeting in this beautiful city of Washington, D.C., headquarters of our two institutions, to consider the results achieved

1Joint statement with the Governor of the Fund.
during the past year, to exchange views, share experiences and to review future prospects. I would like to start by expressing our deep appreciation to our host Government for their customary friendly welcome and the excellent facilities provided to make our work efficient and pleasant; and to congratulate the management and staff of the International Monetary Fund and the World Bank Group on the excellent reports and other papers submitted for our deliberations.

Our meeting last year was marked by an atmosphere overcast with uncertainty and crisis brought about by the suspension of the convertibility of the U.S. dollar into gold and imposition of a ten per cent import surcharge. We were all concerned about the impending dangers to the growth of the world economy, expansion of international trade, capital flows and retaliatory trade restrictions in both developed and developing countries. The adverse effects of these measures on the developing countries in particular were emphasized by many governors. In spite of these preoccupations, many governors looked upon that crisis—and rightly, I think—as a golden opportunity for improvements and reform of the monetary system which had become inadequate to meet the changed conditions of the last quarter-century.

Although the Smithsonian Agreement of December 18, 1971 has made it possible to achieve a realignment of currencies, albeit temporarily, the basic weakness of the world economic and monetary system and the non-effectiveness of the instruments available for management of national economies, especially in the industrial countries, remains a matter of grave concern for us all, in particular for those of us from developing countries. It is in this connection that I would like to touch briefly upon two interrelated and highly important issues, namely, the question of inflation and prices of primary agricultural commodities and prospects of export earnings of developing countries, which, in our view, are decisive for making a meaningful impact on development as well as for the proper working of the international monetary system...

... The inflationary pressures and the consequent monetary crises in the industrial countries have had more serious repercussions on the economies of the less developed, especially those exporting agricultural commodities. As indicated in the Fund Report, the volume of exports during 1971 of the less developed countries, excluding oil exporters, fell from an annual average of 6.1 per cent during the 1960's to three per cent during 1971. On the imports side, less developed countries, excluding oil exporters, maintained the level of their imports in 1971 at almost the same rate as the annual average of the 1960's while the value of the imports in 1971 increased markedly from 6.8 per cent annual average for the 1960's to 10.5 per cent. This deterioration has grave implications for the less developed as well as developed countries in terms of expansion of world trade, capital flows and debt service capacity of less developed countries. It is disconcerting to note that the ad-
verse movement in the terms of trade has become and is expected to remain a permanent feature of the economies of less developed primary producing countries.

Regarding the fluctuations of commodity prices, the sustained efforts at increasing agricultural production and diversification are bound to increase the supply of primary products and thereby, in the absence of rapid growth in demand and other offsetting measures, exert a downward pressure on market prices and thereby aggravate a situation which is already far from satisfactory. While the formal arrangement made by the Bank for consultation with intergovernmental commodity organizations is a step in the right direction, other concerted action to avert or mitigate the effects of these adverse developments needs to be taken at intergovernmental and international levels. In this connection, we would like to urge the Bank and the Fund and member governments to take the steps necessary to implement the Resolutions of UNCTAD III on the role of the Bank, stabilization of commodity prices, supplementary financing, special measures in favor of the least developed among developing countries, as well as the Resolution on the role of developing countries in the reform of the international monetary system, respectively.

Despite these difficulties and crises in the monetary field, we take encouragement from the establishment of the Committee of 20 Governors on Reform of the International Monetary System and Related Matters, representing both developed and developing countries, in which the developing countries have for the first time the welcome opportunity to participate in the reform of the international monetary system. We hope that the Committee of 20 will start its work without delay and pursue with diligence its efforts toward a viable international monetary system that will secure stability with real growth in employment and income for the whole world.

With respect to the importance of the replenishment of IDA resources, we would like to endorse the view expressed in the Annual Report that the “Group’s ability to assist the poorest among its members depends heavily upon the availability of adequate funds” which can be provided only on concessionary terms. It is true that, were it not for advance contribution by some governments to the Third Replenishment of IDA resources, the Group’s ability to increase the flow of resources to our countries would not have been possible.

With respect to the reorganization of the operational activities of the Bank, we would like to commend the historic and timely action taken as a step in the right direction. We hope that this will enable the Group further to improve the quality of the Group’s assistance to its less developed members in terms of improved efficiency and coordination and more effective regional and country missions. We welcome, in particular, the steps taken to bring the area and project activities under one umbrella, which we hope will enable us better to appreciate our devel-
development problems from not only the project, but also the overall, point of view.

In conclusion, I would like to stress the point that problems in the monetary, trade and development finance fields are so interrelated and interdependent that no lasting solution can be found to any one of them separately without a concerted action on all fronts. This underlines the need for international cooperation in a spirit of give-and-take for the common interest of not any one single group but of all groups and for all mankind.

FRANCE: VALERY GISCARD D'Estaing

Governor of the Fund and Bank

... Today I have discussed the problems of development only from the monetary angle. This is because I do not want to impose on your time and patience, or repeat what I said in detail at Santiago. I will restrict myself to two observations:

Following the United Nations Conference on Trade and Development, it is vital that the resolutions adopted be followed up in concrete form. In this connection it is urgently necessary for the Bank Group actively to participate in the financing of the buffer stocks that will be instituted under the commodity agreements, as was decided in principle by a large majority.

Second, now that the question of the Third Replenishment of the International Development Association is settled, it seems to me necessary to begin the negotiations on the next stage without delay. To be properly effective such replenishment, in our opinion, should in future be effected over five-year periods.

For the accomplishment of these tasks I am glad that we have had the collective wisdom to retain at the head of our institution Mr. McNamara, to whose wide experience, outstanding qualities of imagination, efficiency, and, perhaps, above all, of ardent faith in his task, we are happy to pay tribute.

In my country I am often accused of being an optimist. I bear the accusation willingly. First, because it is justified. And then, because it is an expression of confidence in the superiority of the forces of progress over those of aggression or regression. The entire history of mankind bears witness to this superiority. At this meeting I believe we have heard, expressed by each participant with his particular stress and viewpoint, positive indications of our willingness to progress. Let us hope that the brain will not belie the promises of the tongue, and that in coming years we shall be able to conceive and put in operation the monetary system of a world that is in search both of security and of evolution.
THE GAMBIA: S. M. DIBBA

Governor of the Fund and Bank

... We support the proposal to create a link between SDRs and development finance, a subject which has been debated during the last few years. I fervently express the hope that by the time of the next Annual Meeting agreement will have been reached, at least in principle, to establish the link.

I should now like to turn to the affairs of the World Bank Group. My delegation would like to congratulate the President and staff of the Bank for their excellent achievements within the last few years. We note with satisfaction the steady increases in the World Bank Group lending operations in Africa. We welcome the somewhat overdue Third Replenishment of IDA and we are very encouraged by the statements of some of the Part I countries who have said that negotiations for the Fourth Replenishment should start as early as possible.

We welcome the increasing interest being taken by the World Bank Group in the fields of tourism, aviation and livestock and hope that similar interest will be taken in fisheries and in the promotion of small-scale industry.

There is no doubt that the problems of the developing countries are formidable, but we are confident that under the continued leadership of Mr. McNamara the World Bank Group will continue to make heartening advances in a growing number of developing countries, as a result of both technical and financial assistance from the Bank to these countries.

GERMANY: HELMUT SCHMIDT

Governor of the Bank

First of all I wish to thank Managing Director Schweitzer, President McNamara, their respective staffs and the Executive Directors: they have not only made important contributions to the overcoming of last year's monetary crisis and to greater efficiency in developing aid. They have in their opening statements yesterday also laid significant and valuable foundations for our discussions this week. And I fully agree with Mr. Schweitzer's concluding sentence that all of us need to take inspiration from the principles of cooperation. May I add as well that I share the personal opinion of the British Chancellor of the Exchequer regarding the great public service of both Mr. Schweitzer and Mr. McNamara...

... In the context of the policy of the World Bank Group, my Government attaches special importance, as in the past, to the activities of
the multilateral financing institutions and I want to refer to the high proportion of multilateral assistance in official overall German aid. In 1971 it amounted to 28 per cent. Recently, we have supported the doubling of IDA funds; our first installment had been made available even before the agreement went into effect. I may say that Germany will, to the best of its abilities, participate also in a Fourth Replenishment of IDA funds.

The intended expansion of the Bank's activities will entail a sharply increasing need for funds. The opening of new capital markets in other countries already shows a promising beginning, and such activities will have to be pursued with due emphasis.

In the fiscal year just ended, the World Bank itself has been able to raise almost DM 1.3 billion in the Federal Republic. Thus, Germany continues to be second in the list of the World Bank's refinancing partners.

I note with satisfaction that the volume of assistance of the World Bank Group has been increasing substantially over the past years and will continue to do so. In addition, growing emphasis has been placed on social aspects, such as income distribution, unemployment, and population growth. This is reflected in an impressive manner in Mr. McNamara's opening statement. Indeed, all our combined efforts would be in vain if we were to fail in finding an optimum combination of economic growth and social justice. We are confident that the initiatives the World Bank is going to undertake will lead to fruitful solutions.

Let me restate briefly my Government's concept with respect to development aid problems. We will direct more official aid to those areas where the need is greatest. We will pay special attention to the needs of the least developed countries.

The improved conditions of German capital aid announced this year demonstrate my Government's firm intention to appreciate the desire of the developing nations for an increased float of capital on concessional aid terms. This will also help to mitigate the problem of indebtedness.

My Government feels that foreign private investments in the developing world have an important role to play in the cooperation between the developing and the industrialized nations. This presents a real opportunity as well as a challenge to the developing countries: to make proper use of this instrument by adopting appropriate policies vis-à-vis foreign investment.

On the other hand, the industrialized countries must assist the developing countries to find outlets for their products in the countries of the industrialized world. My Government will continue to see to it that development efforts are supported by liberal and non-protectionist trade policies in order to pursue policies "designed to create a more just and rational world economic and social order."
Finally, I would like to say a word to our host nation. We are grateful for the thoughtful considerations which President Nixon yesterday contributed to the deliberations of this meeting and especially so because of his strong stand against isolationism and bloc-building and in favor of free trade. His views on world tension and his efforts to bring about détente are well accepted. We very much welcome the U.S. Government’s effort to end the Viet-Nam war and thus to contribute also to the re-stabilization of the international monetary situation.

GUYANA: FRANKLIN E. HOPE
Governor of the Bank

I wish, first of all, on behalf of the delegation from Guyana, to welcome the new members to the Fund and to the Bank. It is also my wish to express our satisfaction and appreciation for the hospitality to which our delegation and other delegations have been so generously exposed.

I join my fellow governors in paying tribute to Mr. Schweitzer and Mr. McNamara for the excellent work which they both have done over the past year. It has been a most difficult year for the management of the Fund and the vigor and courage with which the leadership of the Fund tackled the many monetary problems which arose is most commendable. Mr. McNamara’s genuine interest in, and his continuing efforts to promote, economic development and improved living standards for the poor peoples of the world have always impressed us and his statement delivered two days ago to this meeting once again indicated his concern.

The 1972 Report of the World Bank and the International Development Association records a year of increased lending to the developing countries of the world and the virtual achievement of the target of doubling the amount of development financing by 1973. While the achievement of global targets by the Bank Group offers a measure of satisfaction to the people of the developing world, of even greater significance to us are the increases in lending to the more needy countries among us. We observe the sectoral emphasis which now guides the lending policy of the Bank. We consider that, as agriculture in particular offers tremendous scope for rural development, Bank lending in this area is likely to have the greatest impact on the development of the poorer countries of the world. It is imperative that the people in our rural communities enjoy a more satisfactory standard of living. In some of our countries, the bulk of our unemployed and underemployed resides in these rural communities and the expansion of agricultural opportunities will make it possible for them to contribute in an increasing degree to the growth of the national output. But additional employment opportunities must
also be provided in the field of industry, if all of our unemployed are to be productively employed. In most of our countries substandard housing is prevalent, and efforts made to spread the benefits of development founder on the rocks of poor housing. In the past there has been much reluctance on the part of the Bank to lend for housing development. But a dynamic program of housing construction can stimulate industrial activity and the exploitation of resources, such as forestry. It is the hope of developing countries like my own that Mr. McNamara’s proposals for the financing of low-cost housing by the Bank will soon become a reality.

The Report has also noted the changing pattern of lending to the developing world. Whereas previously the bulk of official assistance came from bilateral sources, today the emphasis is shifting to lending through multilateral institutions. There is evidently room for greater quantities of development finance from both sources, and in my country we have been approaching this question in a pragmatic way—accepting and encouraging capital flows from both sources, provided that the terms are consonant with our national aspirations and development objectives. We have, at the same time, sought to mobilize our own resources—financial, human and physical—accepting the premise that the development of our resources is the responsibility, in fact, the task, of our own people.

The desire of donor countries to channel their assistance through multilateral agencies by contributions to such agencies and the purchase of their securities provides these agencies with resources which the developing countries need. But in a situation where two-thirds of the world is still existing in conditions of grinding poverty, it is most disappointing that even the modest targets for the flow of development finance to these countries have not been achieved. This suggests that contributions to the resources of the multilateral agencies must either be expanded, or supplemented by continued bilateral capital flows. In this regard, it is a source of some disappointment that even now, when we should be considering the Fourth Replenishment of IDA funds, the Third Replenishment is not yet fully effective.

One of the more significant statements in the Bank’s Report was to the effect that there has been a deterioration of the climate for private investment in some countries. But it is not that the climate has deteriorated, but rather that the terms on which private foreign investment previously participated in development have so frequently been found to be inconsistent with the principles of economic justice for our peoples. More and more, the developing countries are seeking to control for their legitimate benefit the exploitation of their resources. This trend is in harmony with the declarations of the United Nations, the United Nations Conference on Trade and Development, and other similar bodies. The problem is this: private foreign investment is not always appreciative of the just aspirations of our peoples and thus finds great difficulty
in adapting its policies to those of the countries in which they seek to operate. Our countries have become more aware of the necessity of being fully involved in our own development so that development can be real and not illusory. Thus the supposed deterioration of the climate for private investment merely reflects the resolve of the developing countries to control more meaningfully the development of their resources for the benefit of their own peoples. . . . . .

. . . The recognition that economic development is a world concern must be translated into action on all fronts to speed up its achievement. We therefore endorse the need to link issues of SDRs with development needs. . . .

INDIA: Y. B. CHAVAN
Governor of the Fund and Bank

I would like at the outset to thank you, Mr. Chairman, and the chief executives of our two institutions, Mr. Schweitzer and Mr. McNamara, for the inspiring addresses which have set the tone of these meetings. I consider it also a matter of particular pride and privilege to be able to welcome in our midst the distinguished representatives of our great and friendly neighbor, Bangladesh, whose heroic people have emerged into new nationhood after much trial and tribulation, to join the international community with dignity and honor. We also welcome representatives of other new members—Bahrain, Oman, Qatar, the United Arab Emirates, and Western Somoa, and the observers from Romania.

This year, India will be participating for the first time in the election of directors; and I am happy to say that we shall be exercising this privilege jointly with Bangladesh and the Republic of Sri Lanka. . . .

. . . In particular, the reform of the international monetary system must facilitate both a progressive expansion and diversification of exports of developing countries and a transfer of financial resources to these countries in accordance with the aims and objectives of the International Development Strategy for the Second United Nations Decade.

In this connection, I would once again urge the acceptance of a link between SDRs and additional development finance. When I speak of a link, I am not referring to proposals like some direct additional allocation of SDRs to developing countries with or without an increase in their relative share in Fund quotas. An increase in the relative share of developing countries in Fund quotas, and consequently in the management of our institutions, is necessary in any case. I made a reference last year to the gross imbalance in the degree of influence that the developed countries exercised in the decisions of the Fund. More than 100 countries in the Fund exercise voting rights of only about 26 per cent, while about 10 industrial countries exercise more than 62 per cent. Such a gross imbalance, it seems to me, would not be conducive in the long run to the evolution of a satisfactory type of mutual coopera-
tion between the developed and developing countries. I do hope, therefore, that the coming discussions on international monetary reform will also include questions such as the relative share in quotas and voting rights and the institution of appointed directors. But the case for a link between SDR creation and development finance rests on altogether different considerations of equity, viz., that at a time when the provision of development finance is so grossly inadequate and the provision of even the limited funds hitherto available is so uncertain—as is clear from the experience of replenishment of IDA funds—it makes sense for the richer countries to part with at least a portion of their SDR gains to add strength and greater sense of continuity to institutions like IDA. There is no point in confusing this with other desirable objectives like an increase in the relative share of developing countries in quotas and voting rights. . .

. . . While we continue to search for a durable and equitable world monetary system, we should not ignore the long-range problems of development which are the concern of the World Bank Group. We are happy that the World Bank has played its role in the midst of all these changes, which have taken place since we met last year, with commendable regard to the high values to which we are all dedicated. We are happy that Mr. McNamara has been able to accept a second term of office and we welcome his continued dynamic leadership and vision of a liberal world order. He has lost no time after his re-election in bringing about changes in the organizational structure of the Bank which we hope will make the World Bank Group an even more effective instrument of development than it has been in the past.

We are glad to see the continued growth in the World Bank’s volume of lending. At the same time, the fact that the operations of IDA had virtually come to a standstill owing to delay once again in the ratification of the Replenishment of IDA funds requires careful consideration of the whole procedure for obtaining funds for IDA. We appreciate the action of the management and the Board in continuing to appraise and to negotiate credits pending availability of funds; and we are grateful to all those countries which made advance contributions to avoid disrupting IDA operations to the maximum extent possible. Against this background, you can well imagine how happy I was to learn on my arrival in Washington that the U.S. Congress had completed all necessary action for making the U.S. contribution to IDA effective, and I would like to congratulate and thank my colleague, the U.S. Treasury Secretary, for bringing this matter to a successful conclusion in time for this meeting. At the same time, I cannot help reiterating the point I made last year that the Executive Directors should consider ways of securing a more stable arrangement for the funding of IDA in future. And it is not too early to start thinking about the Fourth Replenishment.

We have seen, in the past few years, the evolution of new ideas and concepts in the broad area of development policies. There is now ample evidence to suggest that economic policies which focus mainly on rais-
ing the rate of growth of aggregate GNP may by themselves prove inadequate in dealing with problems of poverty. Thus, policies for accelerated growth have to be accompanied by effective measures designed to improve income distribution and to generate new employment opportunities on a large enough scale. We are convinced that, without an equitable distribution of the fruits of economic progress, development cannot be sustained on a long-term basis.

We have always firmly believed that economic growth of developing countries is primarily the responsibility of these countries themselves. Development cannot be imported from abroad, even though it must be recognized that pursuit of liberal trade and aid policies by the developed countries can add considerably to the effectiveness of developing countries' efforts for domestic resource mobilization. It has been our policy to accept external assistance, provided it is available without any strings attached to it. However, we have always recognized that dependence on aid must not become a permanent feature of our national economic life. Accordingly, our plans lay a great emphasis on a speedy movement toward the objective of self-sustained growth. There is no doubt that, in poor societies, achievement of self-reliance must involve tough, and at times painful, decisions for effective mobilization and utilization of domestic resources. However, living as we are in a world in which international aid mechanism is to a large extent a political mechanism, developing countries have perhaps no alternative to achieving self-reliance as soon as possible.

In this connection, I would like to point out that a situation in which even current levels of gross aid cannot be sustained while debt service payments are steadily increasing is liable to give rise to serious crises which may not only disrupt orderly implementation of intrinsically sound development plans in debtor countries, but may also undermine confidence in the international credit mechanism itself. There is urgent need for the international community to devise a new set of rules for an orderly re-scheduling of past debts. Multilateral institutions like the World Bank Group have a major role to play in this matter in the coming years, both indirectly in relation to debt obligations on their own credits, and indirectly by providing leadership to other creditors.

We are happy to find that the Bank's policies are also increasingly emphasizing the need for employment-generating projects, the need for paying greater attention to the problems of backward regions, the need to look after nutrition, urban growth, institutional changes including land reform, and generally to develop human resources of developing countries. This is in keeping with our own priorities and our own view of an appropriate development strategy. But there are other areas, such as the need and scope for international tendering, particularly in regard to civil works, where I feel that a certain amount of inertia may have crept into the thinking of the Bank. I would not like to commend to Mr. McNamara the example of the Fund and invite him to set up a
Committee of Governors to review and reform the procedures and policy guidelines for the Bank. But I do think that when on any issue a virtual stalemate is reached because the procedures of the Bank run counter to the considered judgment of some if not most developing members, who after all know where the shoe pinches, there should be a readiness to settle the matter in a pragmatic atmosphere of give-and-take, leaving history to take care of revealing the ultimate truth.

In conclusion, may I say that for many of us in the developing world, the present is a very crucial phase in testing our faith in the spirit of international economic cooperation. After 25 years of active effort and not inconsiderable success, we witness once again a clear assertion of political considerations in matters relating to development finance. Even before the exercise in international monetary reform has got off the ground, there are more than mere murmurs to the effect that it is not so much the forces of reason and persuasion, but of power and influence, which will ultimately swing the conclusion this way or that. Just because we are poor, our judgment or views are not necessarily more clear-sighted. But we do know that international economic cooperation means much more to us than to those for whom affluence is already becoming a burden. To the best of our ability and strength, we shall, therefore, strive to keep alive the spirit of true cooperation seeking the light of reason and goodwill from wherever it shines and shunning all other enticements or pressures which we know to be of no more than mere transient relevance.

INDONESIA: ALI WARDHANA

Governor of the Fund

Before presenting to you the comments which I would like to make, may I, first of all, extend warm words of welcome to the Governors of Oman, Bangladesh, the United Arab Emirates, Bahrain, Western Samoa and Qatar, who are today with us for the first time representing their countries in the Fund and the Bank. It is also a pleasure to note the presence of representatives from Romania who, as observers now, in due course will be seated as members of our community. They join our ranks at a crucial moment; with us they will share the burden and the opportunity to restore monetary order in the world and a better climate for the development process.

Economic development which is the objective of all countries, developed and developing alike, has always been interrelated with the international monetary situation. In periods when the monetary system functions normally the interdependence between the two is hardly perceptible and usually taken for granted. But the moment that one or two important currencies start to get out of hand their movements threaten to impair the process of economic development.
Last year, not one or two but all major currencies, including the one on which the whole post-war monetary system hinges, showed fluctuations which eventually became uncontrollable. The Bretton Woods system based on the notion of par values shouldered by the United States dollar broke down to make way for floating rates.

The implications for the development process are many. For one, it became more difficult for developing countries to make calculations for their development budget and for normal trade transactions, especially those of a long-term character. Moreover, the underlying inflationary conditions causing the instability of exchange markets tended to increase prices of necessary imports without simultaneous increases of the prices of their exports. The reason for it is that cyclical developments in many industrialized countries in the recent past resulted in decreasing demand and consequently in important reductions of the prices of major primary products, with the exception of oil. Furthermore, apart from dwindling export revenues and more expensive imports, the flow of capital, still needed for a long time to come, stagnated because the willingness to transfer capital to the less developed countries diminished under circumstances of unsettled monetary conditions. These were a few—not all, by far—of the effects of the international monetary situation which started in the course of 1971. The Smithsonian Agreement of December 18 restored some degree of order, but that order proved to be highly unstable, as demonstrated by the floating of the British pound and the continuing increase of the price of gold.

It is remarkable that a development institution such as our World Bank and its affiliates was able, under the extremely difficult monetary conditions of last year, to present to us a highly satisfactory record of its lending operations in the developing countries. The illuminating Annual Report covering the year 1971-1972 shows an all-time record lending of over US$3 billion. This achievement was the fruit of previous energetic actions which succeeded in raising capital for the Bank’s operations and in obtaining advances for its loans by the International Development Agency. Lending to the private sector through the International Finance Corporation, too, increased. Without the leadership’s foresight, bold planning and unwavering determination to render assistance to the poor and poorer countries of the world, the Bank’s achievements would not have been possible. My own country received a fair share of the Bank’s operations, for which I would like to express my Government’s appreciation and gratitude. I believe that the developing world as a whole is indebted to President McNamara for the splendid manner in which he has conducted the business of the institutions entrusted to him.

It is not only the magnitude of the Bank’s operations which deserves praise. The Bank also showed a keen awareness of other needs. Unemployment remains an endemic phenomenon, as also the problems related to a fairer distribution of income and population control, not to
speak of urbanization, education, environment, and the need of generating an indigenous entrepreneurial class. In all these fields, the Bank gave and continues giving assistance to governments of developing countries. In this respect, I would like to suggest that the Bank pay attention to the cooperative movement in developing countries. The position of small producers in those countries would be strengthened if they could bundle their forces in cooperatives which would enable them to reap the full benefit of their hard labor. My Government, for one, sees in cooperatives an important means of involving the small man in the development process in a meaningful manner and we would welcome assistance, both technically and financially, from the Bank and other sources. Cooperatives would guarantee a higher income to the small producers, especially because they could become increasingly independent from the middlemen and money lenders. Finally, cooperatives will automatically involve the rural areas in the development process.

If the Bank and its affiliates were able to ride out last year’s monetary storm, one should not forget that the full impact of that storm has still to be felt. With respect to the flow of needed funds for IDA, we are glad to learn that the process of replenishment has been completed so that the Bank will be able to continue its soft lending in amounts needed by so many among the poorer countries.

Another condition, of course, has also to be fulfilled, namely the removal of the unsettled monetary conditions at present prevailing after the breakdown—or should one say the break-up—of the Bretton Woods system. This will facilitate the change of attitude necessary for a larger flow of funds to the needy countries.

... There must be a possibility of establishing in a reasonable manner a link between special drawing rights and development financing.

IRELAND: GEORGE COLLEY

Governor of the Fund and Bank

... Numerous schemes have been proposed for establishing a link between the creation of international liquidity through SDR allocations and the provision of development finance for the less developed countries. The total aid being made available at present to these countries can give no cause for satisfaction. Every effort should be made to secure a substantial improvement in both the amount and quality of aid. For this reason, I favor a link between aid and SDR allocation and I am glad to see that the Fund is actively pursuing a study of this subject. While at this point in time it does not seem desirable to have a direct link, it should be possible, without much delay, to devise a mechanism the objective of which would be to channel aid to these countries in a manner related to total SDR allocations without at the same time adversely affecting aid from other sources. ...
... Turning to the World Bank Group, I find much of interest in the latest reports. In the record of achievements I am struck by the progress made towards meeting the Bank's five-year program, and by the wider approach to development assistance which has been evolving for some time; examples of this are the greatly increased expenditures devoted to educational and agricultural development. This relatively new emphasis should make a valuable contribution toward the more balanced growth of the benefiting countries.

Perhaps one of the most significant events of the past year was the comprehensive review of the Bank's organization and operating procedures. The speed at which this review was carried out and far-reaching decisions taken is most commendable. The closer liaison now envisaged between the project departments and the area staff is, I think, a move in the right direction. I congratulate Mr. McNamara on his readiness to take action in the interest of increasing the Bank's effectiveness.

ISRAEL: MOSHE SANBAR

Governor of the Bank

I deem it an honor and a privilege to have the opportunity to address this assemblage as the Governor of the World Bank for Israel. From knowledge of the World Bank's activities over the years and of its attainments in this last year, I can sincerely state that our congratulations to Mr. McNamara and the entire management of the World Bank on their achievements are more than amply warranted.

We would be ignoring the evidence of our own eyes if we did not acknowledge that, over the last decade, progress has been made by many of the developing countries, both in the economic and in the social sphere. Certainly the Bank Group has played an important role in this progress. But, while recognizing that progress has been made, we cannot but acknowledge a second, and far less heartening truth: that the achievements of the World Bank Group in expanding development aid are not being matched by parallel increases in official development assistance outside the framework of the Bank Group.

In Santiago a few months ago, in his evaluation of the First Development Decade and in his prognosis for the Second, Mr. McNamara stated:

"If the state of development today is unacceptable—and it is—we must not waste time looking for villains in the piece, or even worse, waste energy in fruitless confrontation between rich nations and poor nations. Rather, the entire international development community—all of us—must promptly move forward with practical measures which are conceptually sound, financially feasible, and which can command the requisite public support."

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Mr. McNamara's advice to us is very well taken, and as we try to follow it we should not hesitate to be innovators. In seeking new solutions to the problems confronting us, I venture to suggest that each proposal could well be tested against a basic guideline: will it increase the real flow of development aid to developing countries at a reasonable cost without impinging upon their freedom of action?

As the last decade has shown, the socio-economic progress of many developing countries is often closely bound up with their advancements in industrialization. Without the expansion of industrial exports, however, industrialization has sometimes led to far from positive results: all too often, overprotected industries geared solely to meet the internal demand of the developing country have proved to be uneconomic. It is, therefore, small wonder that Mr. Ortiz Mena, the distinguished President of the Inter-American Development Bank, recently stated: “. . . special emphasis must be placed on two closely interrelated fundamental fields of economic concern: the industrialization process and the expansion and diversification of exports.”

There are, however, developing countries which have succeeded, through great effort on their part, in climbing the first rungs of the development ladder. They have, through industrialization, lessened their dependence upon primary product markets. They have, through exploitation of their comparative advantages, succeeded in producing manufactured goods which, in terms of price and quality, can compete in the world market, and particularly in their most natural market—that of their fellow developing countries. But, for these developing countries, the expansion of industrialization is severely hampered by the problem of export credit financing, particularly where exports of capital goods and services, entailing medium- and long-term credits, are involved.

It is our considered opinion that a solution to this problem could be found, to the benefit both of the developing countries which import capital goods and services and the developing countries which export them, which would entail relatively very few funds. The solution which we propose entails establishing within each regional development bank, in cooperation with the World Bank, an export credit guarantee facility for trade between developing countries. It should be made clear, at the outset, that the operation of an export credit guarantee facility would supplement, but in no way supplant, normal contractual procedures in international trade.

Based upon its knowledge of the economic conditions and prospects of its member countries, each facility would undertake to guarantee, in part, promissory notes issued by (or guaranteed by) the central bank of its member country, where such notes arise from a member country's receipt of long- or medium-term export credits from another developing country. Such credits, evolving from trade in manufactured and capital goods and services which have originated in the exporting developing country, would have to conform to internationally accepted standards as to terms and conditions of trade.
While application for the facility’s guarantee would be made by the importing member country, the country extending the long- or medium-term credits could be any developing country. Promissory notes guaranteed by the facility would be freely negotiable. Possession of such guaranteed notes would permit the developing exporting country to obtain reasonably priced financing for its industrial expansion in the international market, thus opening up a new and as yet untapped source of additional development funds.

While the export credit guarantee facility is envisaged as being an integral part of each regional bank, the World Bank could play a decisive role in fostering the program by undertaking to re-guarantee at least half of the total sum guaranteed by each facility.

Consensus can undoubtedly be achieved concerning both the importance to developing countries of expanding industrialization and exports, and the paucity of adequate funds available for this purpose. The creation of the proposed export credit guarantee facilities would do much to foster the first without aggravating the second. But perhaps of far greater significance, in the long run, is the fact that the establishment of the proposed facilities would create conditions under which the developing countries could avail themselves, on reasonable terms, of a new and as yet unexploited source of development funds—the international capital markets.

Bearing this in mind, I would like to request that the World Bank undertake to study the possibility of creating an export credit guarantee facility for trade between developing countries.

Differences of opinion are known to exist as to whether or not export credit financing should constitute part of the World Bank’s role. Although I have no intention of entering into a discussion of this question, I raise the subject solely because one of the essential features of the proposed export credit guarantee facility is that the World Bank and the regional development banks would not be called upon to finance the export credits of developing countries, but rather to guarantee the financial obligations of the importing developing country. The difference is not semantic but intrinsic, as can be clearly seen from the salient features of the proposal:

(a) The funds required by an export credit guarantee facility are only a small fraction of those which would be necessary for the direct financing of export credits. The guaranteeing of credits would thus entail no real diversion of funds from much-needed development assistance.

(b) The possession of guaranteed promissory notes would permit exporting developing countries to obtain financing on reasonable terms in the international capital markets. For the developing countries, the guaranteeing of credits would thus open up a new and as yet unexploited source of funds.
The export credit guarantee facility does, I trust, meet two of three criteria laid down by Mr. McNamara: it is a practical measure which is "conceptually sound" and "financially feasible." It is my sincere hope that it will also be found to meet the third and will "command the requisite public support." The proposal does, I believe, conform to the suggested basic guidelines: it would increase the real flow of development aid to developing countries at a reasonable cost without impinging upon their freedom of action.

Despite the obvious differences between developed countries in terms of their social, economic and political institutions and traditions, sufficient homogeneity exists to permit their attaining a relatively high degree of mutual cooperation and organization, particularly in the economic sphere.

The developing countries, on the other hand, are an extremely heterogeneous group, making socio-economic cooperation, which is an integral part of overall development strategy, all the more difficult. The initiative which the Bank Group has taken in creating the framework and tools of economic development has thus served to meet a felt need. Continuation and expansion of this initiative will, therefore, be most welcome.

In this respect, the proposed creation of regional offices—a move heartily endorsed by my country—could serve as an important step forward. A more direct contact between the Bank Group and the developing countries could be of benefit to the latter in assisting them to achieve sound overall development strategy, both on the national and on the regional level. Some developing countries, my own among them, have at some stage fallen into the error of allowing emphasis upon development of a particular sector to eclipse the needs of other sectors; and this lack of coordination can prove to be costly, both socially and economically.

In our concern with the flow of development funds we should not lose sight of a factor of no less importance: the need to maximize exploitation of those development funds which are available. This problem accompanies all planning stages and is an essential component in efficient overall development strategy. It must come into play not only in the initial examination of the comparative advantages of investment in various sectors but also in the coordination of different planes of development in the short and long term, as well as in the evaluation of the actual implementation of projects. In this matter the Bank Group has given much needed assistance not only through the devoted work of its staff in direct contact with the developing countries, but also through its Economic Development Institute and technical assistance programs. To these can now be added the recently published Sector Working Papers, which, while dealing with specific subjects, have nevertheless clearly kept in view the interrelationship between the various sectors in overall development.
It is perhaps only natural that in the last two decades our attention has been focused to a large extent upon the problem of the availability and terms of development funds. In relation to the flow of funds, the Horowitz Proposal, presented by my predecessor, for the establishment of a multilateral interest equalization fund, is well known. Although there is still hesitation on the part of some concerning the full implementation of the Proposal, I venture to suggest that the creation of a multilateral interest equalization fund on an initial pilot-study scale for the least developed among the developing countries warrants the support not only of the developing but of the developed countries as well.

In devoting our attention to the question of increasing the flow of development funds, it would appear that we have somewhat neglected to give sufficient weight to the problem of the effect of the funds available upon the social, economic and political traditions and institutions of developing countries. The importance of the interrelationship and mutual dependence of the socio-economic and political infrastructure of the developing country, of the effect of the cross-currents of change and stability on the capacity of a country efficiently to absorb and exploit available funds, requires more consideration than has been given to date.

Recently attention has been directed to these questions in centers of study in several developing countries, among them the Hebrew University of Jerusalem, which has been involved in extensive field work designed to examine various aspects of the effect of development funds upon socio-economic and socio-political traditions and institutions in developing countries. The results of studies currently under way in this field will, I trust, be of benefit to all.

In this matter, as well, the proposed establishment of regional offices could serve as a positive factor: a shortening of the lines of communication between the Bank Group and the developing countries should bring a greater awareness on both sides of the broad spectrum of social, economic and political factors which serve as the backdrop of all economic development. While cognizance of a problem does not ensure a solution, it is an absolute prerequisite to attainment of this goal.

Development is many-faceted and dependent upon a multiplicity of human, as well as financial, factors. Full awareness of this on the part of all, developed and developing countries alike, is essential to the progress we all seek to achieve.

ISRAEL: PINCHAS SAPIR

Governor of the Fund

. . . A more just allocation of new liquidity created by additional SDRs, taking into consideration the specific needs of the developing
countries, may be one small way of helping these countries. The existing arrangements for the allocation of SDRs, whereby 30 developed countries receive 70 per cent of the total, while the remaining countries receive 30 per cent, can hardly be said to favor the developing countries. Any discussion of further allocation of SDRs should consider new criteria, which would discriminate in favor of weaker countries.

... Needless to say, an increase in the liquidity of developing countries will achieve very little, if it is not accompanied by adequate long-term development financing on reasonable terms. If we add to this the inadequacy in providing development aid to these countries, we reach the sad conclusion that the rich part of the world, being preoccupied with its liquidity and exchange rate problems, contributed very little in the way of creating economic levers to help poorer countries. Without such leverage it is impossible for developing countries to take decisive steps to improve their economic well-being.

Neither poor nor rich countries can afford the risks incurred by the increase in the gap between them. This gap is not only the source of poverty, social unrest and political instability in several developing countries, but also constitutes a major factor underlying international political tensions. Therefore, we should never tire of searching for new devices and instruments which may further development and trade of underprivileged countries. The volume of long-term credit made available to developing countries constitutes only a fraction of their needs. One major obstacle for recruiting additional funds in the world's capital market is the high prevalent interest rates. The proposal of the former Governor of the Bank of Israel, Mr. David Horowitz, to establish a multilateral interest equalization fund, on an initial pilot-study scale for the least developed, is one way of increasing the total capital made available for development purposes. Israel may serve as a good example of the importance of the availability of investment funds in securing fast economic growth, full employment and a rapid increase in exports. In 1971, Israel's GNP increased by nine per cent, with exports growing by about 33 per cent. Such rapid growth was possible, thanks to large investments in the past. A substantial part of it was financed by capital transfers from abroad.

ITALY: GIOVANNI MALAGODI

Governor of the Fund

... Allow me now to make a few comments on the activities of the World Bank Group. At a time when its operations are rapidly growing and its organization is correspondingly expanding and is being restructured, the Group needs continuity of leadership. This, we are sure, will be provided most efficiently by Mr. McNamara, whom we warmly congratulate on his reappointment as President of the World Bank Group.
Although developments in the world economy were not especially favorable, the Bank Group was nevertheless able to provide a record amount of financial assistance: over US$3 billion. This allowed the Group virtually to achieve the ambitious goal set by its President four years ago: to double the volume of the Bank's lending in 1969-1973 in relation to the preceding quinquennium. Indeed, the sharp increase in the Group's lending has recently made it the single largest source of financial resources for the developing world. This achievement was made possible by many countries opening their capital markets to World Bank bonds. Last July, despite the economic difficulties experienced during the last two years, Italy also contributed to the financing of the World Bank by allowing a US$43 million bond issue on the Italian market.

Not only the financial goals, but also the geographic and sectoral goals established in 1968 have been met. The assistance to developing countries in Africa has been almost tripled, while that to the Western Hemisphere has been more than doubled. The objectives of tripling lending for educational projects and of quadrupling lending for agricultural projects have also almost been achieved. The Group's financial activities have also been effectively complemented by its technical assistance to identify specific projects for submission to potential lenders.

Especially commendable is the concern shown by the Bank for the problems of the human environment and experience to date has shown that it is possible to reduce the danger of environmental damage at a moderate cost. This has important implications for all countries, as it shows that the preservation of the environment is not incompatible with continued economic progress.

Although these achievements are very encouraging, much remains to be done to solve the great problems of the developing countries: high levels of unemployment, high rates of population growth and, finally, enormous foreign debts, the servicing of which is becoming increasingly difficult and which will require new ideas and solutions in the period ahead. A solution to these problems, or a progressive diminishing of their burden, can be found only in joint action by the developed countries. In particular, to provide a growing flow of aid to developing countries, SDRs created to increase international liquidity should in part be transferred to international development agencies, as we have frequently proposed in the past. Nevertheless, it will be indispensable to assure developing countries improved access to the markets of industrial countries. . . .

JAMAICA: DAVID H. COORE

Governor of the Fund and Bank

Mr. Chairman, I join with my fellow Governors in expressing sincere thanks and appreciation to the United States for the hospitality extend-
ed to us and for the excellence of the arrangements that have been made for this meeting.

On Monday we were privileged to hear addresses from yourself, from the President of the United States, from Mr. Schweitzer and Mr. McNamara which have served not only to highlight the vital questions with which this great gathering is concerned, but have also been most helpful in indicating the approach to how they should be answered.

In making my own contribution I will be confining myself particularly to matters of concern to the International Monetary Fund, and I will be expressing the joint views of Jamaica, Trinidad and Tobago, and Barbados. The distinguished Governor from Trinidad and Tobago will, on behalf of this group, speak on matters of interest to the Bank. I would, however, like to say that the Government of Jamaica fully endorses the view so eloquently expressed by Mr. McNamara that growth targets must be set in terms of satisfying basic human needs—employment, literacy, nutrition, housing. These are the imperatives on which both domestic policy and international development aid to the developing countries should concentrate. . . .

. . . This leads naturally into the proposal widely supported by many developing countries and some developed countries for a mechanism by which special drawing rights could be linked with additional transfers of resources from developed to developing countries. Again, there are many technical issues which are involved, but there can be no denying that the performance of the developed countries of the world in this field of resource transfer has fallen behind the expectations of most of us, and any mechanism which can facilitate an increase in this transfer of resources must command our support.

In its first 25 years of operation the Fund has laid great emphasis on the establishment of stability and of a rational system of relationships in the domestic and international financial fields. Major benefits have accrued from these operations. In the new era which faces the international monetary system it is important that the purposes of the Fund and the international monetary system should be broadened to pay greater recognition to the requirements of development and to the problems and needs of developing countries. It is recognized that the Bank and its associated agencies have a primary concern in the field of development, but the Fund can and should make a significant contribution in this field also, particularly by way of a better understanding of some of the forces and some of the problems which have emerged more clearly in the past two decades.

One expression of this change in philosophy on the part of the Fund would come from the Fund’s fullest support for the establishment of some form of link, but I must emphasize that we do not propose this merely to have SDRs substituted for existing aid flows. We shall have failed if there is no net increase in the flow of aid as a result of the establishment of this link. It is our earnest hope that the establishment
of this link would in no way delay the fundamental reforms of the system that I have mentioned earlier. . . .

JAPAN: KOSHIRO UEKI

Governor of the Fund and Bank

. . . I wish next to make a few observations on the activities of the World Bank Group.

The World Bank Group has continued, over the past year, in its steady efforts to fulfill its role as an international development financing institution. The Group has now entered the last year of its first five-year plan period.

In this period, the Group has made forceful progress toward its quantitative goal of doubling its volume of lending. The Group has also made significant advances toward its qualitative goal, by extending its operations into new areas such as agriculture, education and population control. These are areas of basic and urgent needs, particularly appropriate to the developing nations.

I wish to express my sincere admiration for the devoted efforts of the President and staff of the World Bank Group which have made these achievements possible.

In the next five-year plan period, I look forward to a further extension of the Group's activities into fields basic to achieving economic viability, tailored to the different economic and social needs of each developing nation.

The activities of international development financing agencies, such as the World Bank Group, are dependent on the support and trust of their member governments. The Japanese Government considers that these agencies play an indispensable role in the development of developing nations and hence has been extending active support to them.

It was 20 years ago that Japan first joined the World Bank family, with the warm welcome of its member governments. Since then, substantial amounts of World Bank loans have been made to Japan, which have played a major role in the reconstruction of our economy.

Having effectively utilized external assistance such as these loans for her economic growth, Japan has now grown to one of the advanced industrial nations and has become able to lend more than US$200 million a year to the World Bank in fiscal years 1970 and 1971, and over US$400 million in fiscal year 1972. At the end of June 1972, funds borrowed from Japan accounted for approximately 10 per cent of the Bank's outstanding borrowings.

I am very happy that Japan has now reached a stage where it can contribute to an increasing flow of development funds to the World Bank Group, the Asian Development Bank, and other international development financing agencies.
In concluding, I wish to confirm my conviction that the economic development of developing nations is essential for world peace and prosperity. With this in mind, I intend further to enhance Japan's economic assistance to developing nations in the coming years.

KENYA: MWAI KIBAKI

Governor of the Fund and Bank

... The allocation of special drawing rights in the first basic period was undertaken in proportion to Fund quotas. The only logic in support of such a system was the logic of convenience, not the logic of need. There has now been a debate on the subject of the link between SDRs and aid for the last three years. There is still time—and perhaps some need—for further study of the various ways by which such a link can be administered. Let us, however, agree here in this 1972 meeting of Governors that the principle of the link should be accepted as part of the reformed system. We would then, from now onward, simply concern ourselves with its administration.

I would like now to turn to the affairs of the Bank and its affiliates. We must not forget during our present concentration on monetary affairs that our development financing institutions will remain an integral part of the new system.

I would like to congratulate the President and staff of the Bank for their fine achievements of the last few years. Not only have the Bank and its affiliates achieved their disbursement targets but they have also considered sympathetically the problems outlined by the developing countries. Indeed, the speech by Mr. McNamara on Monday morning provides, in my view, an excellent guide for future policy action by both the developed industrial nations and the developing countries.

The Bank is now prepared to consider the financing of integrated programs of rural development. It is financing livestock development programs, tourism, airport development and now—perhaps at last—it is prepared to consider financing developments in the social service field. I congratulate the Bank on its adaptability in the face of changing needs. It is fulfilling a vital role in the development of the underprivileged in the world.

If the Bank is, however, to fulfill the needs of the developing world in the new monetary system—and I repeat that I regard it as an integral part of that system—it must be able to command an expanding volume of resources in the years ahead.

The developing world must keep abreast of the problems of poverty, unemployment and malnourishment of income, and seek the economic stability and natural growth desired by all. But to do this it will need assistance. The expansion of the Bank's disbursements over the last few
years—even discounting price increases which have reduced the real value of the program—has gone some way to meet our needs. A further expansion will be required to fulfill them. The absorptive capacity of African countries like my own has now caught up with the ability of the Bank to provide finance. If we are to maintain our development impetus we must be able to look to the Bank for a yet higher volume of assistance.

I welcome the reorganized management structure of the Bank. Provided it is backed by higher volume of investable funds, I believe it will do much to meet our needs. I continue to hope, however, that decisions on relatively small investments might be taken by the regional offices rather than requiring detailed project analysis and decision in Washington.

The Bank has rightly expressed concern at the increasing debt problems of the developing countries. I am concerned that we should keep this problem under control. Our ability to do this is, however, dependent not only on the amount of external financial commitments incurred but also on the terms of that debt, and more particularly on our ability to raise our export income. If we are prevented from increasing our export income as a result of artificial trade barriers, our debt management capacity is severely constrained.

To quote the case of my own country, if with existing average debt terms on current borrowing we increase our export income by 7 per cent per annum, we can afford to take up additional debt commitments at a rate increasing by 9 per cent per annum without any worsening in our debt service ratio. Yet if our export income only expands by 5 per cent per annum, we can only take up new debt commitments at a rate increasing by 1 per cent per annum. The inescapable logic is that developing countries must expand their exports at a reasonable rate if the debt problem is to be kept under control.

The problem of which I have just spoken underlines the central thesis of my statement to my fellow Governors this year. We cannot continue to compartmentalize international monetary affairs, international trade matters and the subject of international development aid. They are all interrelated. Any new reformed system must be developed on this basic premise.

It is my great pleasure to reaffirm our invitation to the Governors assembled here to meet in Nairobi next year. And I can assure them that the people of Kenya and Africa will give them the warm traditional welcome of the Africans.

KOREA: DUCK WOO NAM

Governor of the Fund and Bank

... In the issues dealt with in the report, I am particularly interested in the role of SDRs in development financing. Since this issue is an
important part of the reform of the international monetary system, I would like to make a few comments on this issue. As to the creation of SDRs, the most important thing is to strike a balance between the stability of the value of SDRs as reserve assets and the maximum creation of SDRs for developing financing. Obviously, it is not an easy task. However, with our present knowledge as to the long-term trend and cyclical phase of world production, employment, prices, international trade and balance of payments, I would not think it impossible to reach a reasonable approximation of such a balancing point.

... Mr. Chairman, let me say that through his speeches at UNCTAD at Santiago last April, and at this forum yesterday, Mr. McNamara has done a great service in reminding us of the most important issues the world is confronted with today. One of the issues that I would like to bring to your attention particularly is that of exports from developing to developed countries. Mr. McNamara pointed out that even if official development assistance should flow at the targeted level of 0.7 per cent of GNP, achievement of the Second Development Decade's growth goal would require substantial trade assistance to the developing countries by the wealthy nations. Mr. McNamara's view on this issue endorses our own experience completely. In recent years, my country, Korea, has made some success in industrialization and in exporting manufactured goods. Against our endeavor to further exports, however, we have recently met increasing resistance from developed countries in the form of quotas, protective tariffs and other restrictive commercial policies. The irony of these developments, I feel, is that these countries lend us capital to build factories, but refuse to get paid in the commodities produced by us, the only means of repayment by us. How and where can we get foreign exchange to pay off our debts abroad? I am sure this is not a problem unique to Korea, but a problem more or less common to all of the developing countries. I think that the problem deserves full and immediate attention by developed countries, since their getting paid is equally as important as their lending to developing countries.

I would like to touch upon one specific aspect of Bank operations that needs to be re-emphasized. That is the issue of program lending. I am glad to note that there is some indication of the Bank moving, although slowly, toward a broader concept of program lending. I would like to see, however, the Bank move faster in this direction in the coming years. It is high time for the Bank to vary its lending approach with respect to the stage of development in which each developing country falls, in order to promote operational efficiency. Just as the Bank has already given special recognition to the least developed countries and come up with such effective assistance as focussing primarily on irrigation, cattle breeding, rural development and disease-control projects, so the Bank could provide semi-industrialized and export-oriented countries with equally effective assistance by way of program lending. We should give due recognition to the fact that some of these countries
need badly the Bank’s assistance in the form of program lending rather than project lending, for imports of capital and raw materials, and that these countries have developed their own skills and expertise well enough to take care efficiently of individual projects in certain fields. Over the years, the Bank has built up enough experience and seasoned professionals, capable of assessing overall performance of the economies of borrowing countries as well as appraising individual projects. Thus, while it should employ exclusively project lendings in some countries where that form is best, it should also use program lending or a combination of both in others where the different form of lending proves to be more effective. Varying forms of lending, after all, are themselves a proof of the success the Bank and the borrowing countries have achieved in their endeavor for economic development and the inevitable evolution of the Bank’s lending operation. I am sure I am not alone in witnessing with pleasure this evolution.

As to the Bank’s activities during the last fiscal year, I have little to say but praise for its impressive achievements under the eminent leadership of Mr. McNamara. I welcome the continued expansion in the World Bank Group’s lending operations not only in terms of quantity and quality. In this context I wish also to welcome the second five-year lending program covering fiscal years 1974-1978, put forward by Mr. McNamara in his address yesterday.

In closing my remarks, I would like to join my fellow governors in expressing the hope that the discussions in this forum during the Meetings will lead to a substantial progress in the fields of international monetary reform and development financing in the next twelve months.

LESOTHO: D. P. G. MAKOA

Governor of the Bank

I wish to avail myself of this opportunity to greet those countries taking their place in these meetings for the first time. To Bahrain, Bangladesh, Oman, Qatar, the United Arab Emirates, Western Samoa and to Romania, I offer my cordial welcome.

I want to make a few brief comments on the operations of the World Bank Group and on the subject of international monetary reform. However, before doing so, allow me to make a few remarks about my country, Lesotho.

Lesotho shares many characteristics with the rest of the developing countries. But there are certain features which are unique to it. It is a small enclave, completely surrounded by the Republic of South Africa. Of all the countries represented in this auditorium it is the only one which is surrounded by another independent state—a friendly state with a highly developed modern sector and a network of communications. It
is a country which has been declared by the United Nations General Assembly as one of the least developed of the developing countries.

In introducing the First National Development Plan to the Nation, our Prime Minister said:

"The assumption that Lesotho, being an enclave within South Africa, would be more or less automatically developed as a result of the influence of the strong expansionary forces in the neighboring economy has proved ill-founded. Lesotho remained insulated from the mainstream of South African economic events. Rapid economic development in South Africa has not resulted in an expansion of the productive capacity of Lesotho."

The lack of an indigenous base for economic development in Lesotho, combined with increasing population, has resulted in severe unemployment problems at home and given rise to an increasing number of migratory workers to South Africa. The economic and social costs of this situation far outweigh the employment and income benefits of the migrant labor system. No change can occur without a massive injection of capital for internal development.

It is the conditions sketched above that constrain me to endorse fully Mr. McNamara's statement concerning the priority that should be accorded job creation and the increase of the incomes of the poorest sections of society. We will welcome the assistance of the World Bank Group in solving this problem which has become urgent for us in Lesotho. In this context, I also wish to refer to the recommendation adopted by UNCTAD III, calling for especially favorable treatment for the least developed and land-locked countries like Lesotho. The recommendation has also called for a substantial increase in the allocation of resources to them.

Some of the recommendations were specifically addressed to the World Bank Group and I have no doubt that they will be given urgent and sympathetic consideration.

I want further to congratulate Mr. McNamara, through you, Mr. Chairman, on the flexible and pioneering way in which, under his leadership, the World Bank Group is approaching development issues. Specifically I want to refer to the interest of the Bank Group in the problems of the rural poor in developing countries. To these people, life is integrated and hence the need for an integrated approach in dealing with the totality of their problems. The adoption of the integrated approach by the World Bank Group is most welcome to small countries with no industrial sectors and only limited natural resources.

Lesotho has applied for membership in the International Finance Corporation. We hope that IFCS Articles will be amended to enable it to participate in ventures involving government participation. Such government participation in countries like Lesotho is necessitated by the lack of a developed private sector. In fact, one of the Government's objectives is to develop such an indigenous private sector.
Turning to the operations of the World Bank Group, I want to congratulate both the management and staff for the achievement of the targets set in their five-year program, 1969-1973. Their dedication and hard work deserves our warmest appreciation in spite of the fact that the targets for the flow of official development assistance during the Second Development Decade may not be met.

With respect to IDA, it is, of course, a matter of deepest concern to the developing countries that the Third IDA Replenishment should become effective as soon as possible. In this regard, I must express profound appreciation to those 15 governments who undertook special action to make advance contributions to the replenishment and so enabled the Bank not merely to maintain, but actually to increase, the flow of credits to the poorest countries.

The reorganization of the Bank's operational activities, and, in particular, the establishment of five regional Vice Presidencies is indeed welcome. I trust that this significant departure will lead to a much closer and more fruitful relationship between the Bank and the developing countries concerned. I also hope that it will effectively accelerate and facilitate decision-making processes.

I have noted with appreciation the support given by the President of the Bank to the concept of a link between SDRs and development finance, and the examination of the problem which is being conducted by the Fund. I trust that these studies will concentrate upon the mechanism required to activate the link and that the expansion of the Bank's resources by this means will not be long delayed.

Let me close by congratulating the Managing Director and the President of the World Bank Group for their able leadership and to express a hope that both the Fund and the Bank will continue to enjoy their leadership during the coming years.

MALAGASY REPUBLIC: ALBERT-MARIE RAMAROSON

Governor of the Fund

I would not wish to fail in the agreeable duty of thanking the Government and the people of the United States for the hospitality that is once again being extended to us. I should also like to welcome those countries which are participating in our deliberations for the first time as full-fledged members. In particular I wish to hail the presence among us of the representatives of Romania, which we shall soon have the pleasure of welcoming into the great family of the Fund and the Bank. Finally, I want to express our profound satisfaction in connection with the extension of Mr. Robert McNamara's appointment as President of the World Bank Group for a further term.
While the General Assembly of the United Nations, which is now in session in New York, has already been called a meeting of insecurity, I think that none of us would want to see our Annual Meeting here in Washington placed under the sign of uncertainty.

Yet, reasons for uncertainty are not lacking. We of the Malagasy Republic feel this uncertainty all the more keenly since our country, having passed through one of the most serious crises in its history, now faces an immense task of reconstruction and rehabilitation.

The causes of this crisis are known all too well, for they are not, alas, the exclusive attribute of but one country, as Mr. McNamara so rightly emphasized in his opening address. Our growth has been purely formal, all of it having been absorbed by the population explosion and currency erosion. Our economy, dominated by foreign interests, has moreover profited only a minority, thus accentuating social inequalities instead of mitigating them. Our country has drawn but a meager benefit from its natural resources, since it only exports unprocessed primary products.

All this, together with other causes, explains the explosion that shook Madagascar last May. Now, the people and the Government of the Malagasy Republic, engaged in an irreversible movement, intend to take their destiny into their own hands and to mobilize all the resources that the country has at its disposal solely in the light of national imperatives.

Thus, it is from ourselves first of all, obviously, that we expect solutions to our problems, but also from mutual aid and international cooperation. We are obliged to note, however, that we are still far from the day when the international community will finally have found solutions which respond to the thirst for justice, progress, and improvement of the greater part of humanity.

The lasting state of disorder in the international monetary system, with its disastrous consequences for world trade, ultimately penalizes the less developed countries only. The gap between industrial prices and the price of raw materials is inexorably widening. There is an alarming decrease in the volume of development aid, even as the need is growing. The debt burden of the countries least able to bear it is being increased to the danger point. This has been said before; it has been repeated year after year, here and elsewhere, but all the statements, all the good intentions, all the promises have thus far only brought disappointment. The patience of the peoples condemned to poverty and ignorance will swiftly reach its limits if we, who are the ones responsible for the economic destiny of nations, cannot respond very rapidly to their legitimate aspirations.

This is why we would not want to leave Washington on a note of disillusionment. The World Bank Group and the International Monetary Fund have in the course of their existence given sufficient proof of their adaptability and their creative imagination so that we continue to have confidence in the work being pursued. On reading the reports on the activities of the two institutions and the special report by the
We are particularly pleased with the remarkable increase in the volume of the Bank's lending operations, but we hope that, while continuing this impetus, it will place even more emphasis on its efforts on behalf of the less favored members, in particular by adapting its methods and its approach to the realities in those countries. We would also like to see the Bank go beyond economic investments and enter more resolutely into those spheres which, though less immediately productive, nonetheless condition genuine development. I am referring here to education, health, and housing. Like all other member countries, we are of the opinion that it is absolutely necessary that the International Development Association have large and permanent resources at its disposal. In this connection we were happy to learn of the decision of the Government of the United States to regularize its position as regards its commitments vis-à-vis the Association. We are confident that the other countries will follow the U.S. example. All of us agree, however, that IDA should be furnished with supplementary resources; we therefore warmly support the proposal to reserve for IDA, in one way or another, part of issues of special drawing rights.

This would be one way of creating that link, so eagerly hoped for, between special drawing rights and development financing. What is more, the report of the Fund's Executive Directors rightly reminds us that this proposal could be carried out without waiting for the overall reform of the international monetary system to be completed. Hence, we can but urge the Executive Board of the Fund to finish as quickly as possible the study of this problem that has been undertaken.

MALAWI: D. T. MATENJE

Governor of the Bank

... Although the situation demands that we devote more time to international monetary affairs, development finance is of even greater importance to us. In this regard, I was greatly encouraged by the Bank's achievements as portrayed in Mr. McNamara's speech. In 1968, although encouraged by his announced five-year program, a number of Governors were skeptical of its efficacy. At that time we felt that the program's projected targets were too enormous to be realistic. Now that we are within reach of the figures set, Mr. McNamara and his staff should be unreservedly congratulated.

My country has been one of the beneficiaries of the Bank's expanded operations. In the course of the past four years, Malawi as an agricultural country has welcomed the Bank's encouragement, inter alia, of its efforts to develop rural agriculture. The result of this cooperation has
been a significant increase in rural agricultural production in such areas as the Lilongwe Land Development Project. The transformation of life in these areas lends support to Malawi's cardinal economic policy to concentrate development effort in the rural areas. The Bank has been extremely helpful in ensuring that our policy succeeds. I do hope that the friendly relations built up through many contracts will continue. Above all, I hope that it will be possible to cooperate in yet other major areas of economic development in my country, and we are looking forward to discussing the possibilities with the Bank's staff who deserve our sincere thanks for their understanding of our problems. Through you, Mr. Chairman, I would like to extend my sincere appreciation of their involvement in our welfare to the extent that they behave as part of our Administration while they are in Malawi.

I was glad that the President of the World Bank analyzed at length the difficulties countries such as my own will be facing in order to attain the goals set by the United Nations Second Development Decade. Some of us with full cognizance of the low base of the starting point of our economies had to set even higher growth rate figures than those stipulated by the United Nations. In doing so, we have never hidden the fact that the attainment of our goals will depend mainly upon increased external assistance.

We appeal to the generosity of developed countries upon which the development of our economies has so largely depended. We are grateful for what we have had. We believe that they will continue to hold to the conviction that the help they extend to poor countries such as my own is for the betterment of humankind, to which we all belong.

It is, therefore, disturbing to note from the World Bank President's speech, that the much hoped-for increased official development bilateral assistance is unlikely to materialize. I admit that even countries such as my own, which have strictly followed a prudent financial policy in this regard, at times have been tempted to use higher cost funds. There is a shortage of soft funds, and in view of the immense paucity of infrastructural facilities in our countries, the need for such funds is extremely high.

I am pleased, therefore, that in its 1974-1978 program, the Bank hopes to increase its financial commitments to developing member countries by an average of 11 per cent a year, and aims at shifting an increasing percentage of the commitments to IDA credits. However, I wish to propose that the Bank's policy of limiting poorer countries to IDA resources while "middle countries" enjoy both IBRD and IDA resources should be reexamined in the light of its President's prediction that developing countries might resort to higher cost funds with shorter maturities.

I submit that it is ironical that countries like Malawi should be forced to seek funds on harder terms than those offered by the Bank to supplement IDA-financed projects. For if the purpose of the policy is to
ensure that poorer countries are not burdened by debt servicing, the case in point does not vindicate its feasibility.

Lastly, I wish to extend a sincere hand of welcome to the new members of this distinguished gathering: a gathering, as we said last year, which symbolizes our hopes for the economic prosperity of mankind. The contribution of our two institutions depends upon the goodwill of its members. It is my sincere hope that they too will be duty-bound to ensure that the institutions continue to be vehicles for the achievement of our declared goals of development and economic welfare.

MALAYSIA: TUN TAN SIEW SIN

Governor of the Fund

May I begin by offering my warmest congratulations to Mr. McNamara on his reelection for a second term as President of the World Bank. The Bank’s performance, under his vigorous and inspired leadership, of more than doubling its lending for the period 1969-1973, compared to the previous five-year period, speaks for itself. This fact is more eloquent than any words I can think of, and it is obvious that the main credit for this achievement must go to our President. It is even more encouraging to note that despite this outstanding achievement, the Bank is still receptive to further innovations in order to promote more rapid development.

I listened yesterday morning with intense interest to Mr. McNamara’s annual address which was not only a combination of realism and farsightedness, but, equally important, displayed a remarkable insight into the basic problems of developing countries. In this connection, we strongly support the recent program loan to Colombia to offset the disruptive effects on its development caused by the sharp decline in the price of coffee. We are only too familiar with this kind of situation. This is a step in the right direction, albeit a small one, and we congratulate the Bank on this innovation.

I would also suggest that there should be a more equitable geographical spread of the Bank Group’s loans and operations. Thus, for the next five-year period, it would be desirable for lending goals to be set for South East Asia, as has been done for other regions. . . .

MAURITIUS: K. JAGATSINGH

Governor of the Bank

. . . We now turn to the far more fundamental and vital issue of making development more meaningful to the least privileged members of
our society. For the last three years Mr. McNamara has, in these meet-
ings and elsewhere, elaborated a more humane and intelligent policy al-
ternative. This emphasizes employment, distribution of income, the
quality of life and human development. Our own Four-Year Plan in
Mauritius revolves around these objectives. The overriding economic
development objective of the Government of Mauritius is the creation
of employment opportunities for the entire labor force by the end of
the present decade. The objectives embodied in our Plan and supported
by the lead given by the Bank and other international agencies, constit-
tute the only reasonable and effective way for a poor developing coun-
try to break the vicious circle of poverty which limits its possible and
potential growth and keeps its human capital in a state of perpetual
socio-economic malaise. It is now beginning to be accepted that the
“quality of life” is not only a valid criterion for development, but it
must be the heart of the matter. Any system of priorities based on the
“quality of life” concept must, apart from directly productive projects,
emphasize rural development in general, including sanitation, improved
health facilities, education, housing, recreation and other institutional
changes leading to more production-oriented behavior. Only improve-
ments in all these fields taken together can constitute a basic program
for alleviating those deep and pervasive problems of mass poverty and
unemployment. The more we delay in making a frontal attack on the
problems of chronic unemployment and extremely unequal distribution
of income, the more we contribute toward instability of the world or-
der. The existing productive and distributive structures in most develop-
ing countries pose serious social and political threats, unless changed in
some of their most basic aspects. Chronic unemployment must be turn-
ed to positive account and, since people are the major asset of any
country, there is no alternative but to evolve the process of develop-
ment around them. New men must be created out of the deep-rooted
poverty conditions. The development of man must be the central theme
of the “quality of life”. It is inextricably linked with positive changes in
attitudes, behavior patterns and, most basically, with constructive revi-
sions in the institutional complex and physical environment. A positive
change in the physical socio-cultural environment of a people is vital to
the creation of the new individual, and is in fact a necessary precondi-
tion to rapid development.

Adherence to these concepts outlined here and supported by the pro-
nouncements of Mr. McNamara over the past three years, however, re-
vises a basic issue of the appraisal of the projects based on these new
concepts. If a project were based on the “quality of life” criterion, tradi-
tional calculations of the rate of return would be neither possible nor
desirable. The rate of return calculations are based on the same notions
that have been undermined and in the process are bringing about the
new “shift of emphasis” in the development process.

The “quality of life” criterion in effect emphasizes that there is no
necessary causal relationship between a particular input and a specific
identifiable and foreseeable output. The relationships, whatever they may be, are so complex, as they are interrelated and act and react on each other, that the measurement of any input to output relationship in specific terms almost becomes meaningless. Because the rate of return concept takes into consideration only a rather limited time period, it cannot take proper cognizance of long-term socio-economic benefits with which the “quality of life” approach is more concerned. These long-term effects are often more important in initiating and speeding up the development process.

A new system of evaluation must therefore be evolved for use in the appraisal of projects based on “quality of life” and human development. Whatever system is developed must be more comprehensive and must revolve around a large number of socio-economic core indicators. Such a system, however, may not satisfy the traditional bankers’ rate of return concept. In fact, the traditional bankers’ assumption that all projects which produce a positive financial return are necessarily good can create serious difficulties when used as a criterion for evaluating developmental projects based on the “quality of life” concept. Yet it is noteworthy that these ideas come from the top banker of the world—the President of the World Bank Group himself. What is now really lacking is not the emphasis on these ideas, but the evolving of a system, i.e., an appraisal process which will meet the requirements of the projects based on “quality of life” and human development. It may not be possible in fact to have a usable and convincing quantitative measure of what are essentially qualitative effects. At this stage, however, the appraisal system will have to be an open-ended and experimental rather than a technically closed, easily controlled parametrical one. The concept of the “quality of life” criterion of development itself is experimental in nature. Therefore, an experimental open-ended system of project appraisal is the logical step forward to test the shift of emphasis which is now being stressed by the President of the World Bank. In his address to this assembly Mr. McNamara outlined various areas in which Bank support, both financial and technical, will be forthcoming. To that list must be added an allocation from IDA funds for projects based on the “quality of life” concept. These funds may be used in a few countries on such projects on an experimental basis. Even one per cent of the total annual Bank lending allocated to such projects would be enough to demonstrate the validity of the assumptions underlying the “quality of life” concept, i.e., that a basic change in socio-cultural and physical environments of rural areas of the developing world can bring about speedier and more meaningful development.

We will end by saying two things. First, we fully support the request of the African Group for a fresh allocation of SDRs. Second, it is our view that although there has been progress in the right direction in the World Bank’s operations, we still have a long way to go before the developmental effort has a real meaning for the teeming millions of the Third World.
MEXICO: HUGO B. MARGAIN

Governor of the Fund and Bank

The Latin American countries have expressed their point of view on various aspects of the international monetary system and development financing through the distinguished Governors for El Salvador and Venezuela. The Mexican Delegation reaffirms its agreement with what has been said by those eminent members of the Latin American community.

... we wish to associate ourselves with the consensus that has been expressed here for the establishment of a link between the creation of international liquidities and development financing as a means of augmenting the resources available for development. In this respect, we must note that although it would provide additional resources, this link would not in and of itself meet the external financing requirements of our countries; a considerable increase in credits will also be called for at terms and interest rates representing more wholehearted support for development, in order to raise the living standards of the impoverished sectors of our countries.

Regarding the financing of economic development, Mexico shares many of the concerns voiced by Mr. McNamara in his opening address.

Rapid economic growth should not be the sole objective of development policy; in the same way, we do not think that income distribution and full employment will be automatically achieved with the passage of time, without a conscious and systematic effort on the part of the community.

The experience of Mexico and of the majority of developing countries shows that there is a natural tendency for growth to be concentrated in the modern sector of the economy and for the lowest income groups of the population to receive little real benefit from it.

The new economic strategy in Mexico is based on the conviction that economic equity is not a cause to be relinquished to the forces of the market. The Government has the responsibility of adopting concrete measures to assure that increases in real income are equitably distributed as the country prospers.

In this connection there is great practical interest in the proposal that concrete five-year targets be set for increasing the real income of the poorest sectors of the population. It is not enough to establish a global goal for the entire economy and for each of the productive sectors.

It is necessary to review a number of the criteria and mechanisms used in furnishing foreign financing for development. A continuous flow of resources is a vitally important factor, since recent delays in the industrial countries' contributions to IDA and IDB detract from the efficacy of the international lending agencies and result in diminishing yet more the inadequate volume hitherto received. It must also be insisted upon that the official development financing targets established by the
United Nations in the Second Development Decade shall be fully com-
plied with, since in the present five-year period barely half of the 0.7 per cent of the industrial countries' gross national product, proposed as the minimum target, will be reached.

The criteria observed in granting soft loans to countries need to be evaluated in view of the fact that in many countries the increased income has not extended to a large section of the public, and has not been distributed in a balanced way over the countries' various regions, since these countries do not have resources on sufficiently favorable terms to promote the economic and social well-being of vast impoverished sectors within their frontiers. The specific programs for increasing employment and the real income of the marginal sectors should not be subject to formal considerations of levels of relative development on the basis of global indicators, which, in countries with an economy still not fully structured, have proved to have little relevance.

The program of the Government in Mexico is based on the fundamental criterion that there is no gulf between growth and distribution. On the contrary, when social justice is attained, there is a widening of the economic, social, and political bases that will sustain a more solid and equitable evolution.

On the international level, we repeat that economic relations cannot give the maximum stimulus to development with social justice until we agree with conviction on the rights and obligations that all nations must recognize, in accordance with the proposal of the President of Mexico, Mr. Luis Echeverría, approved at UNCTAD in Santiago.

According to the Annual Report of the International Monetary Fund's Executive Board, in 1971 the world economy passed through a crisis of slow growth, unemployment, and inflation. The seven leading industrial nations, as a whole, increased their real gross national product by barely 3.2 per cent, in contrast with the trend of 4.8 per cent observed in the decade 1960-70. The figures for the United States are 4.0 per cent in that decade with a drop to 2.7 per cent in 1971; likewise, in the Federal Republic of Germany, 4.8 per cent to 2.8 per cent; in Italy 5.6 per cent to 1.5 per cent; and in Japan 11.1 per cent to 6.1 per cent. In Mexico the drop was from 7 per cent to 3.7 per cent.

This slow growth has been accompanied by serious inflationary pressures. In the seven industrial countries the price increase of 5.5 per cent in 1971 is compared with the trend of 3.2 per cent. We share the opinion of the IMF's Managing Director when he stated that although "the world economy has passed through a difficult year in rather satisfactory fashion... in general, policies of renewed expansion are being pursued while inflation has still not been brought under control."

In Mexico we have had the necessary discipline to restrain the inflationary pressures that were becoming alarmingly apparent and seriously threatening the stability of our economy and our policy objectives as regards a more equitable distribution of income.
Economic indicators of another nature suggest that the world economy is recuperating during the current year. The improvement in the United States of America is remarkable. For its part, Mexico, by incentive measures exerted on public spending, by implementation of a massive workers' housing program, by an increase of tourism, and by the new boost to exports, is creating additional demand and employment and giving the necessary stimulus to new private investment.

Hard work and discipline are decisive factors in any nation. But there is no doubt that international economic interdependence is daily becoming a more important element in the level of internal economic activity.

The Government of Mexico has responsibility of assuring the equity of the economic system. There must be no gulf between growth and distribution. International economic relations will be unable to give the maximum stimulus to development with social justice until we agree on the rights and obligations of all nations, in accordance with the proposal accepted in UNCTAD, not only in monetary matters but also in foreign trade and economic development.

MOROCCO: ABDALLAH FASSI FIHRI

Governor of the Bank

The Annual Meetings of our financial and monetary institutions provide the opportunity of examining developments in the situation of the member countries, particularly with regard to solving development problems, drawing up the balance sheet of the work carried out in the course of the year, and seeking in common agreement measures to improve cooperation in the interests of progress.

The economic and social situation has improved for far too few countries, and disparities in this connection have increased. The World Bank's Report for 1972 shows that, over all, poverty in the world is probably increasing rather than decreasing and that the major reasons for this are the highly inequitable distribution of income, excessive unemployment rates, the high incidence of illiteracy and, more or less everywhere, poor health conditions. The report also brings out the fact that payments for external debt servicing increased in 1970 at a rate twice as high as the average recorded in recent years and that this trend will no doubt continue at the same rate, with the terms for loans to developing countries becoming increasingly rigorous.

In 1971 the World Bank made efforts to improve the economic and social situation of its members to which I must pay tribute. Its latest report indicates that in the last four years the average annual volume of loans to developing countries in Africa was 2.9 times greater. Last year I drew attention to the vital need for these loans to be distributed in
such a manner as to take into account the essential importance of cultural and social investments, since Morocco considered the improvement of sanitary conditions, the expansion of education, and the modernization of housing should go hand in hand with the development of economic productive capacity. I now note with satisfaction that the average amount for education loans was 3.5 times greater in 1969-1972 than in 1964-1968.

It was in 1972 that the Bank Group first began to assist members in finding solutions to the difficulties arising from rapid urbanization, and that it granted financial aid to Senegal and Turkey for this purpose. Also for the first time, the Group made its assistance available to Upper Volta and Malawi in their campaigns against endemic diseases.

And in these areas, as in that of industrialization, the Bank has supplemented its financial assistance with its greatly appreciated technical assistance.

But there is still an enormous amount of progress to be made, in connection principally with social infrastructure, whose financing must occupy an increasingly important place in investments and in the placement of the national product and external resources. This infrastructure is the basis of future economic growth. It largely determines the standard of living and, even more so, the quality of life. For this reason the Common Market countries, for the period 1965 to 1970, made provision to increase social infrastructure expenditure at a rate twice as rapid as the rate of growth. It is hardly conceivable that the developing countries would not make as great an effort.

In fact, for these countries the difficulties are much more serious than they are for the industrial countries, in view of the large gap between needs and resources. If foreign aid is insufficient or granted on too onerous terms, these countries are doomed to suffer either inflation or budgetary restrictions that will encroach on public investment and whose first victims will be the small and the weak.

So I should like to point out both how advantageous large-scale financing of social infrastructures by the World Bank Group would be and how necessary it is for such loans to be granted on specially favorable terms. As the Bank's Report indicates, serious problems with debt servicing are going to arise in the future and the developing countries can avoid these problems only if their export receipts increase rapidly and they receive more long-term loans on advantageous terms.

... We consider moreover that the link which should exist between the creation of special drawing rights and development financing cannot but favor the economic growth of the developing countries. Close international supervision will be needed more than in the past. In our opinion, this role can only be assumed by the International Monetary Fund, which already has considerable experience in the matter.
NEPAL: J. B. SHAH
Governor of the Bank

Over the past few years the principles of monetary reform as laid down in the Bretton Woods Agreements seem to have undergone almost radical changes. A number of reforms propounded as well as implemented in the past years have demonstrated that there is an imperative need for the reform on a sounder and long-term basis. In this context I would like to point out that even the established rules of the system should be considerably modified so as to take the structural problems of the developing countries into real perspective ...

... The year 1972 has been a period of great success for the Bank and its affiliates. The lending operations have registered remarkable progress. The number of projects approved and the coverage of countries have also considerably increased. In this respect, more significant is the new shift in the lending policy. Social aspects of development are increasingly receiving greater weight. Another encouraging trend is the greater attention to the least developed countries. Credit for this radical approach and the remarkable achievement in lending operations goes to the President of the Bank, Mr. McNamara. I should like to join the earlier speakers in paying my personal tributes to him. The election of Mr. McNamara for another term of five years not only ensures continuity in the Bank’s new lending strategy but raises further hopes for the least developed countries. I wish him all the best in the years ahead. I also congratulate the Executive Directors and the staff members of the Bank for a successful year of Bank operations.

While the Bank Group is forging ahead in its efforts to help the developing countries, it is unfortunate that the flow of aid funds from the developed countries is not making much progress. Excepting a few donor countries, the target of increasing concessional aid to 0.7 per cent of the GNP by 1975 is not likely to be achieved. We, however, hope that the present state of disenchantment with development assistance experienced by donor countries will soon wear off and that they will take more active interest in and a more liberal attitude toward helping the economically underdeveloped countries. We understand the difficulties the donor countries are facing at home and appreciate the concern they have shown for the developing countries. I feel the Bank also can do something to improve the climate for increased development assistance. I would like to suggest for consideration that the Bank might launch some program aimed at mobilizing public opinion in donor countries in support of greater economic assistance to the developing nations.

It is of great interest to us that the Bank is putting greater emphasis on social aspects of economic development. The experiences of many developing countries have amply shown that, in spite of significant
growth in GNP, the lot of the common man has hardly improved; it has in many cases actually deteriorated. Deliberate efforts are necessary to ensure equitable distribution of the benefits of development. Mr. McNamara has rightly pointed out, "Each country must take its own decision as to how and when to deal with its internal inequities. . . . Outside agencies can assist but cannot solve such problems." We, in Nepal, under the progressive leadership of His Majesty King Birendra, are making conscious efforts toward this direction. We are trying to correct certain imbalances in our economic development. We are now taking up an integrated development program through the establishment of growth centers with due consideration of regional economic balance, particularly in hilly regions. We are also allocating more resources to education where basic reforms are being carried out better to serve our development objectives. We are thus giving more and more attention to social equity in our economic development efforts. We hope to receive increasing support from the Bank in this endeavor.

We are happy with the cooperation we are receiving from the Bank Group. I take this opportunity of expressing our grateful thanks to President McNamara and his staff for their kind interest in and understanding of our development needs.

Before concluding, I should like to extend a hearty welcome to the new members of the Bank and the Fund—Bangladesh, Oman, Bahrain, the United Arab Emirates, Qatar, and Western Samoa. Also, I express our grateful thanks to our host, the Government of the United States, for the hospitality extended to us.

NEPAL: YADAV PRASAD PANT

Governor of the Fund

. . . . I also feel that before taking any decision on the fourth and subsequent allocations of SDRs, it is imperative to establish a link between SDRs and development financing, since so far SDR allocations in general constitute a saving of resources mainly for the principal beneficiaries—the developed countries. The most urgent requirement of developing countries at present is the increased transfer of capital and technical resources to finance economic and social development. This has been accepted at the national as well as international level by various committees and in other international forums. The third session of UNCTAD held this year in Santiago has requested the IMF to study the proposal of establishing a link between the creation of additional special drawing rights and development finance. . . . Developed countries could perhaps equally benefit by the increased export demands for their products in the developing countries stemming from the increased flow of resources to the developing part of the world if such a link were
established, and thereby help them in fighting the present cost-push inflationary trend prevailing in many of these countries... Pending the amendment to the Articles of Agreement of the Fund, with a view to adopting a new formula for the allocation of SDRs, the share of developing countries in the SDR allocations could be increased if the developed countries agreed to transfer to the development agencies an amount equivalent to a part of the SDRs allocated to them or, if such agreement is not forthcoming, by increasing the quotas of the developing countries... 

NETHERLANDS: R. J. NELISSEN

Governor of the Bank

I would like to begin my statement by expressing the deep appreciation of the Netherlands Government for the efforts the President of the World Bank and the Managing Director of the International Monetary Fund have made in the past year to further the interests of the international community through their work for the World Bank and the International Monetary Fund.

During the past year the Bank Group has widened the scope and increased the depth of its activities. It has moved into a broader involvement in national economies and country programs; there have been more loans in such social areas as education and population programs; the same applies to program and sector lending to the smaller and poorer countries, the loans having longer execution schedules and disbursement periods, these tending in turn to lead to longer grace periods and longer overall redemption periods. More weight than previously seems to have been given to the effect a project might have on unemployment and poverty.

The Netherlands Government fully approves these developments although, of course, due caution must be exercised. For example, countries who ask the Bank Group to finance social projects must have a clear appreciation in advance of the future effect on their national budgets of the cost of running these projects. The developed countries have already had considerable experience in this field.

The next subject I should like to raise is the way in which business is conducted in aid consortia. Decision-making in such consortia is often hampered by the fact that on a number of general aspects of aid the various international bodies concerned fail to reach agreement. These general aspects include the amount of government aid, the financial conditions, the extent to which aid is tied, the reverse flow of interest and redemption payments and the proportion of program aid to project aid. It seems to me that the lack of clear decisions on these matters must not be allowed to have an adverse effect on the work of the coun-
try consortia, since the developing countries would be the victims. I should like therefore to urge that a pragmatic approach be adopted at the meetings of the consortia and of the consultative groups.

In view of the serious effects overpopulation can have on the development of many countries, the Netherlands Government is in favor of multilateral cooperation in population programs and is making an increasing contribution to them. It welcomes the Bank's interest in these problems. The Bank's function in this respect must, however, be decided in conjunction with the corresponding activities of other organizations working in this field, as for example, the United Nations, the United Nations Fund for Population Activities, the World Health Organization, and other specialized agencies, UNICEF and, in the private sector, the International Planned Parenthood Federation and others. All these organizations have already been carrying out multi-year programs concerning various aspects of the population problem for some considerable time. In the interests of coordination and efficiency, therefore, it would seem desirable that, in joint consultation with the United Nations Fund for Population Activities and the World Health Organization in particular, a careful examination be made of the possibilities open to the Bank with regard to further population activities. Duplication must be avoided. The obvious course would seem to be for the Bank to continue to concentrate on its characteristic financial function and strive to expand its loan facilities in support of general health and population projects, at the same time endeavoring to offer more favorable terms.

Once again, I want to draw your attention to the unique position occupied in the group by the International Finance Corporation, an institution designed to stimulate private investment for the development of the non-industrialized world. I should like to express the hope that this institution will perhaps be able in the near future to play an even more important role, for instance by promotion activities on a wider scale.

The Netherlands have always attached great importance to the establishment of an International Investment Insurance Agency. The discussions on this agency seem to have reached a stalemate. I should greatly appreciate it if, on the basis of a report from the committee that has been dealing with this matter so far, the Governments concerned could now decide whether or not they wish to go forward and establish the agency. The Netherlands Government hopes that the protracted discussions can at last be brought to a successful conclusion. I would also like to draw attention to the proposal made by the Governor for Israel to establish a facility guaranteeing export credits granted by developing countries to each other. I would recommend that a careful study be made of this proposal.

To conclude my remarks about development problems and provide a transition to Fund matters, I should like to dwell for a moment on the question of a possible link between the creation of SDRs and develop-
ment financing, a question to which my Government, too, has given some attention, particularly in connection with the preparations for UNCTAD III. Our approach has been focused on the contribution which a possible link could make to the more satisfactory operation of the international monetary system. As time will not permit me to go further into this question at present, I may simply refer to an annexed statement made by the Netherlands representative in Santiago, which I present for the record of this meeting.

Annex

Statement by the Netherlands' Delegate to Committee III of UNCTAD III, Santiago, April 26, 1972

A. . . .

B. The Link

1. I now come to the problem of the link.
2. The Netherlands authorities carefully considered the idea in the context of preparations for this the Third UNCTAD Conference. A Working Group was set up consisting of qualified representatives of the Ministers of Development Cooperation, Economic Affairs and Finance and of the Central Bank, which has studied the matter in a series of thoroughgoing discussions. What I am now going to say is based on the Working Group's findings so far. The Netherlands Government has not yet taken up a final position on this matter, as it is waiting for the outcome of relevant studies being made by the IMF. It does however wish to encourage a positive search for a form of link that would contribute to a more satisfactory functioning of the international monetary system.

3. Accordingly, the Netherlands Government considers the matter of a possible link primarily from the point of view of how the satisfactory operation of the international monetary system can be brought about. SDRs were created to improve the system and to start with we will need them for the purpose. This is extremely important, particularly for the developing countries, because it is primarily the poor countries which suffer most as the result of crises in the monetary system. SDRs help to make the system healthier. If at the same time we can use them for another purpose, so much the better. But the other purpose may never form a hindrance to the achievement of monetary objectives. For this reason the Netherlands Government maintains its unqualified view that decision on a link can only be taken in the IMF context.

4. Consequently, the subject of the link has not been studied in the Netherlands to ascertain its possible advantages to development cooperation but to find out whether a link would help to make the international monetary system operate more effectively. Doubt has been expressed in many quarters on purely monetary grounds as to whether the present system of allocating SDRs on the basis of the Fund quota is satisfactory. It has been contended that this allocation method does not provide enough stimulus to countries with a deficit on the current account of their balance of payments to carry out a restrictive policy designed to remove the fundamental causes of the deficit. In these cases the reserves keep ebbing away and the SDRs act more as reserves to spend than as reserves to hold. It is also contended that the present allocation system does not help the balance
of payments adjustment process for the surplus countries either. In fact, the question has been asked whether we should not revert to the system that has applied in general to all other reserves, namely that they must be earned. The adjustment process might be made more effective by giving the SDRs to participants who earn them by providing goods and services for the realization of internationally agreed objectives, instead of passing them on under the present system of allocation.

5. In this new system of allocation, which I will call the "earning system," the SDRs created would in principle be earned in the first instance by countries whose price level is competitive compared with that of competing countries. Ideally, they would be the countries in which the productive apparatus is still under-utilized and in which the expansive effect of the spending of the SDRs could be seen as a welcome stimulus. On the other hand, countries in which the productive apparatus is already over-utilized can be assumed to be in the process of pricing themselves out of the market and the likelihood that they will receive many SDRs will therefore not be very great. If this were not the case, however, it would have an inflationary effect, with a strengthening of the upward pressure on their price levels, a weakening of their competitive position and, as far as their balance of payments and reserves was concerned, a gradual withdrawal from extreme positions. Finally, countries with a weaker competitive position who would therefore earn few if any SDRs in the first instance, but who do require a strengthening of their reserves, would be obliged to adopt a stricter adjustment policy to improve their competitive position. Those who hold this view maintain that this would facilitate the adjustment process and help to bring balances of payments all over the world closer to a state of equilibrium.

6. Examples of international objectives the realization of which could by agreement be coupled with the SDR earning system are a UN peace force, space research, ocean bed research, the conservation of the environment and the development of the developing countries. There are definite grounds for maintaining that it is precisely from the monetary point of view that the latter activity is particularly attractive.

7. The monetary events of last year are of course proof enough of the difficulty the developed countries have in distributing among themselves the burden of the adjustment needed to bring their balances of payments closer to a state of equilibrium. It has been suggested that this would be much easier if the developing countries, as third parties, were brought into the picture and if they enabled the traditional surplus countries to continue piling up surpluses. Structurally speaking, there is nothing very extraordinary about balance of payments deficits in developing countries and it is therefore obvious that, as third parties, they should be involved in the adjustment process.

8. Consequently, if development cooperation is to be brought under an SDR earning system, the SDRs to be created should be made available to one or more international bodies which would have to finance development aid orders, or by acquisition directly or indirectly from countries which had previously acquired them in this way. I would remind you once again that this earning system would replace the present allocation system. Therefore either we maintain the present system (and possibly improve it by accepting other allocation criteria instead of the IMF quota, which I will not go into at present) or we adopt the earning system, under which there would no longer be any direct allocation to member states of the IMF. From the monetary point of view we feel that a mixed system is not acceptable.

9. So far, the basic idea I have just put forward of adopting an earning system seems to be the answer. You will have noticed that much of what I am saying can be found in the reports of the UNCTAD Secretariat. I am trying to look at Mr.
Dell as I pay the Secretariat all the compliments it so richly deserves in this connection. On closer inspection, however, we can see a number of difficulties, complications and dangers the solutions to which are not yet readily apparent. Solutions will have to be found, however, before we can decide to adopt the earning system. Solutions may emerge as we discuss the matter further.

10. To go back to the beginning: we assumed that differences in competitive positions were mainly the result of differences in price levels. Yet this is to ignore the lesson of practice which is that the effect of the price mechanism is frequently very limited, particularly when it involves expenditure in developing countries. These countries frequently have close relations with their former mother countries, so that the latter are able—owing to their better knowledge of local circumstances, or by having a subsidiary company and/or service organization on the spot, etc.—to make more attractive offers than other countries which are less at home in the market concerned. The question as to which country gets the orders will depend to a great extent on the nature of the project. If, for example, many harbor projects have to be carried out, a relatively large proportion of the orders would probably go to the Netherlands. For computers most people would turn to American companies, etc. Lastly, we should bear in mind that as a result international competition by no means works perfectly either, because many countries, by using open or camouflaged support measures, tax concessions, etc., enable their companies to quote lower prices than would otherwise be the case. There is therefore no guarantee in fact that the SDRs would go in the first place to the countries supposed to be the cheapest because their productive apparatus is under-utilized. Therefore there would be no guarantee either that the earning system would actually work well in the monetary field.

11. Another objection that comes to mind is that under the earning system any miscalculation made when determining the SDR amount to be created would have far more serious consequences than a miscalculation would in the allocation system. In the latter system the majority of the SDRs only exist on paper, because individual participants simply do not do anything with them. In the earning system, all SDRs created are by their very nature activated, i.e., put into circulation. In view of the actual monetary situation, any excessive creation of SDRs would have a much greater inflationary effect under the new system that it would under the old one. In this connection I would remind you of Article XXIV, Section 1(a) of the IMF statutes, which reads: “In all its decisions with respect to the allocation and cancellation of special drawing rights the Fund shall seek to meet the long-term global need, as and when it arises, to supplement existing reserve assets in such manner as will promote the attainment of its purposes and will avoid economic stagnation and deflation as well as excess demand and inflation in the world.”

12. Indeed, even if the total reserve requirement and SDR creation needed is accurately estimated in itself, there is a danger of inflation. We can, in fact, venture to say that most of the orders would go to the countries with the lowest prices, but it is perhaps much more likely that they would go to the countries with the largest surpluses on their balance of payments, where capacity was already being fully utilized. Capacity in these countries would be fully utilized because their competitive position was good. The further orders would push the price level in these countries up still further and in the end they would no longer be able to compete adequately internationally. The inflationary effect might indeed be useful from the adjustment point of view, but incorporating such an inflationary adjustment into an international economy which is already characterized by inflation would of course be most undesirable.

13. There are also problems when it comes to proving that development aid can serve as an internationally agreed activity to which the earning of SDRs can be directed. After all, there is the danger that in considering the number of SDRs to be created countries would be guided largely by the amount of development
aid they wished to give and that therefore too many would be created. It would be worse still if for monetary reasons the creation of SDRs were to be restricted, for this would automatically reduce development aid. But nobody wants development aid to fluctuate in that manner.

14. Yet another problem is that of the actual implementation of the system. If an annual creation of SDRs of US$2 billion were decided on (the present level is half as much again) IDA or a select group of international aid institutions would have to be able instantly to translate this extra annual amount into disbursements for projects and programs; there would be a ban on the saving up of funds. Yet would IDA or these aid institutions be able to cope with two and a half to three times the turnover overnight and could the turnover suddenly be drastically reduced for monetary reasons if the contingency arose? I will not say that it would be quite impossible to do so, but it would certainly not be simple and in any case a great deal of thought would have to be put into it.

15. Apart from the technical problem there is also the question to what extent the link would in fact produce extra development aid. Development aid involves transferring part of the total world product of the developed countries to the developing countries. In itself the creation of extra money will not of course lead to an increase in the total world product. The purpose of the link, however, is to channel a greater proportion of the product of the developed countries to the developing countries. Whether it will have this effect will continue to depend very largely on the internal political will of the developed countries. If the people of a certain country feel that their own needs, both in the field of private incomes and in that of public services, are so great that they cannot spare more than one per cent of their national product for development aid, I fear that they will find ways of preventing more of their national income from going to the developing countries through the system of "extorted development aid" which would be coupled with the link. An attempt would therefore have to be made to incorporate some device that would ensure that the link would indeed result in an increase in aid.

16. . . . I would just say once again that we are prepared on the basis of a positive approach to see whether the link would enable us to create a monetary system that is better, or at least no worse, than the present one.

17. When the development strategy was formulated in New York on October 24, 1970 the Netherlands made one reservation: it concerned paragraph 52 on the link. It was a remarkable kind of reservation. The Netherlands was not yet convinced of the merits of the link but was nevertheless prepared to study the matter further, precisely what the strategy demanded. The position at the moment is that we do not feel that any final conclusions can be drawn just yet but that we are prepared to make a definite effort to discover whether there is any form of link that would be of benefit to both the international monetary system and development cooperation. We no longer need have any reservations on this point and we hereby withdraw the reservation we made in 1970. It only remains for me to express the hope that gradually we shall reach a solution that everyone will accept.

NEW ZEALAND: R. D. MULDOON

Governor of the Fund

. . . There has been a great deal of talk of a link between special drawing rights and development aid. The British Commonwealth Min-

isters, representing rich and poor countries alike, agreed that the first priority is to establish confidence in SDRs as an international reserve asset. Second, it is felt by most of those Ministers that there should be a further issue of SDRs. If the link with development aid can be made compatible with these objectives, then certainly it should be considered. No amount of international aid, however, can take the place of the freedom of developing and primary producing countries to trade freely and sell the products of their industries. Inefficient primary industries, protected artificially for political reasons, are an anachronism in a world where international cooperation is the only alternative to economic chaos.

The World Bank’s Annual Report is once more an impressive record of achievement. Under Mr. McNamara’s presidency the Bank goes from strength to strength, and we were happy to support his leadership of the Bank for a second five-year term.

There is no doubt that the problems of the developing world are formidable, but it is also true that there have been heartening advances in a growing number of member countries, as a result of technical as well as financial assistance from the Bank. I believe that the recent internal reorganization of the Bank will result in even greater efficiency in this field. The expansion of the Bank’s technical assistance to its members, while perhaps not as easily measured as its financial operations, may in fact prove in the long run to have almost as great an impact on their economic progress.

Finally, I express my appreciation of the work of the staff of the Bank and of the Fund during the past year.

NIGERIA: ALHAJI SHEHU SHAGARI

Governor of the Fund

... We would like to draw attention to two proposals which, if implemented, will have an immediate salutary effect on the liquidity position of the developing member countries. The first relates to the suggestion that Fund quotas be adjusted so as to increase the developing member countries’ share of special drawing rights. Countries like Nigeria, which have a special case arising from historical and changed economic circumstances, should be considered immediately.

The other suggestion is that the developed countries should transfer part of their special drawing rights allocation to development agencies in equivalent currencies. Either proposal can be implemented without much difficulty, and we accordingly commend them for urgent action. ... 

... I now come to the affairs of the World Bank Group under President McNamara. First, allow me to congratulate Mr. McNamara for his
remarkable address and his courageous views on income distribution in member states. This is not the forum for having a second look at some of the more contentious assumptions in the speech which the political leadership in many member countries will find interesting in several respects. Just as there are great social, political, and institutional changes taking place in several member countries, there appear to have been similar fundamental changes within the Bank. It seems to me that President McNamara should have touched on the salient features of the far-reaching reorganization proposals in his address to the Board of Governors. My main concern is that the implementation of these proposals should not be allowed to slow down country programs. It is too early to judge the efficacy of these changes, but there is need to ensure that there is no hiatus in the transition from the old to the new setup.

Since Mr. McNamara's declaration to double lendings to member countries within four years, the Bank's operations have increased significantly both in number and scope. After the interruption of our civil war years, we in Nigeria are now witnessing a new era of dynamic lending policy by the Bank. From its latest Annual Report and other available evidence, the majority of other member countries have been having a similar encouraging experience. This, indeed, is a happy trend for all developing member countries, and I sincerely hope that the President and his team will not relax their effort.

Notwithstanding the significant progress of the last few years, however, Nigeria believes that the Bank could enhance its usefulness to member countries by reviewing and improving its operating procedures. For example, as a prelude to Bank lending, the recipient country often has to receive a series of missions besides the normal economic missions which the Bank sends out periodically in order to update its knowledge of the economic position of member countries. It should be possible for the Bank to harmonize many of its missions, thereby reducing their frequency and consequently increasing their effectiveness. The Bank could also review its tendering procedures. While we appreciate the need for the Bank to insist on reasonable control on the way its loans are utilized, its development objective has often been frustrated by unnecessarily detailed and complicated tendering procedures. The Bank should consider seriously the current level of its commitment fee and its interest rate structure. These should be improved in favor of borrowers as more resources are made available to the Bank Group hopefully through the current monetary reform movement. I have only mentioned these points of detail to emphasize the need for the Bank to continue to adapt its methods and procedures to the changing needs and circumstances of its members.

In conclusion, I would like to underscore the point that both changes within the Bank and the current review of the international monetary system are part of the worldwide attempt to change the world economic system. These changes can only be meaningful to the Third
World if developing countries can improve on both their relative and absolute positions in the scheme of things. Both the IMF and the Bank are in a unique position to contribute to the successful conclusion of this enterprise. I sincerely hope that they will live up to expectations.

NORWAY: PER KLEPPE

Governor of the Bank

Speaking on behalf of the five Nordic countries, Denmark, Finland, Iceland, Norway and Sweden, on the World Bank Group activities, I want to express our general support of the views on international development cooperation and social equity elaborated upon in the opening address by President McNamara. The World Bank Group, playing a major role in international development financing, should, in our opinion, take such factors into account in all its activities.

We all recognize the need for substantial increase in the volume of financial assistance. It is, therefore, depressing that the flow of official development assistance, according to the programs of individual countries for the years ahead, with only few exceptions, is far below the target set in the strategy for the Second Development Decade. By the middle of this decade, the rich nations are at present expected to reach half the 0.7 per cent target for official aid only. Some member countries expect to fulfill or get very close to that target, but what really counts is obviously the volume of aid extended by the major industrialized countries.

The volume of assistance is, however, only one aspect of the problems before us. Equally important is the quality of the assistance and the guiding principles for its use and, especially, the social aspects. The Nordic countries welcome the increased emphasis in the World Bank Group activities on the social and structural development in the developing countries.

We fully agree with President McNamara in his opening statement that the uneven distribution of wealth and income is not only a problem in relations between developed and developing countries but also a very serious problem within the latter. It is a major obstacle to sustainable progress in many of these countries and impedes the use of efficient remedies to the existing situation of mass poverty. We trust that IDA and the Bank will be guided by what Mr. McNamara said in Santiago in April that "... if the developing countries do adopt policies to ensure that the benefits of growth will be more equitably distributed among their own peoples, then these countries both need and deserve the assistance necessary to ensure that a reasonable rate of overall growth can be achieved."

At the UN Conference on the Human Environment recently, the President of the Bank Group mentioned that environmental criteria in
the form of a checklist are used by the Bank staff during the whole of the project cycle. We are convinced that the social and structural framework in which Bank Group credits and loans are employed will be studied with equal scrutiny in order to implement the guidelines of the UN Development Strategy.

In the first two years of this decade, this strategy has made a clear impact on the international debate. So far, however, the guidelines have not been fully reflected in the operations of the multilateral organizations and in bilateral development cooperation. Much more must, in our opinion, be done to translate the guidelines of the strategy into actual deeds.

While the efforts to attack mass poverty, as also underlined by the UN Committee on Development Planning, must encompass all kinds of economic and social policies, the main emphasis must be placed on creating jobs for the unemployed and underemployed and on a more even distribution of income. Direct measures of redistribution through, *inter alia* land reform, effective tax measures and fiscal and other government policies are surely necessary if inequitable income structures are to be gradually overcome. Such measures of income redistribution may, however, be less efficient in economies where the non-monetary sectors are important, and in such countries an attack on mass poverty calls for direct efforts to ensure that goods and services are produced which meet the basic needs of the whole population in health, nutrition, education and employment.

Our knowledge of the nature of these needs and of the relevant methods to meet them is still, however, scant. We are glad to note that the urgent need for analysis and research in these matters has been recognized by different international organizations. Important work is being done in the UN Research Institute for Social Development, and the World Employment Programme of the ILO is an ambitious effort to analyze the employment situation and propose remedies.

I would emphasize the need for greater efforts in family planning. We, therefore, very much welcome the Bank Group's increasing activities in this field.

As regards the volume of aid, the needs are obviously by far the greatest in the poorer of the developing countries with their very modest rate of economic growth, extremely low per capita income and generally adverse balances of payments and weak foreign exchange positions. These countries certainly have the strongest need for aid on concessional terms.

It has been established that 70 to 90 per cent of the development resources of the 25 least developed countries stems from external resources, while the average percentage for developing countries in general is some 15 per cent. These figures underline the special responsibility of the international community for the development of these countries. Another important feature is the gap between the present
pre-investment activities of the United Nations and the investment support by IDA and the regional development banks. It has proved difficult to finance from international sources small-scale and relatively low cost industrial projects in the least developed nations. The Nordic countries, therefore, welcome the fact that consultations on this subject have been initiated between the United Nations Development Programme and the Bank.

The situation of the poorer among the developing countries also underlines the urgent need to provide sufficient funds for the effective operation of the International Development Association (IDA). It is regrettable that the coming into force of the Third Replenishment of IDA became overdue by more than one year. The Nordic countries, which were among the Part I members which paid in advance the first installment of their contributions, welcome the fact that the Third Replenishment is now finally coming into effect. This must mean that all Part I countries are now prepared to fulfill their obligations so that the Third Replenishment will become fully effective retroactively as from July 1, 1971 to cover the three-year period 1971-1973, as provided for in the agreement.

The time has already come for the preparation of a Fourth Replenishment. The increasing needs of the developing countries will necessitate a further substantial increase of the resources made available. We expect that Part I countries with the strongest economic development in recent years will contribute a share of the increase which will make the scale of contribution better reflect the present relative economic strength of member countries.

To conclude, I want to underline the seriousness and urgency of the problems of the developing world and to express the willingness of the Nordic countries to play their full role in helping to solve them.

PAKISTAN: GHULAM ISHAQ KHAN

Governor of the Fund

We already have, in the Annual Reports of the World Bank and the International Monetary Fund, a characteristically frank assessment of the developments of the last year. The opening statements by Mr. Schweitzer and Mr. McNamara have further illuminated many of the problems we face in the development of our national economies and in creating a new international monetary order.

Unfortunately, the main findings which emerge from the Annual Reports reinforce one's pessimism. It appears that, during the last year, the growth rate in GNP slowed down perceptibly in the poorer regions of Asia and Africa, export prices weakened for many primary products, terms of trade deteriorated for many poor primary exporters, and the
volume of financial assistance rose only slightly, while debt service payments continued to increase much faster than the export earnings of the developing countries.

The conclusion to be drawn from these facts is inescapable. Another year has passed without bringing any tangible progress toward the solution of problems with which the vast majority of developing countries are afflicted. The nature of these problems and their possible solutions have been debated interminably in various international forums. The real problem is how to eradicate the poverty, improve the almost primitive living conditions and reduce the high rates of chronic unemployment and underemployment which characterize the developing world. It has been recognized that a massive international effort is necessary to assist the developing countries in finding solutions to these problems. The concept of international cooperation emerged as a grand design in the early 'Fifties and found a more concerted expression in the declaration by the United Nations of the decade of the 'Sixties as the United Nations First Development Decade. The same objectives have been reiterated for the Second Development Decade. However, if one looks at the achievements so far, one is left with a great sense of despondency. The two main planks of international cooperation for accelerated growth in developing countries are enlargement of financial assistance to them on softer terms and modifications in trade policies of developed countries to enable a faster increase in the exports of developing countries. The record on both these accounts has been disappointing indeed.

It is now more than eight years since the developed countries accepted the 1 per cent target for transfer of financial resources to developing countries. This target was later refined to mean 1 per cent of GNP, rather than of national income, with a subtarget of 0.7 per cent for official development assistance. At UNCTAD II, the principle of the generalized scheme of preferences for manufactured exports from developing countries was accepted by the majority of developed countries. Agreement on these two measures was regarded as a significant landmark, but progress in their implementation has been painfully slow. The flow of financial resources from DAC countries to developing countries and multilateral institutions, which represented 0.77 per cent of their GNP in 1965, stood at no more than 0.78 per cent of the GNP in 1971. What is more discouraging, the proportion of official development assistance to total assistance has declined rather than increased in this period, falling from 0.44 per cent of GNP in 1965 to 0.35 per cent in 1971.

At this stage I must record my appreciation of the efforts made by the World Bank Group of institutions to give help and succor to the developing world but, notwithstanding the rapid increase in the scale of their operations, the magnitude of the assistance they could provide has been modest and limited, viewed in the context of the needs of the developing countries.

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As for the terms of foreign assistance, they continue to remain onerous and have, in fact, hardened. The grant element in foreign assistance has gone down progressively. The practice of "tying" aid remains widespread. The inadequate rise in the level of official assistance has led to greater dependence on suppliers' credit. The generally rising trend in interest rates in industrialized countries during the 'Sixties because of the undue emphasis on monetary policy in their programs of financial restraint not only added to the interest burden of developing countries directly but also led to a rise in the interest rates charged by the World Bank, as a good part of its funds are derived from the capital markets of advanced countries.

The trading practices of developed countries in the 'Sixties seriously interfered with the export expansion efforts of developing countries. The exports of certain products in which developing countries specialize still remain subject to quota restrictions in a number of developed countries. Recently, some progress has been made on the generalized scheme of preferences for the exports of manufactured goods from developing countries but, on account of many exceptions and reservations, the cumulative impact of the scheme on the export earnings of developing countries has been far from significant. . . .

. . . I cannot overemphasize the need for evolving a comprehensive and consistent approach to the problems of developing countries on an urgent basis. The developing world is in the throes of serious stresses and strains on account of abject poverty and woefully low living standards. We greatly welcome the emphasis that Mr. McNamara has placed in his opening statement on combining economic growth with distributional justice. This is precisely the development strategy that we in Pakistan are trying to evolve at present. And we have had both the experience and the motivation for this. We managed a fairly rapid rate of growth in the GNP in the 1960s but this was accompanied by increasing concentration of income and wealth, falling real wages and worsening unemployment. Such a pattern of growth was not acceptable to the vast majority of the population, as it failed to solve the problems of mass poverty. The pursuit of fast GNP growth in the 1960s was not basically wrong: it is, after all, a necessary condition for economic advancement. But it was not, and it can never be, a sufficient condition. It had to be accompanied by measures to create more employment and to ensure more distributional justice—measures, which, unfortunately, were not implemented in time.

We have already embarked on comprehensive economic and social reforms, with a view to creating a socially just framework within which future economic growth can proceed. These reforms cover a fairly wide field including land reforms, reforms in the banking and industrial corporate structure, introduction of nationwide integrated rural works and housing programs and fundamental changes in our system of education and health. The design of a new framework for economic development
will take some time, as it embraces the entire political, social and economic life of the country and impinges on many delicate and established interrelationships. It might also cause some temporary disruptions in the orderly flow of economic life. But it is essential that we evolve this framework, even if it involves some difficulties in the transitional phase, for we can attack the problems of mass unemployment and poverty only within the framework of a new development strategy.

Let me also emphasize that the effort to combine rapid growth with distributional justice, although admittedly a domestic obligation, would require more foreign aid resources, not less; more liberal access to international markets, not a more restricted entry; and more sharing of the international burdens by the developed nations, not less. The international responsibility is quite obvious. We in the developing countries shall watch anxiously whether the more affluent nations rise to meet this responsibility or we continue to live with a situation in which what is morally acceptable and justified remains largely unimplemented.

Mr. McNamara's statement also encourages me to hope that the Bank practices will increasingly conform to the new directions that he has outlined. If unemployment and mass poverty are to be attacked head-on, the Bank should be prepared to lend more for the social sectors and in a more flexible fashion than it has been prepared to so far. Lending will also be required in sectors in which the Bank has traditionally declined to offer help—such as the public works programs, housing, health and nutrition. Many of the social sectors have a low foreign exchange content and a high requirement for local currency. Considering the limited capacity of many a developing country to raise domestic resources through non-inflationary means, these sectors can be adequately helped only if the Bank Group is prepared for a major cover for local-cost financing and if it is far more liberal with program lending since the requirements of these sectors are difficult to present as bankable projects which would satisfy the test of financial rates of return. I am not suggesting that economics should be thrown to the wind when dealing with the problems of poverty. I am merely proposing that economic calculations alone will not take care of such deep social and political problems: it will require a good deal of vision, judgment and a humane approach in all the procedures and policies that are fashioned in the Bank.

I have already referred to the problems being faced by the developing countries in the fields of trade and aid. The present aid policies are inexorably leading the developing world to a serious debt-servicing situation. Moreover, while debt service is expected from developing countries in the form of free and untied foreign exchange, the developed countries continue to follow policies which deny the manufactured exports of developing countries free access to their markets. Thus, the only means by which debt service can be maintained is foreclosed. The reform in this field will have to be as comprehensive as we are contemplating in the monetary and payments system.
The recognition of the relationship between the international monetary system and the flow of financial resources to the developing countries among the objectives of the reform represents a perceptible advance in thinking and should prove a prelude to the evolution of more formal arrangements along these lines. In this context, it is important that some thought should be given to establishing a new institutional arrangement under which issues of development, trade and monetary policy can be discussed together and at one time, in view of their intimate relationship, rather than the present piecemeal treatment of these issues in different international forums.

The most important issue is the question of a link between SDR creation and development finance. This aspect of the additional liquidity provided through the Fund has elicited almost universal support and has also been discussed thoroughly at various international forums. . . . In conclusion, I would like to emphasize the need for the transfer of real resources to the developing countries without saddling them with an unbearable debt-servicing burden. Lending on harsh terms amounts to cynical exploitation of the desperate need of the poor. An enlightened international community should not find it impossible to establish a framework within which development assistance can be provided to the developing countries without involving the burden of interest rates. The question is whether we have the courage, the wisdom and the imagination to establish such an enlightened order on a worldwide scale. Such a new order of world financial assistance would require the establishment of procedures for an automatic and orderly transfer of real resources from the rich to the poor nations, whether through lending policies or monetary reforms. This would also include, for instance, replenishment of IDA on a more regular and assured basis, periodic augmentation of the capital of the World Bank by the rich nations, and more equitable distribution of SDRs. I realize that this may be too idealistic a hope at the present stage of international development, but I also believe that, without a sharp break from traditional practices, the problems of developing countries will remain largely unsolved.

PARAGUAY: CESAR ROMEO ACOSTA
Governor of the Bank

Reviewing the World Bank Group's fiscal year July 1971 through June 1972, I should like to express our satisfaction at the notable progress achieved. It was a year of expansion in the Group's lending operations for assisting the development of its member countries, with an increasing emphasis on social development projects. This Annual Meeting of the World Bank and its affiliated institutions is a particularly important one, because the economic and financial
problems to be discussed by the distinguished representatives of the Group’s member countries are extremely significant, especially for developing countries such as Paraguay.

The events in the monetary world during 1971, which to varying degrees affected developed and developing countries alike, and the foreign economic policy measures taken by them, created uncertainty in the outlook for our countries’ economies, and the repercussions are still being felt during the first months of the present fiscal year.

Turning to particular features of the Paraguayan economy, we find that gross domestic capital formation, which grew by a mere 0.4 per cent in 1970, rose 4.8 per cent in 1971, while in terms of GDP it amounted to 15.4 per cent in both years. The public sector accounted for 26.5 per cent of gross domestic capital formation in 1970 and 26.8 per cent in 1971, the private sector’s share being 73.5 per cent and 73.2 per cent, respectively.

Seeing the need to create the most favorable conditions possible for the country’s economic and social development, the Government allocated substantial local resources to its economic activities, supplemented by external funds obtained from international assistance organizations. On this point it is worth noting that external sources accounted for 46.3 per cent of public investment in 1970 and 55.6 per cent in 1971, reflecting the 31.2 per cent increase in utilization of external resources in the latter year.

The Paraguayan economy, whose structure is such that a high proportion of activities relate to the primary sectors, with very little processing in the secondary sectors, was unable to elude the effects of the adverse weather conditions in 1971, as well as various difficulties which arose for the marketing of certain traditional export commodities.

In the first six months of the current year the economy showed improved performance as compared to the same period last year: the growth in agricultural and industrial output had a favorable effect on exports, which amounted to US$40.4 million during the first half of 1972, 37.5 per cent higher than the figure for the same period last year, US$29.4 million.

At the end of August 1972 exports totaled US$58.7 million, which is US$16.9 million higher than the corresponding figure for 1971, so that we can expect a total of US$80 million by the end of 1972.

Imports stood at US$32.2 million for the first six months of this year, which is US$4 million—or 11 per cent—lower than for the same period last year.

This therefore gave a trade surplus of US$8.2 million, which is a substantial improvement over the US$6.8 million deficit incurred during the first half of 1971.

Projecting the current trend in imports, we can expect a total of US$66.0 million for the whole of 1972, as compared to US$70.2 million last year.
In the first six months of 1972 Paraguay's balance of payments showed a surplus of US$6.6 million, as compared to US$2.8 million during the same period last year.

On the basis of performance to date, it is estimated that the balance of payments for 1972 will show a surplus of approximately US$8.3 million.

On September 21, 1972 the Central Bank's total reserves stood at US$26.9 million, of which 59 per cent was represented by the Bank's own holdings and 41 per cent by the gold tranche and special drawing rights in the International Monetary Fund.

Paraguay's foreign indebtedness showed a cumulative total of US$338 million by the end of the first half of 1972, with the public sector accounting for US$336.9 million, or 94 per cent, and the private sector for US$21.1 million, or 6 per cent; this total includes loans from international organizations and foreign governments as well as suppliers' credits.

Withdrawals amounted to a cumulative total of US$235.5 million, equivalent to 66 per cent of the total committed, while US$122.5 million (34 per cent) was pending withdrawal.

Paraguay's foreign debt shows a net balance of US$184.8 million, after deduction of US$50.7 million corresponding to cumulative repayments of principal.

During the first half of 1972, withdrawals totaled US$20.4 million, which is US$7.9 million higher than the US$12.5 million withdrawn during the same period last year. Foreign debt service payments amounted to US$9.3 million in the first half of 1972, as compared to US$8.2 million during the same period in 1971.

New loans contracted abroad during the first six months of the current year totaled US$13.5 million, US$12 million of which being in the form of lines of credit to the National Development Bank for the financing of imports of machinery and equipment needed in the farming and stockraising sectors.

Altogether, the World Bank and the International Development Association have approved ten loans or credits to Paraguay, with a cumulative total of US$43.7 million; current lending operations account for US$38.7 million of this total, because one loan of US$5 million was repaid in 1964. Of these current loans US$30.2 million, or 78 per cent, has been withdrawn, the remaining US$8.5 million being in the process of disbursement and will be applied to the programs already drawn up. On June 30, 1972 the net balance of this debt outstanding stood at US$30 million.

In connection with these lending operations I should point out that in accordance with the requirement that the principal amount of credit outstanding be made known following the devaluation of the United States dollar, under the terms of Section 3.03 of Development Credit Regulation No. 1 applicable to Development Credit Agreements with
member countries, Paraguay is at the moment in the process of ascertaining the amount of that principal.

The loans and credits referred to were granted to furnish the country with basic social capital and to provide for highway maintenance, purchase of highway machinery and equipment, construction of workshops, and livestock development, with a view to ensuring continuity in agriculture, livestock, and forestry activities for which major works had already been carried out over extensive areas, and to assist development of the country's stockraising activities, which form one of its most important sources of wealth by providing food for the population and by meeting the growing foreign demand for animal products.

In 1969 the Bank Group approved loans to Paraguay totaling US$8.6 million for livestock development, and in 1970 a loan of US$6 million was granted for highway maintenance and other related investments; no lending operations were approved in 1971.

It is worth noting that Paraguay's development requirements include additional financing for sectors that have not normally received loans in the past, such as education and tourism. No one will dispute that economic development must be accompanied by adequate progress in the field of education, so as to provide the country with the necessary scientific and technical skills. The Executive Directors of the World Bank Group have evidently fully understood the importance of this aspect of development, because during the Group's previous fiscal year they approved a policy whereby greater attention would be given to the problems of educational development. This fact undoubtedly made for favorable consideration of Paraguay's application for a World Bank loan intended for the construction of seven secondary schools two in Asunción and five in the interior of the country, and for the remodeling and enlargement of a vocational school and an industrial technical college; these loan negotiations are proceeding to a satisfactory conclusion.

Our country has also applied to the Bank for a loan for the purpose of building two motels in Asunción and a tourist inn in the interior of the country, as well as for enlarging a luxury hotel; these projects will improve facilities for catering to the increasing number of visitors to Paraguay. I do not need to point out the importance of tourism as a source of foreign currency and as a means of generating income in the productive and services sectors; it is for those reasons that we should like to emphasize our hope that the Bank will approve that loan application. I should also like to mention our hope that favorable consideration will be given to the financing required for the projects making up the "Plan Triángulo," which is aimed at promoting the development of the area comprised within the triangle formed by Asunción, Puerto Presidente Stroessner and Encarnación, and includes a project to upgrade the highways in that area.

The proportion of Bank Group lending to agricultural development has been steadily increasing; we are pleased to note this trend because it
is enabling us to give the necessary support to Paraguayan agriculture, the country's economy being based essentially on farming and stock-raising, both with regard to domestic consumption and exports. Paraguay's population is growing at an annual rate of 3.25 per cent, and this accentuates the need for faster growth in agricultural production; the latter could be speeded up with appropriate external assistance in the form of reasonably long-term loans at interest rates compatible with the rate of return in that sector.

Such lending would make a substantial contribution to the sector's development, and would form the necessary supplement to the growing amounts of domestic resources that Paraguay is allocating to the development of its production of cotton, tobacco, sorghum, soybean and other crops, and to the implementation of the National Wheat Program, the fifth stage of which will be completed this year.

We should also like to express our satisfaction at the fact that the World Bank has given further evidence of its increasing interest in agricultural development by sponsoring, jointly with the Food and Agriculture Organization (FAO) and the United Nations Development Programme (UNDP), establishment of the Consultative Group on International Agricultural Research. The Consultative Group's objectives include intensification of research that will help developing countries improve the yield and quality of their agricultural produce, as well as other aims related to the technical, ecological, economic and social aspects.

We came to this Twenty-Seventh Annual Meeting convinced that discussion of the serious problems affecting the international economic and monetary situation by the learned and distinguished representatives of the member countries would yield satisfactory results. In offering the Paraguayan Government's congratulations to the Directors and staff of the World Bank Group for the valuable work done by them, we should like to approve the Annual Report presented.

PARAGUAY: CARLOS CHAVES BAREIRO

Governor of the Fund

. . . Over the past decade the President of the Republic of Paraguay, General Alfredo Stroessner, has given top priority to the construction of physical infrastructure works, in the conviction that these are destined to promote a dynamic upswing in the Paraguayan economy. Without neglecting the works relating to social welfare, our Government takes a keen interest in continuing to speed up the process of agrarian reform, the establishment of farm cooperatives, in legislation providing
a structure of extensive and generous incentives to farmers, directed toward the activities of agriculture, stockraising and forestry or the processing of agro-livestock products, at cottage industry level or through the establishment of industrial plants; as well as the granting of facilities and tax exemptions for the repatriation of nationals, with a view to enlisting their efforts in this time of peace and expansion in our country, for the purpose of developing the vast resources available in these sectors.

Moreover, it is worth noting that it is not possible to think of stepping up exports or moving toward industrialization without first having the means of bringing about the conditions essential to the achievement of those objectives, since the contribution of the necessary factors depends basically on highways and communications, electric power, the cement industry and land, river and sea transportation; and others of a social nature which depend on education, public health, housing construction and water supply.

The external indebtedness entered into for the purpose of carrying forward such programs has always been given proper study, with careful regard to the country's payment capacity, and the domestic financial measures have been designed with a view to supporting the Government's efforts to perfect the national tax system, with the aim of increasing the flow of revenue to the state so as to enable it to meet the growing needs of national development. As a result, the reforms to the tax system introduced so far, plus others currently being implemented, will make for a substantial increase in the current revenues of the national government.

This explains the substantial increase in public investment, which has grown faster than public consumption, implying decisive action by the central government in the sphere of investment and in particular in the transportation, communications and electric power sectors, with a view to integrating the country geographically while at the same time stimulating the productive activities of the private sector.

It is worth bringing to the attention of this meeting that one of the pillars on which the construction of physical infrastructure rests is the prevailing public order and political stability which offer a climate favorable to the growth of the national economy, enabling businessmen to program and plan their activities over the foreseeable future. One positive result that political conditions in Paraguay have produced and are still producing is the sustained strengthening of monetary stability, and it is worth mentioning that Paraguayans have expressed their confidence in their national currency, the guarani, because savings by the public rose from G 465 million in 1965 to G 7,559 million by June of 1972, the equivalent of US$55 million. This encouraging fact is clear proof of our success in combating the monetary inflation that was rampant during the past decade. . . .
PHILIPPINES: GREGORIO S. LICAROS

Governor of the Fund

. . . A review of the SDR system, to my mind, also is in order. For one thing, the SDR system—with its quotas—tends to perpetuate the preponderance of advantages enjoyed by the advanced countries inherent in the old monetary system. For another, there is something intrinsically wrong in the automatic and unconditional distribution of monetary reserves regardless of need.

We look forward to the proposed linkage of SDRs with development financing. I believe the varied and complex ramifications of this proposal have yet to be threshed out. At this stage, I can only suggest that SDRs, both as a reserve asset and as a source of development funds, should be allocated largely to developing countries. The channeling of new international liquidity to developing countries would be beneficial all around. Developing countries do not hoard reserves. As fast as liquidity is allocated by the Fund or the Bank, it will be used almost immediately in the importation of essential goods, including capital goods from the advanced countries. The volume of world trade would rise and at the same time developing countries would be improving their competitive ability. . . .

SENEGAL: BABACAR BA

Governor of the Fund

This year, I once again have the honor of addressing you on behalf of not only the Republic of Senegal, but also, as President of our common monetary institution, on behalf of the other six members of the West African Monetary Union—Dahomey, Ivory Coast, Mauritania, Niger, Togo and Upper Volta.

Seven voices therefore join through mine with those who have already expressed their thanks here to the President and the people of the United States for the cordial welcome given once again this year to our meeting, and in expressing our appreciation of the work done over the past year by our two sister organizations, the International Monetary Fund and the World Bank.

The fresh impetus imparted to the World Bank Group has been noted with satisfaction by all those who have spoken before me here; I shall therefore just add my voice to the praise already sounded.

However, it does seem to us that this happy circumstance is but the natural consequence of a very wise decision made last year, and which ensured that Mr. McNamara would have a second term as President. . . .

. . . For years now, we have heard references to the indispensable link between development and trade in these meetings, although our pro-
posals for rational organization of the most vital of trades, that in commodities, have not yet been put into effect or even given the consideration they merit.

At the start of our work here, we heard one of the most weighty voices assert that we had to recognize the indispensable link between trade and money, and draw the necessary inferences therefrom.

We should accordingly be acting illogically if we were still to refuse to recognize the link between money and development. . . .

. . . In regard to the Bank's activities, my concern not to take up too much of your time prompts me to confine myself strictly to those aspects of its activity which are of particular interest for us.

The first is the increase in the credits granted to Africa by the International Development Association. We have noted with satisfaction how their volume has increased over past years; this trend will have to be maintained and we consider that for this to be achieved a less chaotic means of replenishing the Association's resources will ultimately have to be found.

We are following with considerable interest the new procedures which the Bank is adopting in certain of our states, whether in regard to combating river blindness or rural development projects implemented by methods particularly suited to African conditions.

We are particularly hopeful that the Bank will pursue this exploration of new forms of action in favor of the least well-endowed among our states: those which do not have the good fortune to possess direct access to the sea, which are also among those which the last UNCTAD meeting recognized as the poorest of the poor, and which is the case with three of our members.

It is our endeavor ourselves, through regional institutions such as the Council of the Organization for the Development of the Senegal River, to furnish one another mutual assistance and we propose to expand this through the establishment of a common financing institution for all the states of our monetary union. These regional institutions could lend themselves to particularly effective application of World Bank assistance; we are accordingly highly gratified about the assistance which the Bank has just provided to the East African Development Bank, and trust that East and West will meet in its thoughts and actions.

From these thoughts and actions, we are entitled to expect a fresh momentum from the extensive reorganization of the World Bank just carried out by its President. This reorganization assigns Western Africa a significance which we had long felt to be its due.

By no means one of the least lessons of the present monetary crisis is that it has brusquely spotlighted the selfishness of the major countries, and with the world in its present disarray it is a great comfort for us smaller nations to be able to count on the clear-sighted devotion to duty of the two men of great value and remarkable quality who presently head the Bank and the Fund.
SIERRA LEONE: C. A. KAMARA-TAYLOR

Governor of the Bank

. . . We also would like to congratulate the President of the World Bank, Mr. Robert McNamara, for the steady increase in IDA lending operations in developing countries, particularly Africa, during the past fiscal year.

. . . The link between the creation of reserves by the IMF and development finance by the IBRD/IDA, originally proposed by Sir Maxwell Stamp and Mr. David Horowitz and later canvassed by the less developed countries, appears to be within sight at last. We support the proposal that the IMF should issue SDRs created against reserve currency balances to the IBRD, which would use them to purchase the excess balances held by monetary authorities and utilize the interest earned on them to finance development through IDA. This would provide resources comparable to the present contributions by the developed countries to IDA, whose present method of obtaining resources is uncertain. . . .

. . . Finally, an event of particular interest to the developing countries during the past year was the third meeting of the United Nations Conference on Trade and Development in Santiago, Chile.

Perhaps the most notable achievement of that meeting was the commitment by the industrialized nations to give special assistance to the world’s 25 poorest countries. Of these, no fewer than 16 are in Africa. Thus, it is significant that the next meeting of UNCTAD should be held in Africa.

The particular hardships of the less developed countries are often concealed by the generalization that the First Development Decade was a success because an average growth rate of 5 per cent in GNP was achieved by the third world during this period. In reality, the period coinciding with the First Development Decade witnessed a fall in Africa’s share of total assistance to developing countries from 35 per cent in 1960 to about 18 per cent in 1969. In addition, aid to Africa fluctuated more widely than was the case in other developing regions. During the period, the net flow of investment income out of Africa more than tripled, i.e., from 12 per cent of net official outflow to about 42 per cent.

The total reported external public debt of African states increased from US$3.3 billion in 1960 to $9.2 billion in 1969. Africa's service payments on external debt are estimated at $855.5 million in 1971. The United Nations Conference on Trade and Development has projected that debt service as a percentage of exports will rise from the current average of about 7 per cent to 22 per cent in 1975.

If the rate of growth in African countries should keep pace with the 6 per cent annual growth rate in GNP prescribed for the first half of the Second United Nations Development Decade, it has been estimated that
the volume of aid will have to be doubled by 1975. To achieve this, more attention should be given to the proposal that an appropriate link should be established between special drawing rights and the provision of additional development finance. This would have the effect of increasing the flow of resources to developing countries without calling for further sacrifices from the aid givers. Such a move will help in part toward providing the much-needed capital on a massive scale in order to achieve a general takeoff into a period of rapid and sustained growth in the economies of Africa.

SINGAPORE: HON SUI SEN

Governor of the Bank

The deliberations at this Meeting, reflecting as they must the urgency of the problems of the day, will undoubtedly focus on the major issues of international monetary reform. Nevertheless, we do not want to appear unaware of the impressive achievements of the World Bank in the field of development assistance. We continue to note the remarkable progress made in attaining the goal of doubling the Bank's development lending for the period 1969-1973 as compared to the previous period 1964-1968. This achievement, together with other improvements that have been made in the Bank's capability for helping its members, is due in large measure to the able and dynamic leadership of its President, Mr. Robert McNamara. We therefore take great pleasure in welcoming his appointment for a second term as President of the Bank.

On the work of the World Bank I would like to add that the proposal for the Bank to undertake the study for the establishment of an international export credit guarantee system for trade within developing countries is one which my Government is happy to support. If the scheme is properly worked out, it would constitute an important part of trade development in the developing countries.

SOMALIA: ABDURAHMAN NUR HERZI

Governor of the Fund

... We have observed with appreciation that the activities of the World Bank Group in African countries have increased during the last few years to quite a large extent. The internal financial resources of most of the African countries are still limited. This applies especially to Somalia. We have tried to enlarge our share in the financing of our development projects, but we are still primarily dependent on foreign financial help.
The financial and technical assistance of the World Bank Group is therefore highly regarded by, and of vital interest to us. But I must also mention that the interest rate of 7.25 per cent now charged by the Bank is untenable for my country. Countries such as Somalia are, therefore, very much dependent on loans from IDA. We appreciate the help of the industrialized countries, which have allocated financial resources to this institution and we hope that their willingness to contribute financially will continue. To increase the funds of IDA further, the intended distribution of SDRs to developing countries could be done in such a way that part of them would be allocated to these countries directly and part of them to IDA.

SPAIN: ENRIQUE FONTANA CODINA
Governor of the Fund

... I regard the Annual Reports of both the Fund and the Bank as extremely useful. They both inform us, with typical precision, of the two institutions' activities during the past year; but they also point out the very grave problems that most of the member countries—the less developed countries—are experiencing in their efforts to achieve acceptably rapid and sustained growth. In particular, the Bank's Report again reminds us, without pretense or ambiguity, that prosperity is still very far off for the majority of mankind. From a combined reading of the two Reports one concludes how important it would be for the world economy—and in particular for the poor countries—if the major industrial nations could soon emerge from this period of disequilibria and costly adjustments and launch themselves into a process of general, sustained growth with development aid occupying a much higher position in their scale of priorities.

SRI LANKA: N. M. PERERA
Governor of the Fund and Bank

Like the British Chancellor of the Exchequer, I am glad that this is the third occasion on which I have the privilege of addressing this distinguished gathering. I should like on this occasion to say how much we from Sri Lanka, a developing country, appreciate the new initiatives to the solution of development problems taken both by the Managing Director of the IMF and by the President of the Bank.

... It is particularly gratifying to know that the thesis which I have been endeavoring to present on the two previous occasions I have spoken has found favor with the management of the Bank and has become,
if I might say so, the new orthodoxy in its thinking on development questions. I listened with attention to the speech delivered yesterday by the President of the Bank and read with keen interest his speech to the Third UNCTAD Meeting in Santiago some months ago. In his Santiago speech, the President emphasized that "economic growth in a poor country, in its early stages, is likely to penalize the poorest segment of the society, relative to the more affluent sectors, unless specific action is taken to prevent such an event." Appropriate corrective structural changes were considered by him the desirable solution in such circumstances.

I should like, on this occasion, to explore further the lines along which policy in the Bank and in the international community in general might evolve in order to translate such laudable objective into more concrete action.

It seems to be widely accepted that the disbursement of external assistance should be linked more or less explicitly with the degree of domestic "effort" that a country is seen to be making. Stated in this general way, one is loath to dissent from this proposition of linking aid to effort. When it comes, however, to its application in practice, there are many snags which tend to militate against a reasonable disbursement of aid. The principal difficulty is with the measurement of "effort" and the various criteria that are usually adopted for this purpose such as a high savings rate, a good export record, etc. These reflect indices of "success" in development as much as of "effort," which is what they ought unambiguously to seek to measure. In some cases, despite substantial efforts, the recorded performance may fall short of expectations, whether it be in savings or export performance due to international economic factors outside the control of the countries concerned. It does seem, therefore, both unfair and unfortunate that countries which are so unfavorably placed should be called upon to exercise still further "effort" to ensure the continuation of aid flows. It is clear that in these cases the evidence of further effort required of them can very well get to the point when it could conflict with an alternative criterion for aid allocation, which is implicit in the observation of the President of the Bank at Santiago to which I have already alluded, namely, the linking of external assistance with some notion of development "need" as distinct from "effort." This would require, according to the President, action designed to safeguard "the poorest segment of the society." In other words, if the required self-help effort extends to the point of penalizing the "poorest segment of the society" then there may well be a case for reconsidering both the scope of the domestic effort that is warranted and the magnitude and character of the external resource requirement itself.

It may be useful if I indicate briefly what I mean by development “need.” This may be defined, not only in terms of some index of poverty such as per capita income and its distribution, but also in terms of some conception of “minimum economic and social objectives” which a developing country cannot afford to ignore. This would set, for instance, both an upper limit to the domestic savings it can generate during a given plan period and a corresponding lower limit to the minimum development achievements required of that period in terms of a combination of GDP growth, minimum employment creation and minimum goals in relation to other social objectives, such as improved income distribution, minimum standards in nutrition, health and education—in brief, in the overall quality of life of the large bulk of the population. These maximum and minimum limits are, of course, in each country largely influenced by its willingness or otherwise to embark upon significant structural changes, often affecting the balance of social forces within the society, and also by the kind of political framework within which the country operates. If the minimum “socially necessary” development achievements require a greater savings effort than is domestically permissible in terms of the country’s other minimum objectives, there would appear to be a prima facie case for external assistance sufficient to bridge the difference, provided, of course, the country is not otherwise passive in its efforts to establish a climate and policy framework for growth and to improve upon its past savings performance.

The case for adopting development “need” as a criterion for aid allocations in the manner I have just set out does not absolve us from urging a reasonable degree of performance upon those soliciting aid. “Waste” and “irresponsibility” must be discouraged and efforts to raise a reasonable rate of domestic savings are essential considerations. The criterion of “good performance” must, however, be applied within the framework of the social and political options open to the governments of the countries receiving aid. These criteria must therefore not be pushed to the point where, in discouraging “waste”, development “need” is also overlooked. No one can maintain that even the developed countries are geared to the total mobilization of their domestic resources; they recognize, in fact, a social right to relief and other welfare facilities for their poor citizens, and have quite rightly refrained from pushing their own self-help efforts to their logical limits. Is it then wrong to expect, in this Second Development Decade, a similar appreciation of “minimum socio-economic objectives” in the nations of the Third World, especially when these objectives are indissolubly linked with the pursuit of development “need”?

The experience of my own country gives pointed substance to these observations. Sri Lanka (Ceylon) provides one measure of rice—equivalent to two pounds—a week free. Taken by itself, free rice would occasion many raised eyebrows. In point of fact, it represents a reduction of the subsidy previously given of two measures of rice at 25 cents a mea-
sure—that is four pounds a week at the rate of two U.S. cents per pound. The previous Government removed the subsidy and made the drastic cut palatable by issuing two pounds a week free. It must be recognized that this subsidy on the staple food of the people was not an unimportant cushion for the “poorest segment of our society.” It formed a part of a system of two-tier pricing where limited quantities of basic items are made available at a reasonable price, while additional quantities were available at the ruling market prices to those who could afford them.

Every analyst of Sri Lanka’s economic situation has therefore approached her problem with an instinctive sympathy for the food subsidy; yet every analysis of Sri Lanka concludes with the proposition that, if any substantial and desirable increase in public savings is to take place, some further assault on the subsidy—running currently at seven per cent of GDP—is inevitable. At its simplest, the point is merely that the savings on the subsidy can be converted into employment, and that the reduction in the real income of a typical family may, to some degree, be offset by the resulting increase in its employed members, while, from a national standpoint, the increased employment obviously increases output.

Now, I am not contesting the proposition that countries should, to the maximum extent possible, seek to live within their means. Nor am I suggesting that countries should be necessarily encouraged to shirk the hard and painful decisions that are entailed in doing so. In the absence of aid, they would indeed have no option but to make the necessary adjustments. The whole rationale of aid, however, is to smooth the transition to a more viable equilibrium in the economy of the donee and to bring about an equitable balance between national and international effort. Thus, when a country’s situation is such that it is obliged to mobilize domestic resources by acting contrary to an obvious criterion of development “need”, as I have defined it, then it would follow that it ought to have a specially enhanced claim for international assistance in order to ensure that the sacrifices it must necessarily accept are kept within tolerable limits. This would imply significantly larger disbursements by any consultative group interested in helping a country finding itself in this kind of situation.

In Sri Lanka’s case, the minimum character of that claim within the present framework of international institutions and facilities is also not difficult to define. Her export volume, if not value, has expanded substantially in the past and her public savings position has improved beyond what it might otherwise have been as a result of past decisions on the subsidy. It is true there have been failures—notably the failure to adapt her production structure rapidly enough to changing external conditions. Yet, every year, her efforts have been frustrated by unexpected developments in the international economic situation. The analysis of the experience of Sri Lanka between 1966 and 1971 is instruc-
tive. This was the period when annual Bank missions sought to agree with the country on annual import programs taking into account a reasonable expectation of exports and of aid disbursements by the Consultative Group, all on an annual basis. The cumulative story for these years reveals that there was a shortfall of actual merchandise exports below those annually expected of something like US$170 million; this is despite the downward annual revision of export expectations and of this shortfall the IMF compensatory financing facility was able to provide only some US$40 million in 1967 and 1968. This export shortfall was translated into a shortfall of merchandise imports from expected levels of as much as US$450 million. In other words, the cumulative shortfall of imports over this period is well in excess of the actual import program of any single year during this period, when annual imports declined from US$400 million to US$340 million in 1971; and even these diminished import programs had to be financed by contracting substantial short-term debt.

In 1972, exports of the main traditional items are some US$30 million below the levels expected during the first year of the current Five-Year Plan—primarily the result of unforeseen price declines in coconut and rubber. The present position, therefore, is that imports of consumer goods, taking into account the further corrective action on the rice subsidy that is obviously needed, will have been reduced to rock-bottom levels by the end of 1972 and the imports of capital goods underpinned by the aid program. Already—comparing 1971 with 1970—imports of consumer goods have been pruned down to the point of reducing total real consumption per head in the economy by around seven per cent—and this in a single year. A reduction in consumption of this order has not, in fact, been faced by industrialized countries except in times of acute industrial depression. The import cuts in 1973 will now necessarily have to fall on already inadequate imports of intermediate goods and industrial raw materials, with consequent implications for industrial and agricultural growth and employment. In the alternative, the allocation of foreign exchange for intermediate uses in amounts required to sustain the planned rate of economic growth of six per cent would mean accompanying any cut in the subsidy with a further reduction in imports of other essential consumer goods to politically and socially unacceptable levels. The situation is further complicated by the circumstance that the drawings on the IMF’s compensatory financing facility in 1967 and 1968, amounting, as mentioned, to a total of US$40 million, are falling due for repayment this year and next.

It is under these circumstances that there arises a case for some form of program financing, under the general rubric perhaps of supplementary financing. One form this could conceivably take would be the refinancing at least of Sri Lanka’s compensatory financing obligations. This was a possibility that was clearly envisaged in the first UNCTAD
resolution on supplementary financing, adopted at UNCTAD I in 1964. I am particularly glad that the Bank has provided the evidence I had requested of it last year of its willingness to implement the pledge of the Executive Board to introduce supplementary financing in particular cases by making its recent loan to Colombia. Is there not a case for continuing to follow this precedent by looking a little more sympathetically at countries situated as Sri Lanka is, especially in cases where the evidence of domestic "effort" required to live more within one's means—let alone to qualify for external support—runs counter to an important element identified by the President of the World Bank himself in what I have chosen to call the criterion of development need, namely, that of protecting the "poorest segment of society"?

Indeed, in recommending corrective action to Third World governments to protect this "poorest segment" of their societies, the President of the Bank maintained in his Santiago address that "when the distribution of land, income and opportunity becomes distorted to the point of desperation what political leaders must often weigh is the risk of unpopular, but necessary, social reform—against the risk of social rebellion". The Government I represent has not shirked the risks of social reform. Last month it introduced comprehensive land reforms for the first time in Sri Lanka's history and it has instituted policies for the curtailment of ostentatious forms of consumption, thereby inviting various forms of retaliatory and evasive action from those privileged segments of society that have been adversely affected. The youth uprising of last year was indeed, as I stressed in my last address, an important pointer to the need for structural change of precisely this kind. The risk of social rebellion arises in Sri Lanka now, not so much from the absence of social reform, as from the over-zealous pursuit of self-help measures which, in the absence of sufficiently imaginative and flexible aid policies, will inevitably have to be carried through to the point of conflicting more or less drastically with the requirements of development need.

It would not be fitting if I were to omit mention of matters within the purview of the IMF on this occasion. I must draw attention to the deliberations of the Commonwealth Finance Ministers' Meeting. Discussions within the Commonwealth on monetary issues have, in the past, proved to be extremely constructive, and this year's decision on the matter of the "link" in UNCTAD III was more or less the decision arrived at within the Commonwealth two years ago. The outcome of last week's discussion in London among Commonwealth Finance Ministers has proved no less constructive. The developing countries of the Commonwealth were concerned with pushing forward the discussion of the "link" proposal. A final decision on this question can only be taken now after the Committee of 20 on international monetary reform has had an opportunity to study it. Our concern, meanwhile, was to see to it that sufficiently high priority would be given to the link in the discus-
sion of the international monetary reform question; this has been re-
lected in the communique of the Commonwealth Finance Ministers
who, having expressed "gratification that the concept of the link was
gaining increasing support in the international community . . . agreed
that every effort should be made to seek arrangements which would
increase the amount and quality of development assistance as a matter
of high priority, while at the same time ensuring a development of the
international monetary system in a manner beneficial to all countries".

The reason for this concern of developing countries is well known.
There are uncertainties created by the post-Smithsonian climate of
wider margins and more frequent exchange rate adjustments which
make it necessary for them to seek some form of compensation to be
able to cope better with the problem of development and the "link"
has been viewed very much in this light by them. If action on the
"link" were to await the resolution of all the issues connected with in-
ternational monetary reform, there would not be an opportunity of
adding to the flow of development assistance to the Third World at a
time when it has proved to be notoriously sluggish. It is for this reason
that we would like action on the "link" to take place as soon as possi-
ble after the various substantive alternative ways of giving expression to
the idea have been examined by the Committee of 20.

There is one other aspect of the "link" which I would like to deal
with and this is the possibility, canvassed in some quarters, of increasing
the share of developing countries in Fund quotas as a way of giving
expression to the "link" idea. The point of view of my country is on
this matter fairly straightforward. We think that developing countries
have a claim to an increased share in Fund quotas in their own right as a
way of better meeting their needs for both conditional and uncondi-
tional liquidity and as a way of giving them increased weight in the
decision-making process on monetary questions. Any relative increase
in the share of developing countries in Fund quotas on these grounds
should not, in our view, be confused with the "link," which has to be
viewed as something entirely supplementary to and separate from any
such decision on quotas . . .

SUDAN: ABUL GASIM HASHIM
Governor of the Bank

. . . We appreciate the studies that have so far been undertaken by
the Fund in the endeavor to formulate a link between SDRs and the
needs of development financing and urge that the Committee of 20
study this matter further to arrive at a workable consensus on this point
which is vital to all developing countries and which has gained a great
deal of sympathy among developed nations . . .

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... Turning now to the Bank and its affiliates, we rate with appreciation the steady increase in Bank and IDA operations in developing countries, especially in Africa. We would like to associate ourselves with our colleagues who have expressed their congratulations to Mr. McNamara and his staff for the excellent record of performance during FY 1971/1972.

Now that IDA replenishment has become effective, we must look ahead and cater for future operations of this institution. We support the view that IDA commitments by the donor countries should be for more than one year. In terms of sectoral distribution, the Bank Group is now showing increasing interest in new sectors, e.g., livestock, tourism and aviation. Such new emphasis will help considerably in creating diversified economies and it has our fullest support. Also commendable is the concern shown by the Bank, and so eloquently expressed by Mr. McNamara in his opening statement, for the problems of the human environment and social aspects of development such as income distribution, unemployment, population growth and regional disparities in development. Indeed, we share the view that, in the process of economic growth, there must always be an optional combination of increased rates of growth together with social justice.

It is our understanding that the rural sector in developing countries, which contains the larger share of the population and the lowest income, should be given due regard. We concur with the views expressed by the Bank that alleviating the problems of the rural poor is a major policy issue in developing countries. Having identified the problem, we do urge the Bank Group to seek more innovations in financing policies to deal with these problems since the project approach does not cater adequately for such situations.

In many developing countries, especially those which now are termed the least developed countries, the problem of allocating funds for development is not restricted to foreign currency components alone; they also need local currency. UNCTAD III has appealed to the World Bank Group to increase its local cost financing so that, whenever it is obvious that any of the least developed countries cannot contribute to the financing of the project, IDA could finance the whole cost of the project. Furthermore, we concur with the view that, in order that the least developed countries may benefit fully from development aid, IDA is urged to promote local procurement and technical ability.

A new organizational structure has recently been announced for the Bank. We do hope that the Bank’s operational activities will be strengthened and relations with borrowing countries will be much improved as a result of the new organization. Such a reform, we believe, should also extend to the Bank’s process of decision-making with the intention of speeding up the project cycle and thus increasing the Bank Group’s internal efficiency. We join our fellow African Governors in expressing concern that, in the new organization at the higher manage-
ment levels, no African was appointed to a suitably high post. The fact that there were no Africans in the Bank's staff to be promoted to such a position should not hinder the recruitment of new African staff members to high management posts. We strongly hope that the absence of an African in councils of top management will soon be remedied.

SWAZILAND: R. P. STEPHENS

Governor of the Fund

... The operations of the Bank over the five-year period ending in 1973, and particularly in 1972, have indeed been impressive. I say this, even though the amount channelled to the country I represent has, during this period, been zero. Nevertheless, Mr. McNamara deserves praise for the dynamic leadership he has exhibited. For the same reason, the Executive Directors and the staff of the Bank have proved that they are worthy servants of this international organization. ... 

... Most of the developing countries are advocating the "link." Some of the developed countries are skeptical, and a few do not even seem to support the proposal. Again here we do not seem to be agreed on vital features of a proposed reform system. Here is a fundamental difference. Coming from one of the least developed countries, I would want the "link" to be given the consideration it deserves, for the simple reason that this provides an additional source of development finance and one that is not tied to specified and approved projects. ... 

... I turn now, briefly, to development in Swaziland. Although Swaziland has not received any finance from the Bank in the last five years, this is a situation which we hope will be remedied shortly, because our development needs and problems are enormous.

It is indeed with some dismay that we find ourselves not in the list of least developed countries. Criteria and yardsticks were used in deciding on our classification without any reference to us. However, we hope to remedy this soon. Meanwhile, we would hope that our plea for assistance will receive no less attention from donors and other aid agencies simply because, by some magic formula, we are said not to be as badly off as the "twenty-five".

We are aware, as the President of the Bank said the other day, that there is much that can be done internally to relieve the abject poverty of the vast majority of our people. We are certainly doing what we can in this respect, but even in that task, we depend to a large degree on outside assistance in various ways. It is not a simple business to transfer wealth from one section of the population to the other. This has all sorts of problems. We are, however, confident and greatly encouraged by the expansion of the Bank's activities to areas hitherto considered almost outside its scope. One last word: the developed nations through
the Bank are doing an enormous amount to help but, unless this effort can be dramatically increased, the trend, that is so distressingly clear, of the slide into the mire of poverty of the majority of people on this globe, will continue.

All forces will have to be organized, particularly private enterprise, as it is in this field that the most spectacular results are normally obtained. To encourage private enterprise, special attention must be paid to the infrastructure.

IFC is, of course, the agency that is important in this respect. The facilities available and the conditions applicable to IFC assistance should be widely publicized.

TANZANIA: W. K. CHAGULA

Governor of the Bank

... While the search for an acceptable international monetary system goes on, the challenge of development of human society remains with us. In this regard, it was gratifying to note from the address of the President of the World Bank Group, the performance of the Bank, over the last year, the future prospects and the crucial task that remains to be done if 40 per cent of the total population of the least developed countries is to enjoy the minimum requirements of human life.

The challenge that faces all of us here present is one of building a viable trade, payments and resource transfer system that takes account of the rights and needs of all its members. In the field of trade we need fair prices for our products and effective access to markets—not increased protectionism against agriculture and manufactured goods produced by the developing countries. Certainly no defense—moral, practical or economic—can be advanced for the continued demand of certain industrial economies for reverse preferences. Both are inward-looking and destructive in the extreme.

In that context we welcome UNCTAD III's recognition that those 25 developing economies with the lowest per capita incomes, rates of literacy, and degree of industrial development deserve special attention in the field of resource transfers. The recommendation that all resource transfers to the "Group of 25" be on soft terms like those of IDA is one which we urge the international lending bodies such as the World Bank, as well as national bilateral assistance programs, to implement without further delay.

In this regard also, we welcome the World Bank's FY 1974-1978 plan, whereby it is proposed that a larger proportion of the 11 per cent planned increase in development finance will be channeled through IDA. I hope that the Bank will continue to search for flexibility and new evaluation criteria designed to meet the special requirements of rural programs.
If the record of the first five years of Mr. McNamara’s Presidency is anything to go by, we have no doubt that these plans will be realized. However, as the President of the World Bank himself said, their success depends on the cooperation of all countries represented here, particularly the developed countries. Our hope is that bilateral programs also will increase their proportion of concessionary assistance so that the modest targets of the Second Development Decade are achieved.

In conclusion, it is relevant to recall the penetrating analysis of poverty of low-income groups in developing countries and the obligations of governments of developing countries as outlined by the President of the World Bank in his address. The life and character of a nation is a reflection of its population. As a member of this assembly from a developing country, I emphasize that we cannot avoid dealing with these crucial policy issues which are truly ours, if we have the interest of our people at heart.

This task we accept. There cannot be pious hopes for truly international cooperation if we fail in those areas over which we have full and direct control.

THAILAND: SERM VINICCHAYAKUL

Governor of the Bank

I would like to join the other Governors in welcoming the new members to the IMF-World Bank Group, and especially the reappointment of Mr. McNamara for a second term as President of the World Bank. . . .

. . . One area of international monetary reform which should not be neglected is the establishment of a link between SDRs and development finance, which the developing countries as a whole have been pressing for in the last few years. In this connection, the Committee of the Board of Governors should take into consideration the need to create additional resources for development financing and to increase the present flow of aid. . . .

. . . Let me now turn to the Bank’s operations. It is indeed gratifying to note that in spite of recent upheavals in the international monetary field, the World Bank was able to attain the goal of doubling its development lending for the period 1969-73. Indicative guidelines for Bank lending for the next five years reflect the Bank’s determination to play a more vital role in development. The Bank’s adoption of the “integrated approach” to socio-economic development is most welcomed. It is hoped that this policy will be implemented on a more comprehensive scale in the near future.

Another area in which the World Bank could adopt a more positive approach concerns supplementary financing measures and the multi-
lateral export credit insurance scheme. With regard to supplementary financing, studies which have been completed should form an adequate basis for immediate follow-up action. As for the latter, more detailed studies should be undertaken as soon as possible along the lines suggested by the Pearson Commission on International Development.

The tasks which lie ahead in regard to international monetary reform and development are onerous. However, records of past performance by the Fund and the World Bank justify our confidence in the ability of these two institutions to overcome obstacles and attain their set goals. I have no doubt that developed and developing nations alike will lend their full support to sound programs for expanding the operations of the Fund and the Bank in the interests of the international community.

TRINIDAD AND TOBAGO: GEORGE M. CHAMBERS

Governor of the Fund and Bank

Mr. Chairman, I have the honor and privilege of addressing you and other distinguished Governors on my own behalf as well as on behalf of the Governor for Jamaica. The views which we present to you in relation to the activities and policies of the World Bank Group are shared by other members of the Commonwealth Caribbean which are not yet members of the World Bank and its affiliated organizations.

Permit me first of all to congratulate the Governors of Oman, Bangladesh, the United Arab Emirates and Qatar on the decision of their Governments to become members of the World Bank Group. We have been stimulated as well as encouraged by the frank and constructive address of Mr. McNamara. We want to thank him for the stand he has taken in this forum and elsewhere on the need for positive steps to accelerate the pace of providing jobs, improving export earnings and relieving the crushing burden of poor living conditions in the developing countries. We would also like to congratulate him and his staff on their record achievement in the past year in mobilizing resources to assist the poor countries of the world. The performance of the World Bank Group over the past few years demonstrates that, with the required will, a way can be found.

Since we became members of the World Bank Group less than ten years ago the membership of the Group has increased by almost one half. The new members in the Bank have all been developing countries—most of them small countries—small in terms of population and, often, small in terms of land area. This trend of the accession of small states into membership in the World Bank Group seems certain to continue as countries assert their right of self-determination. It is not untimely for us therefore to raise again the need for an operational distinction in the Bank’s policies between large states and small states. There is no evi-
dence now that such a distinction forms a material part of current Bank policy. Common methods and criteria are applied in determining the form, terms and quantum of World Bank assistance to states both large and small. But are the relevant economic characteristics of large and small states so similar, in fact, as to warrant the application of such common methods and customs? They may have similar per capita national incomes; they may share high levels of unemployment among the young people. They may have similar shortages of basic social infrastructure. But do the small states have the same diversified resource base or the opportunities for relocating population as do the larger states? Given the economies of scale, do the small states have the same per capita costs of providing basic social amenities and economic and social infrastructure as do the larger states? Are the projects included in the development plans of small states invariably large enough to meet the minimum size criteria applied by the Bank and its affiliates in determining eligibility for assistance? Are their projects large enough to bear the cost of expensive pre-feasibility, feasibility and appraisal studies or the use of expensive expatriate consultant services? Can they equally afford the long wait that such studies usually entail? Is the extent of the dependence of small countries on imported goods and services for both current and capital purposes the same as that of larger countries? And is the indirect import content of domestic expenditure the same in large and small developing countries? If, as we submit, the answers to these questions are in the negative, then it follows that it is inequitable to apply to small states the same criteria for determining eligibility for financing or to require and exact the same terms and conditions of such financing. We believe that it is appropriate for the World Bank to evolve without delay a new approach in providing its assistance to small developing countries; such an approach must include, inter alia, the provision of sector financing for important sectors of the economy such as agriculture, tourism, housing and transportation, the financing of a substantial proportion of local costs of programs and projects, and arrangements which will accelerate the final receipt of the Bank's assistance and reduce the preparatory costs. Unless this is done, the small states, the mini-states, call them what you will, will be effectively debarred from benefiting fully from the support that the Bank Group can provide to them in their efforts to raise living standards and to give hope to their population.

We are concerned that there is obvious hesitation among the developed countries in moving toward the agreed target of 0.7 per cent of gross national product for official transfers to the developing countries. How can we fail to be daunted by this situation when we can look forward only to increasing costs of our projects and programs and consequently the need for greater international support for our development effort. And here I refer not only to the rising cost of essential imported goods, for I, too, am hopeful that the rate of inflation in the developed
countries will abate so that the prices of our essential imports will be stabilized. I refer also to the measures which may be required of us to contribute toward improving the wholesomeness of the environment in which we live. We in the developing countries have not contributed to the pollution of the sea and the atmosphere; but since we accept, as we must, the principle of one world, we will have to take such steps as we can to ensure that we do not aggravate the situation as we pursue our efforts to provide rising income and opportunity for our people, better housing and social facilities for our families and job opportunities for the large number of our young population who do not now have jobs. These steps will increase the cost of development in our countries; and surely we have the right to expect assistance in meeting these additional costs. What is more, a large part of the additional cost will be in local costs. And if, as I have stressed, it is equitable that the World Bank Group should finance local costs of projects in small developing countries, it becomes even more pressing for us in these countries to be assured that, in its future policies, the World Bank Group will not only apply new qualifying criteria for projects and programs but will also include financing on concessional terms for a meaningful proportion of local costs.

The difficulties which the Bank continues to experience in securing IDA replenishment are a source of disappointment to us. Let me hasten to express our appreciation to those countries which have taken steps to pay some of their pledges in advance. But equally, however, let me make it clear that we do not consider the criteria which are now employed in determining eligibility for IDA credits to be defensible in the circumstances which face small developing countries such as our own. We fully accept the obligation to take all feasible steps to mobilize local resources for our own development and to employ fiscal instruments to bring about a reasonable measure of internal income redistribution. Our performance in taking measures for resource mobilization and redistribution is a matter of record and we can be judged by it. But we submit that, in determining eligibility for concessional financing, a distinction should be made between cases where a certain level of per capita income is achieved from a broadly based and diversified production structure and those cases where a similar, or even a higher per capita income is achieved by the localized exploitation of natural resources, using highly capital-intensive techniques and providing few jobs. Such a distinction is relevant in determining the potential of any redistribution device. We urge the World Bank Group to heed our repeated request that the criteria for eligibility for IDA credits should be re-evaluated in the light of the circumstances that face us in the small developing countries, as we, too, seek to find a place in the sun for our people, which is their entitlement.

In recent years, the World Bank Group has shown foresight and imagination in extending its assistance in fields which it formerly eschewed.
The extension of the Bank's activities to agriculture and tourism, education, family planning, water supply and sewerage, and urbanization gives us great satisfaction. We warmly commend the Bank for its initiatives. We now urge the Bank to enter boldly and positively into the field of providing financing for low- and middle-income housing. It is not necessary for me to mention the serious brake on individual effort and initiative—the cornerstone of economic and social progress—that results from poor housing conditions in urban and rural areas, or conversely, the positive contribution which some improvement in the desperately bad housing conditions can make to productivity, to social and economic stability and to the quality of life of our citizens. Nor do I need to demonstrate to this august body the important trigger to economic activity that can be activated by a sustained program of housing construction; or the opportunity which such housing construction provides for creating jobs to the large body of semiskilled and unskilled young population. These benefits are well known. Our internally generated resources are inadequate to enable us to mount a program adequate to make demonstrable progress in improving housing conditions and we are now faced with the prospect that there is no international financial institution which is prepared to provide us with funds on concessionary terms for building new homes for our population. If the World Bank Group is determined—and I am convinced that it is—to support domestic efforts to improve the quality of life in the developing countries, then the provision of financing for housing must be assigned a high priority. We are aware that such financing presents complex problems. But these problems can and will be solved if the World Bank Group applies to them the creative energy and initiative that has been a feature of its recent activity. As an interim device, it may be appropriate for the Bank to examine the possibility of providing housing financing through supporting local housing institutions. Indeed, we suggest the World Bank Group should give increasing attention to the possibilities inherent in domestic and regional institutions for assisting in the social and economic development of the small developing countries.

We support the policy of the Bank in extending a domestic preference for industrial goods. We see this as a positive measure designed to facilitate the development of a capital goods sector in those developing countries which have such capabilities. But we have not been able to understand the Bank’s reluctance to provide a domestic preference margin in the case of construction nor its unwillingness to structure civil engineering projects so as to permit the local contractors in small developing countries to compete on equal terms. We find such reluctance inconsistent with the Bank’s declared intention of not only financing projects, but also of developing in recipient countries the human and institutional capability for executing projects. We urge the Bank to give consideration, in the review of its policies, to the question of a domestic preference margin and other appropriate arrangements in order to
facilitate the growth of construction capabilities in the small developing countries.

It is usual for the Bank to prescribe pre-conditions and conditions in providing its assistance to us. We have no quarrel with this procedure, and generally we derive benefit from the comparative experience which the Bank can bring to bear on specific aspects of our development program. From time to time, however, we encounter difficulties; these arise almost invariably on two points. First, the conditions prescribed sometimes require important changes in the order of priority fixed by a country in its development plans, and we are confronted with the problem of having either to forego assistance or to revise the order of priorities which, in our considered judgment, our circumstances dictate. Second, institutional changes are proposed by the Bank in its consideration of specific projects which, if adopted, would cause serious dislocation in the functioning of other institutions in other sectors of the economy. The development of a productive relationship between the Bank and the small country borrower requires, among other things, that the senior executives in the Bank should not only be professionally competent, but should also demonstrate a sympathy for the aspirations of the population and an awareness of the history of development in the recipient country. In the circumstances, there is a prima facie support for the view that effective representation on the Bank staff by people with experience in developing countries will enable the Bank to discharge better the responsibilities which its President has so clearly enumerated, and we expect that the current reorganization of the Bank would reflect this principle.

In conclusion, it is appropriate for me to place on record the fact that the Bank’s staff, within the constraints imposed by current Bank policies, have sought at all times to be helpful to us. We sincerely appreciate this. We are confident that the changes which we have proposed will contribute materially to the evolution of the World Bank Group into the dynamic agent of development which its President and his Board have set out to create.

TURKEY: ZIYA MUEZZINOGLU

Governor of the Bank

I, again a Governor, would like to express the great pleasure I feel on addressing the distinguished Governors of the Fund and the Bank Group.

I welcome with particular pleasure the new members of the IMF and the IBRD, namely, Bahrain, Bangladesh, Oman, Qatar, the United Arab Emirates, and Western Samoa.

Let me take this opportunity, Mr. Chairman, to thank you for the clear, constructive opening address you have made. I also wish to thank
Mr. Schweitzer, Managing Director of the Fund, and Mr. McNamara, President of the Bank, and their staffs for their excellent work in the preparation of the very comprehensive Annual Reports.

Mr. Chairman, you, yourself, and many others have underlined the economic development achieved in the past and also the necessity for accelerated development in order to strive against poverty and to have a better distribution of wealth in the world. In fact, over the past two decades, we have noticed that the member countries have made great efforts to utilize their own resources more productively and have benefited from increased gross national product while maintaining relative price stability. The effective guidance and aid of international organizations, in particular the IMF and the Bank, have also largely contributed to this achievement.

Now, it must be our aim that the growth of wealth of the whole world, which already has gained momentum, should be further accelerated. For this purpose, closer and constructive international cooperation in the fields of trade, payments and development are of vital importance.

Moreover, it is my sincere belief that this cooperation should be able to harmonize the ultimate goals of not only the highly developed and developing countries, but also the countries in between. If this belief does not come true, the higher level of wealth and employment opportunities for the whole world in the future will not be likely to materialize . . .

. . . Before concluding I would like to say a few words about the Bank Group activities.

In particular, the Bank and its affiliates, by creating fresh resources and increasing the volume of financial and technological aid, have given meritorious support to developing countries' own efforts. This we fully appreciate.

We also appreciate the proposed plan of action and reforms for social equity and economic growth that Mr. McNamara has outlined in his address to the Board of Governors.

While reforms and reorganizations are needed in every country for various aspects of national life, they are particularly essential for the achievement of the goals of the developing countries. Indeed, my Government has recognized priorities for the completion of main reforms, such as land, education, tax and institutional ones, in the third Five Year Development Plan which will start at the end of this year.

In conclusion, allow me to express my most sincere wish that mutual understanding and cooperation among member countries may make the year of 1973 a year of success and stability in the fields of international finance and development.
UGANDA: E. B. WAKHWEYA

Governor of the Fund and Bank

... I am encouraged by the consensus which is emerging regarding the link between the allocation of SDRs and development needs. I have no doubt that a link is technically feasible; what is required is the political will. The President of the World Bank in his eloquent exposition left no doubt in our minds of the plight facing the developing countries. He made it abundantly clear that the flow of development resources under the existing channels has been below expectations. It is against this background that a link of SDRs to development finance should be commended.

May I now turn my attention to the operations of the International for Reconstruction and Development. In his report to us, the President of the World Bank made it quite clear that steps are being taken to increase the volume of development assistance. We very much appreciate the fact that the volume of lending by the Bank Group has continued to increase in the past fiscal year and that for the first time the Executive Directors were able to approve loans totaling US$3.1 billion. I welcome the promise by Mr. McNamara to treble lending to developing countries in Africa overall and to quadruple lending to the poorest member countries.

It is also gratifying to note that the third replenishment of IDA has been completed and that IDA has remained the best source of development assistance available to developing countries. However, the pattern of geographical distribution of Bank and IDA lending has continued to leave a lot to be desired, despite the reorganization within the Bank, as far as the African region is concerned and even among countries within the region. For example, during 1972, the African region received only 19.59 per cent of the total lending and was right at the bottom of the list of recipients among developing regions. This has been the pattern for the last four years. We consider it a very unrealistic distribution whereby the most needy region gets the least assistance, particularly as it has been established that the largest number of the least developed countries among the developing countries is in the African region.

We note that the Bank has set itself priorities of financing agricultural and educational projects. These alone, however, cannot build the necessary foundation on which further development can be based. National or regional transportation networks, telecommunications, the generation of electric power are fundamental prerequisites of accelerated growth. If the lending activities of the Bank and its affiliates are going to be meaningful, basic realities of the conditions prevailing in the countries concerned will have to be taken into consideration.

There are cases where regional corporations and/or institutions have been given loans on such stiff terms without due regard to the fact that
these corporations and/or institutions, by the very nature of their activities do not earn foreign exchange, and therefore the burden of repayment has had to fall squarely upon the economies of these countries, thus aggravating the debt servicing problems of these countries. If meaningful assistance is to be given to such corporations whose functions are infrastructural in nature, such assistance should be on concessionary terms.

Turning to the activities of the International Finance Corporation, it has to be acknowledged that the private sector in developing countries, particularly those countries which are in their early stages of development, is usually very small and cannot realistically be expected to spearhead development. Governments of such countries find it their inescapable obligation to participate directly in economic activities which in other countries are normally undertaken by the private sector. It is only realistic therefore that in such situations, the IFC should be sufficiently flexible in its operations so as to participate in state enterprises.

Before I conclude, I would like to say a word on international trade. This is because all the monetary issues with which this forum is concerned are closely related to international trade. Whatever monetary order may evolve, the new monetary order by itself will not solve the economic problems of developing countries. What developing countries need most is a freer access of their products to the markets of the developed countries. Otherwise, developing countries will in the long run have no foreign exchange resources to pay for their imports and to meet their debt servicing obligations. These, coupled with galloping inflation, are bound to lead to only one thing and that is a diminution in the volume of international trade.

It is therefore in the interests of all of us that, while dealing with urgent problems of monetary reform, we address ourselves seriously to the immediate problems of trade and the flow of development resources to the developing countries.

UNITED KINGDOM: ANTHONY BARBER

 Governor of the Fund

... Yesterday, we listened to Mr. McNamara and Mr. Schweitzer. Once again Mr. McNamara showed that remarkable talent for translating the dull mechanics of development finance into the vivid reality of impoverished humanity. We are indeed fortunate in the management both of the Bank and of the Fund, and I want to express my personal tribute to Mr. McNamara and to Mr. Schweitzer, not just for their work but also, if I may say so, for the sort of men they are. . . .

... I intend today to devote most of my remarks to the question of reform of the international monetary system. But first I want to say a
word or two about the work of the World Bank. Mr. McNamara cer-
certainly has his problems. But he and those who serve with him deserve
the esteem and encouragement of all of us who recognize a moral duty
to help those people who are less fortunate than ourselves, and those
people in their turn have cause to be grateful to the World Bank Group.

Nobody who has just come, as I have, from taking the chair at a two-
day meeting of some 30 Commonwealth Finance Ministers—most of
them representing less developed countries—can be unaware of the
enormous task which still remains to improve the intolerable conditions
under which two-thirds of the world still live.

There are many Governors who wish to speak, and I do not wish to
detain the meeting unduly. So I shall adopt the helpful device of includ-
ing only in the written text a number of points about the work of the
Bank. But one point I do want to make now, and it is this.

We are obviously all pleased that the ratification of the Third Replen-
ishment of IDA has now been completed. It seems to me that in view of
the delay there has been over this, we should now make an early start
on discussion of the Fourth Replenishment. I say this in the hope that
on the next occasion the ratification can be completed in good time.

There are two further points in particular which I should like to
make, because they require special attention.

First, the time has come to concern ourselves much more closely
with the growing indebtedness of developing countries. And what we
have to look at here is not so much the global figures but the detailed
situation in individual countries which are experiencing special diffi-
culties. The Bank recognizes this. So must we. Incidentally, I am glad to
see that a central feature of the internal reorganization of the Bank is
recognition of the need to base operations on the development of indi-
vidual countries.

The second point concern those countries of the world which are the
poorest of all—including those 25 countries designated as the least de-
volved by the United Nations. These countries are confronted not
only with the most acute problems of underdevelopment, illiteracy, and
low living standards but—most depressing of all—their prospects of over-
coming them are poor. Unaided their task is simply impossible. The
least we can do is to give them hope. All of us—in the Bank Group, in
the developed countries and in the richer of the developing countries—
must concentrate more on solving these problems. . . .

Finally—on the substance of a reformed system—I want to mention
the question of a link between SDRs and development aid. You will not
be surprised that this subject loomed large at the Commonwealth Fi-
nance Ministers’ meeting in London last week. I must say, as I have said
before, that I have very considerable sympathy with the desire of those
countries which advocate such a link. But I do feel that it needs ex-
tremely careful consideration in the context of a general reform of the
system. The arrangements to provide such a link would have to be part
of that wider reform and would have to be consistent with its objectives, not least because, if they were not, that would probably itself frustrate the prime purpose of providing extra real resources for developing countries. We would have to make sure that any such scheme was not inflationary; that it would not lead to pressures for the excessive creation of SDRs beyond what prudent, internationally agreed judgment regarded as appropriate to the prospects for world liquidity as a whole. But if these conditions can be met, then I say today that the United Kingdom will be in favor of providing in a reformed system for some form of link.

### UNITED STATES: GEORGE P. SHULTZ

*Governor of the Fund and Bank*

The nations gathered here have it in their power to strike a new balance in international economic affairs.

The new balance of which I speak does not confine itself to the concepts of a balance of trade or a balance of payments.

The world needs a new balance between flexibility and stability in its basic approach to doing business.

The world needs a new balance between a unity of purpose and a diversity of execution that will permit nations to cooperate closely without losing their individuality or sovereignty.

We lack that balance today. Success in the negotiations in which we are engaged will be measured in terms of how well we are able to achieve that balance in the future.

I anticipate working closely and intensively with you to that end, shaping and reshaping the best of our thinking as we proceed in full recognition that the legitimate requirements of each nation must be meshed into a harmonious whole.

In that spirit, President Nixon has asked me to put certain ideas before you.

In so doing, I must necessarily concentrate my remarks today on monetary matters. However, I am deeply conscious that, in approaching this great task of monetary reform, we cannot neglect the needs of economic development. I am also conscious that the success of our development efforts will ultimately rest, in large measure, on our ability to achieve and maintain a monetary and trading environment in which all nations can prosper and profit from the flows of goods, services and investment among us.

... I believe certain principles underlying monetary reform already command widespread support.

First is our mutual interest in encouraging freer trade in goods and services and the flow of capital to the places where it can contribute...
most to economic growth. We must avoid a breakup of the world into antagonistic blocs. We must not seek a refuge from our problems behind walls of protectionism.

The pursuit of the common welfare through more open trade is threatened by an ancient and recurring fallacy. Surpluses in payments are too often regarded as a symbol of success and of good management rather than as a measure of the goods and services provided from a nation's output without current return.

We must recognize, of course, that freer trade must be reconciled with the need for each country to avoid abrupt change involving serious disruptions of production and employment. We must aim to expand productive employment in all countries—and not at one another's expense.

A second fundamental is the need to develop a common code of conduct to protect and strengthen the fabric of a free and open international economic order.

Such basic rules as "no competitive devaluation" and "most-favored-nation treatment" have served us well, but they and others need to be reaffirmed, supplemented and made applicable to today's conditions. Without such rules to guide us, close and fruitful cooperation on a day-to-day basis would not be possible.

Third, in shaping these rules we must recognize the need for clear disciplines and standards of behavior to guide the international adjustment process—a crucial gap in the Bretton Woods system. Amid the debate about the contributing causes of past imbalances and the responsibility for initiative toward correction, sight has too often been lost of the fact that adjustment is inherently a two-sided process—that for the world as a whole, every surplus is matched by a deficit.

Resistance of surplus countries to loss of their surpluses defeats the objective of monetary order as surely as failure of deficit countries to attack the source of their deficits. Any effort to develop a balanced and equitable monetary system must recognize that simple fact; effective and symmetrical incentives for adjustment are essential to a lasting system.

Fourth, while insisting on the need for adjustment, we can and should leave considerable flexibility to national governments in their choice among adjustment instruments. In a diverse world, equal responsibility and equal opportunity need not mean rigid uniformity in particular practices. But they do mean a common commitment to agreed international objectives. The belief is widespread—and we share it—that the exchange rate system must be more flexible. However, important as they are, exchange rates are not the only instrument of adjustment policy available; nor, in specific instances, will they necessarily be the most desirable.

Fifth, our monetary and trading systems are an interrelated complex. As we seek to reform monetary rules, we must at the same time seek to
build in incentives for trade liberalization. Certainly, as we look ahead, ways must be found to integrate better the work of the GATT and the IMF. Simultaneously we should insure that there are pressures which move us toward adequate development assistance and away from controls which stifle the free flow of investment.

Finally, and perhaps most fundamental, any stable and well-functioning international monetary system must rest upon sound policies to promote domestic growth and price stability in the major countries. These are imperative national goals for my government—and for yours. And no matter how well we design an international system, its prospects for survival will be doubtful without effective discharge of those responsibilities. . . .

VENEZUELA: RAFAEL ALFONZO RAVARD

Governor of the Bank

It is my privilege to speak at this important meeting on behalf of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Philippines, Uruguay and Venezuela. The Republic of Chile has some additional points which its Governor will make in his address to these meetings.

The nature of our economies and the form of our development process are creating ever-increasing needs for external financial resources during this crucial phase. We therefore wish to present our viewpoints as developing countries faced with a world economic outlook that is causing us concern and anxiety, but in the hope that the principles of international social justice will bring about increasingly effective assistance machinery for solving the problems before us.

We are grateful for the traditional hospitality shown by the people and Government of the United States of America in acting as hosts for the Twenty-Seventh Annual Meeting of the Governors of the World Bank, in this beautiful city of Washington.

Turning to the Annual Report for fiscal 1972, we are pleased to note that, for the first time in any year, the President and Executive Directors of the World Bank Group approved lending and investment operations totaling more than US$3 billion, including Bank loans to the value of nearly US$2 billion, thereby virtually attaining the aim stated by its President, when he took office four years ago, of doubling in five years the amount of development financing accorded by the Group in the previous five-year period.

It is particularly noteworthy that this increase has been accomplished without impairing the institution's operational efficiency, thanks to the vigorous and innovative management of its President, Mr. Robert S.
McNamara, supported by the Board of Executive Directors and the valuable work of the Group’s specialist and administrative staff. The broad horizon opened up by the merited advance re-appointment of the President will make it possible to consolidate the process of restructuring the Group’s functions and organization, necessary for the continuity and expansion of the important tasks of the Bank and its affiliates.

Latin America and the Philippines received a total of 32 loans and credits, but it would be desirable that future financing should be available to all countries which submit suitable projects. The volume of IDA credits to Latin America declined in fiscal 1972, though a substantial amount of financing was granted to the Republic of the Philippines. It is to be hoped that our region will obtain a reasonable share of future lending in this important sector of international financial assistance.

We understand that the administrative reorganization that has been approved for the various Bank departments is designed to provide better channels for increasing the efficiency of their work, based on a geographical structure subdivided into economic sectors, thus preparing the Bank for the growing responsibilities that it will have to shoulder in the coming decade.

We are hopeful that this reorganization will in fact achieve the desired improvement and we trust that the nationals of the developing countries will retain and increase the representation that they ought to have within the Bank’s management and specialist staff, at all levels.

In form and content, the report submitted for our consideration is manifestly of high quality, and makes for better understanding and analysis of the situation of member countries.

The action taken in establishing the Consultative Group on International Agricultural Research, with Bank sponsorship and participation, has already received our support and applause. We should like to take this opportunity of reiterating our approval, because we believe that basic research in this sector is of fundamental importance for development; we trust that the Bank will continue and expand the valuable technical and financial assistance it has rendered to that Group.

I shall now turn to some noteworthy aspects of the Bank’s operational machinery and its lending criteria.

We congratulate the Bank on the great interest it has shown in extending the scope of its activities to sectors which hitherto have not received attention from international lending institutions. The Bank’s action in this area is of great value, but its work in these new fields must take account of the priorities drawn up by the authorities of each country, so as not to impair performance in other areas which are of fundamental importance to the development of our nations.

In some cases, decisions regarding loan approval have been taken in such a way as to affect certain countries unequally. On occasion, we have noted that the Bank has shifted its position regarding the impor-
tance of certain sectoral projects to national development, or has reassessed the prospective borrower's economic and financial situation, with the result that the Bank has been less willing or even unwilling to finance certain programs.

We believe that inasmuch as some of the criteria applied by the Bank can affect important interests of prospective borrowers, such criteria should be based on general policies carefully examined and discussed at Board level prior to their adoption, giving member governments an opportunity to make their considered comments.

We believe this would avoid the possibility of differing treatment being applied to projects in the same sector presented by different countries or of financing being withheld from major projects in economic sectors that have previously benefited from loans, while funds are still available for other sectors. The key factor should be the country's basic development finance requirements and, assuming that the specific projects are well designed, properly appraised and of high priority, there should be no distinctions made between countries in similar situations and no discrimination against certain sectors of activity.

Having studied these problems, we venture to suggest the adoption of a set of rules to govern this decision-making process more effectively in the future and to answer the need for an order of priorities in the financing sphere, taking account of the views of all parties concerned. Furthermore, the criteria for approving loan operations should reflect each country's key long-term financing needs, and not give excessive weight to short-term indicators such as the level of international reserve holdings and the balance of payments position, because these may well be temporary phenomena that could lead to decisions which do not answer the true requirements.

Our countries wish to emphasize once again how important it is that multilateral lending organizations should appraise projects in accordance with criteria of an exclusively technical nature, subject to an appropriate development philosophy, regardless of any conflicts that may arise between member countries.

I should like to reaffirm the importance that we attach to enabling a larger proportion of total project costs to be financed in local currency. The limitation laid down in Article IV of the Articles of Agreement must be interpreted more broadly than hitherto, because otherwise the very process of overall development that the Bank is seeking to promote will be hindered.

The recent critical situation in the world capital market, which fortunately has improved lately, has led to a situation in which it is possible to obtain lower interest rates and increasingly longer terms from private sources than those at present applied by the Bank and in particular by the International Finance Corporation for development purposes. We are aware of the complexity and delicate nature of the decisions that determine the interest rate, but we do hope that this question will be
reconsidered with a view to enabling the Bank and Corporation to make periodic adjustments to their interest rates, setting them as low as is possible without impairing the Bank's ability to obtain the necessary funds from world capital markets.

Notwithstanding the Bank's necessary and praiseworthy efforts to obtain funds in the open market, with a view to achieving the ambitious goal of doubling its lending within five years, we feel it would be advisable to study ways of attenuating and spreading over longer periods the effects of the high yields that it has been necessary to offer for the purpose of raising the funds required. After all, an institution like the Bank, which exists to promote development and enjoys international support, has access to existing and potential resources and reserves on a scale that should enable it to minimize the temporary effect of high interest rates on the developing countries.

Latin America and the Philippines reaffirm their earlier position to the effect that the industrialized countries should open their capital markets to international development finance institutions and to the countries themselves, and should, without delay, make effective their financial commitments to international and regional organizations alike.

Specifically with regard to the International Development Association, we hope that the contributions announced for the Third Replenishment of IDA's resources will be made effective before the end of the extension approved by the Board of Executive Directors.

The problem of the growing burden that debt-service payments represent for the developing countries is well known, and in this connection any internationally generalized practice that establishes short maturities or high interest rates aggravates it still further. We wish to confirm our recommendation condemning such practices, which are applied in the international sphere by official organizations that jointly establish terms and conditions not suited to the developing countries.

There is a growing consensus that the developing countries must expand and diversify their exports. The measures taken toward this important goal have run into a large number of difficulties, including the lack or shortage of export credits on reasonable terms. Our countries recommend that the Bank should carry out the necessary studies so that, with national and regional participation, a soundly based system can be established for guaranteeing credits for exports between developing countries.

This is a good occasion to raise a matter of great importance to our countries which, while it has been dealt with in previous years, can now begin to be defined with greater precision. This is the question of establishing a link between liquidity creation in the form of special drawing rights and the provision of development financing. The proposed link has already been extensively discussed and will be included in the agenda as one of the key elements of the coming reform of the international monetary system.
The basic principles that should guide us in this matter relate to the establishment of machinery that would satisfactorily meet the needs of the developing countries, including suitable procedures for determining the amount of funds that should be allocated for this purpose, which in any case should be additional to existing financing flows.

The Latin American countries' opinion on this question, agreed upon at an earlier meeting held in Managua, has already been presented by the distinguished Governor for El Salvador, who on behalf of all our countries outlined our points of view regarding the international monetary system.

Attention has been given to the need for coordination of the efforts to solve monetary, commercial and financial problems, underlining their interdependence and stressing the need for full participation by developed and developing countries alike. We support these ideas and should like to ask the Bank to assist in the search for methods that will make for such coordination.

We are happy to note and applaud the Bank's decision to grant a loan in program form to one of our countries which, as mentioned in the Annual Report, was faced with unexpected difficulties outside its control which threatened the success of its development program and in particular the growth of its exports.

This was a practical application of the statement made by the Bank's President to UNCTAD on May 4, 1971, to the effect that if for reasons outside its control a developing member of the Bank suffered an unexpected shortfall in its export earnings which might break the momentum of its development program, the Bank Group would examine the case in the light of the relevant circumstances, with a view to determining whether it could adapt or alter its loan or other operations in such a way as to enable the country to overcome its difficulties. We welcome the application of this policy to the developing countries, and we see it as a sign of the growing maturity with which the Bank and its affiliates are attending to development problems and their complex requirements.

However, this additional financing will not effectively achieve its purpose if the resources assigned to it are the funds previously available for project financing. We therefore believe that there is every reason to undertake a special study of this subject, so as to ensure that the financial support offered is in proportion to the magnitude of the problem facing the developing countries.

We should also like to praise the Bank's catalytic role in arranging financing for vital large-scale industrial projects jointly with regional organizations such as the Inter-American Development Bank, as happened in the case of the iron and steel sector of one of the Latin American countries.

It is our opinion that the Bank's prestige, experience and enlightened approach to development enable it to make a vital contribution
toward the adequate financing of industrial projects whose scale exceeds what the Bank feels able to tackle alone. In these cases, and we hope there will be others, the Bank’s early intervention in the project, in the phase of initial studies and appraisal, is a key element in its success.

Several countries in our group now have a very substantial industrial sector. To consolidate and expand this sector, without lessening the attention devoted to other sectors such as agriculture which it is vital to develop and make more productive, will require a huge financing effort, on a scale that may be too large for the combined public and private capacity of our countries.

The Bank’s action that we are applauding is a fruitful approach that establishes a mechanism whereby various sources can combine their resources to make essential contributions that could not be achieved in any other way.

As on many other occasions, in his excellent address delivered at the start of our meetings, the President of the Bank made reference to international development assistance and regretted the fact that the volume of aid obtained from the various sources, in particular official development assistance, has been lower, in both absolute and relative terms, than the amounts hoped for, a situation that unfortunately still persists.

The countries on whose behalf I have the honor to speak are at differing stages of development; they occupy a vast and varied area; and they are united by their history and their culture, but above all by a common desire to raise the standard of living of their people.

Our countries regard the World Bank as an instrument capable of helping to make this hope a reality by motivating and encouraging the nations most capable of giving financial assistance and by efficiently channeling these resources to those who most need it. This work by the Bank deserves our support because it reflects principles such as those referred to by Mr. McNamara in his 1970 address, when he said: “More and more, the concept of economic assistance is being accepted as a necessary consequence of a new philosophy of international responsibility. It is a philosophy which recognizes that just as within an individual nation the community has a responsibility to assist its less advantaged citizens, so within the world community as a whole the rich nations have a responsibility to assist the less advantaged nations. It is not a sentimental question of philanthropy. It is a straightforward issue of social justice.”

To the extent that this basic approach to economic assistance is applied with increasing effectiveness, we shall be succeeding in the urgent task of making this philosophy of international social justice effective, which is a prerequisite for a lasting and stable peace.

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YEMEN ARAB REPUBLIC: MOHAMED AHMED AL-GUNAID

Governor of the Bank

... Let me now address myself to some of the issues pertaining to the Bank Group activities. And here we find ourselves urged once more to dwell on the vital issue of the plight of the developing countries.

As a new member to this family of nations we, last year, added our voice to the many voices that were concerned with the ever-widening gap between the richer and highly industrialized countries and the poorer, developing countries. We note with regret that the situation has deteriorated during the past 12 months. The flow of development capital to the less fortunate countries continued to be insufficient, while these countries continue to suffer from the grip of rising needs and the complex of socio-economic problems. Not only that, but the gap is growing wider not only between the rich and the poor nations but among the poor nations themselves, and the international community has now entered the phase of classification into the rich nations, the developing countries, and the least developed among the developing countries.

In a way this is unfortunate, but it could be a positive contribution if this realization and sharpened awareness of the problem of the poorer nations lead the international community to double its efforts toward bridging the gaps between nations, and here it is our firm belief that the Annual Meetings can make some contribution by highlighting the problems, re-emphasizing the issues and by urging our richer brothers to heed our shouts for help.

The Delegation of the Yemen Arab Republic adds its weight and support to all the efforts directed toward more international understanding and cooperation in the direction of helping the developing world to achieve higher rates of economic growth. The developing countries need more technical assistance and more soft-term capital.

We can only hope that the richer donors to IDA will consider their position with a view to doing much more.

In conclusion allow me to congratulate the Executive Directors, the President and the staff of the Bank Group for the excellent work they have done and to urge them to give more thought and effort to finding additional ways and means of accelerating the rates of growth of the developing countries.

YUGOSLAVIA: JANKO SMOLE

Governor of the Bank

I am taking this opportunity to make a few general comments and to express the views of my country on some open issues concerning the
activities of our international institutions. But, first of all, let me express my appreciation for the illuminating opening statements made by our Chairman as well as by the President of the Bank, Mr. McNamara, and the Managing Director of the Fund, Mr. Schweitzer. As in the past, they presented a thorough analysis of the financial and monetary developments in the recent past and gave us an indication of their possible future course.

For obvious reasons, my statement will deal mainly with problems of the international monetary system. By concentrating on these problems I do not, however, want to neglect the positive results achieved by our Bretton Woods institutions in the past year. Let me repeat what I have said on several occasions in previous years, that my country attaches great importance to the work of the Fund and the World Bank Group. Nor do I believe that they will disappoint us in the future. . . .

. . . The second specific problem which interests my country is the question of the link between SDR allocations and development financing. I had an opportunity to present my views on this subject at the last Annual Meeting. I will, therefore, not repeat my previous arguments, but I would like to point that the question of the so-called “link” has in the meantime grown in significance as a greater number of countries have accepted it and as more arguments supporting the “link” have been brought forward. I think that the discussion of this problem has advanced far enough for a final positive decision to be taken and the technical aspects of the implementation to be further elaborated. The spirit of cooperation and political will could and should assist us in this respect. . . .

. . . Now, I would like to say a few words about the activities of the World Bank Group. I do not think we should let our present preoccupation with monetary problems diminish our interest in their activities, not even for a minute, as they are actually part of one and the same complex problem.

I would like to express my appreciation of the record results in mobilizing the loan resources as well as the record volume of loans disbursed, in which the personal efforts of the President of the Bank Group, Mr. McNamara, played a decisive role that cannot be stressed enough. This increased participation of the Bank in total development financing has improved the quality of aid by raising the share of official and multilateral financing, thus offsetting some other less favorable developments elsewhere.

I would like to stress the growing importance and usefulness of the work of the IFC, in which our membership has been of a relatively recent date. The experience of my country with this organization has been increasingly positive.

I am glad that I can end this statement on the same note of optimism with which I started, namely, that the IDA Third Replenishment is coming to its successful fruition, after unfortunate delay. Let us hope
that the procedure will be initiated at an early date for the next replenishment so that the continuity in the flow of resources to IDA is not disturbed.

To conclude, I would like to stress the role and the diligent work of the staff of our institutions in carrying out their tasks, and it is my pleasure to state that the experiences of my country in this respect have continued to be excellent.

**ZAIRE: SAMBWA PIDA NBAGUI**

_Governor of the Fund_

... I should like, if you will permit, Mr. Chairman, to dwell for a moment on the importance and urgency of establishing a link between the creation of international liquidities and development financing.

It has been said that in the Washington agreements of December 1971 there were neither winners nor losers. While this may be true for the countries which took part in the agreements, I do not think it is applicable for all countries. According to estimates made by UNCTAD, the monetary realignment has resulted in a purchasing power loss of at least three per cent for the developing countries. This loss is in addition to the numerous other factors combining to reduce the incomes of these countries, such as the higher cost of imports owing to higher production costs in the industrialized countries, and the higher cost of credit and hence of loans to these countries as a consequence of the restrictive monetary policies applied by the industrialized countries to combat inflationary pressures.

The realignment of currencies has also increased the debt service burden of developing countries which had contracted loans in currencies now revalued.

It must also be noted that one part of the effects to which I have just referred is the result of inflationary policies followed by the developed countries. The developing countries have sometimes been reproached for taking certain economic policy options which have led to domestic and external monetary instability. Is it not unfortunate to note that these countries, besides their own domestic difficulties, also suffer the consequences of policies followed by the industrialized countries?

One of the purposes for which the International Monetary Fund was established, we should remember, is the development of the productive resources of all the member states. This goal can be achieved better if there is a link between the creation of reserves and the financing of development. The reform now under way of the international monetary system provides an opportunity for instituting this link. My country is pleased to see this idea included in the report of the Executive Directors and to learn that it will soon form the subject of a special study by
the Fund and that it is receiving the support of a growing number of countries. A link of this type would make it possible to bring about a higher level of employment the world over. Is it not paradoxical to observe at the present time that all production factors are rarely fully employed in all the industrialized countries, whereas there are enormous needs in the developing countries? In the same vein, the industrialized countries, rather than accumulating reserves, ought to grant long-term credits to developing countries.

Permit me to speak for a few moments about the activity of the World Bank Group. During fiscal 1972 encouraging results were achieved in certain fields. The granting of International Development Association credits, the terms of which are most in keeping with the needs of developing countries, was intensified.

However, we are obliged to note that the total of non-repayable aid and loans on favorable terms granted to developing countries is still distinctly insufficient. These countries have been forced to resort to the capital markets on highly disadvantageous terms. They cannot therefore hide their concern at seeing the financing of their economic growth fundamentally jeopardized in this way. This concern justifies a full re-examination of the volume of, and terms for granting, the financial resources placed at the disposal of these countries. This is why the proportion that is either non-repayable or granted on favorable terms should be considerably increased to the benefit of the countries which, at their present stage of economic development, suffer from a major savings deficit compared with their investment needs.

The beneficiary countries owe it to themselves to ensure that proper use is made of the resources transferred to them. I sometimes have the feeling that donors and lenders do not speak the same language as the beneficiaries whose specific needs are not perhaps fully known. In this connection, I salute the efforts of the World Bank Group to diversify its operations and render them more flexible. In the same way, I believe that the setting up of "Consultative Groups" will help to provide a more overall view of the efforts and needs of each country.

To conclude, it appears to me essential that the reform now under study should take into consideration the interests of all countries making up the international community, whatever their stage of economic development. If it were to be limited to the organization, at best, of the financial relations between the wealthier countries, it would have failed in its purpose. On the contrary, the problem of the financing of the developing countries should be central in the discussions that are to take place. The year that has just passed has been one of much reflection and solutions are now beginning to take shape. I appeal not only to the sense of responsibility of the international community, but also to its farsightedness in order that results beneficial for all may be achieved.
... It is not so much the lack of progress which causes me worry: I am concerned more about the factors which contribute to this delay—the indifference and apathy, the utter lack of response and a cavalier disregard of the economic plight of the overwhelming majority of the people of this world on the part of the rich few. These very attitudes manifest themselves in similar situations elsewhere, too. I am indebted to the President of the Bank, Mr. Robert McNamara, for the illuminating address he delivered at the UNCTAD III in which he brought out revealing inequalities which exist in this world and which are rapidly multiplying. The widening gap in incomes between the developed countries and the LDCs continues, with 80 per cent of the increase in the GNP during the 1960s going to countries with per capita incomes of over $1,000 and only 6 per cent to countries with per capita incomes of $200 or less, even though the latter contain 60 per cent of the world’s population. Per capita incomes average $2,400 in the developed countries, against $180 in the developing countries.

The proportion of official development assistance instead of reaching a modest target of 0.7 per cent by 1975 is now expected to decline to 0.35 per cent. The increasing debt burden of the LDCs, it is clear, will wipe out most of this aid. The share of the developing countries in world exports declined from 21.3 per cent in 1960 to 17.6 per cent in 1970. The levels of tariff on imports of manufactured goods from rich and poor trading partners averaged in the United States 7 and 12 per cent, in the United Kingdom 9 and 14 per cent and in the European Community 7 and 9 per cent, and so on. These facts, and others too numerous to be listed here, speak for themselves.

The President of the World Bank attributed the shortfall in development assistance to ignorance on the part of the developed world. He said, and I quote, “a failure to comprehend the inhuman conditions which characterize the lives of hundreds and millions of people in the developing countries; a failure to grasp how severe the maldistribution of income actually is between the rich nations and poor nations; and a failure to understand how modest are the amounts of the wealthy nations’ incremental incomes which if made available to the developing countries would make so great a difference in their ability to meet minimum growth objectives”. I would add, however, that while there may not be lack of generosity on the part of the people of the developed countries, there certainly is on the part of their Governments.

As far as the problems of the aid and development of the LDCs are concerned, I wish to identify myself completely with the sentiments and the views the President outlined in his speech to UNCTAD III and to us yesterday. These views, expressed so succinctly, reflect correctly the feeling reiterated again and again by us here and elsewhere.
Reverting to the monetary aspects I shall briefly comment upon some of the major areas to be covered by the proposed monetary reforms. . . .

. . . . It is imperative that measures to regulate excessive liquidity be strongly indicated. A provision for the automatic transfer of such liquidity above a certain limit to a development pool is clearly desirable. I am certain in my mind that given the willingness on the part of the developed countries partly to utilize their surpluses for the development needs of the LDCs, the use of the SDR mechanism will solve most of their and our problems. In this context a direct and specific link between SDR allocation and development needs of the LDCs assumes great significance. Since additional SDRs will be utilized by the LDCs mostly for purchases from the developed countries, they will help to prevent deflationary tendencies in those countries and thus serve the needs of both groups.

I should like to appeal to the developed countries not to shy away from this matter, which is of crucial importance, but to accept it as an inevitable part of any system which they may agree to evolve. . . .
CONCLUDING REMARKS BY MR. McNAMARA

During your deliberations this week, I have been struck by the broad consensus which has emerged on a number of key issues.

First, it is encouraging to note the general agreement, among developing and developed nations alike, that solution of the critical needs of the developing countries requires more than achievement of satisfactory growth targets. Growth is essential. But it must be growth of such a sort as to reach into the individual lives of the some two billion human beings who live in our developing member countries—particularly into the lives of those huge segments of the population who up to now have been all but passed by in their countries' economic advance.

That point, Mr. Chairman, was emphasized by you at the very outset of our meetings, when you said:

"Serious questions have begun to arise all over the world about the meaningfulness of growth which neither reduces unemployment nor increases the incomes and the levels of living of the poorer sections—the major sections—of the developing countries' populations. Many societies are acutely conscious that the problems of unemployment and mass poverty are becoming worse even where the rate of GNP growth is conventionally regarded as fairly respectable."

Other Governors have reflected this same view: that while overall economic growth in the developing world is imperative, it cannot be separated from the issue of social equity.

The cooperative efforts, then, of the Bank and its member countries, must be specifically directed, as I said in my opening address, not simply to increasing national income, but toward the goal of enhancing the individual lives of the disadvantaged: the people who are jobless, the people who are malnourished, the people whose circumstances deprive them of a decent opportunity to improve their own and their families' future. Progress toward this goal requires resolute and wise political action by the governments of the developing countries; and it requires the industrialized countries to provide to the developing countries greatly expanded opportunities for trade and far more adequate official development assistance.

For the Bank Group itself to cooperate fully in the kind of broad-scale attack on poverty that I outlined to you on Monday, we clearly require an augmented capacity to provide financial support, on concessionary terms, to the poorer among the developing countries whose ability to service conventional loans is limited. I was therefore greatly encouraged by the repeated reference of Governors from the industrialized countries—Canada, France, the Federal Republic of Germany, the United Kingdom, and a number of others—to the importance of moving promptly toward negotiations for the Fourth Replenishment of
the International Development Association so that it may become effective on July 1, 1974.

Accordingly, I propose that before the end of the year these negotiations begin in earnest so that by the middle of 1973 the Executive Directors can consider a formal plan for submission to governments. This will allow time for the necessary legislative actions.

Finally, the deliberations here this week seem to me to have shown a broader-based agreement than ever before that, as we move into the negotiations for international monetary reform, we must seek solutions which take fully into account the needs of the developing countries both for an expansion of their trade and for an increased and more certain flow of external resources. In this connection, I have noted the growing support for some form of link between the issuance of special drawing rights and development finance. After listening carefully to what so many Governors have said in this regard, I feel confident that this matter of the link will be actively and sympathetically pursued in the deliberations on monetary reform.

Our meeting this year has been characterized by candor and resolve. I am encouraged by the constructive concurrence of the Governors of both our developed and developing member countries that the Bank Group should move into a Second Five-Year Program with renewed determination to maximize its efforts. With your continued support, that is precisely what we intend to do.

We look forward to another stimulating year, and to meeting with you again next fall in Nairobi.

And may I say, Mr. Chairman, that I should like to repeat what Mr. Schweitzer just said: we are immensely grateful to you for your admirable conduct of this meeting.
CONCLUDING REMARKS BY THE CHAIRMAN

ALI WARDHANA

As these meetings of the Fund and the Bank, and its affiliates, draw to a close, I believe you will agree that we have made genuine progress in seeking out solutions to meet the goals of monetary reform and accelerated economic development, goals crucial to the future peace and harmony of the world. The spirit guiding our deliberations has been one of constructive self-interest and cooperation. We must dedicate the year ahead to the preparation of guidelines which, by the time of our next meetings, can become the framework of acceptable programs.

In launching the Committee on Reform of the International Monetary System and Related Issues—surely the Fund’s most important achievement this year—the Governors have recognized the need for an improved monetary system that will form a firm basis for expanding the trade and development of all our nations. We have been happy to note that the remarks of so many Governors have confirmed Mr. Schweitzer’s identification on Monday of areas of agreement on the long-term development of the international monetary system: its global character; greater flexibility of exchange rate arrangements; increased role to be played by SDRs in the structure of reserves, and, related to this, a satisfactory and rational method of regulating international liquidity. From these areas of agreement—which, I believe, have widened as a result of our discussions, and to which I would venture to add growing support for a link between SDRs and development finance—we are justified in looking forward to the successful resolution of the difficulties and uncertainties inherent in this task of monetary reform.

Many Governors, although concentrating their remarks on the overriding problems of monetary reform, have rightly and properly commended the Bank Group on its expanded lending program for development and on the forthright and forward-looking Annual Address of its President. Many Governors have lent their substantial support to the Bank’s increased emphasis on lending to the socio-economic sectors of the developing countries, to increasing multilateral aid for population programs, to the important tasks of institution building and infrastructure development and, most importantly, to combining monetary reform with freer trade and an extension of development aid. Employment creation, a major concern of all the developing countries in the years ahead, has a crucial relationship to these proposals, and I urge that they be pursued with all energy and dispatch.

We come to the end of our 1972 Annual Meetings—meetings which have been both helpful and constructive. In concluding may I, on behalf of myself and my Co-Chairman, and on behalf of all Governors, extend once again my warm thanks to the President, the Government,
and the people of the United States for their friendly reception and kind hospitality. And in saying goodbye, I look forward to meeting you all again at our meetings in Nairobi a year from now. I know something of the excellent planning of our Kenyan hosts, and I am assured that they will provide a warm welcome, in a beautiful environment, with comfortable accommodation for delegates and their wives who will attend the meetings.

I declare the 1972 Annual Meetings of the Board of Governors of the International Monetary Fund and the International Bank for Reconstruction and Development, and its affiliates, adjourned.
REMARKS BY GEORGE M. CHAMBERS
GOVERNOR OF THE FUND AND BANK
FOR TRINIDAD AND TOBAGO

It is indeed a great honor and privilege for Trinidad and Tobago to be chosen for the Chairmanship of the Board of Governors in the coming year, and I thank the distinguished Governors on behalf of my country and my Government.

It is especially gratifying to us that a developing country from the Caribbean should be chosen for this role at this crucial juncture in the world's monetary and developmental affairs. We are conscious that your decision reflects honor on our country, on the Commonwealth Caribbean and indeed on all developing countries, and we are grateful for this opportunity for service on their behalf. We reconfirm our dedication to the twin goals of monetary stability and economic growth.

A challenging and important year lies ahead. In the decision that will be taken, it is vitally important that the voices of small as well as large countries should be heard and heeded.

Finally, it is fitting that we should express our appreciation for the splendid manner in which Chairman Wardhana has conducted these meetings. He has set a high standard and we shall do our best to emulate him.
DOCUMENTS OF
THE BOARDS OF GOVERNORS

SCHEDULE OF MEETINGS

Monday
September 25
10:00 a.m.—Opening Ceremonies
Address from the Chair
Annual Address by Managing Director, IMF
Annual Address by President, IBRD, IFC and IDA

Tuesday
September 26
9:30 a.m.—Annual Discussion
IMF Election of Executive Directors

3:00 p.m.—Annual Discussion

Wednesday
September 27
9:30 a.m.—Annual Discussion
IBRD Election of Executive Directors

Thursday
September 28
9:30 a.m.—Annual Discussion

5:00 p.m.—Joint Procedures Committee

Friday
September 29
9:30 a.m.—Joint Procedures Committee Reports
Comments by Heads of Organizations
Adjournment

1Approved on July 28, 1972, pursuant to the By-Laws, IBRD Section 6(d), IFC Section 4(d) and IDA Section 1(a). All sessions were joint sessions with the International Monetary Fund.

NOTE: The International Centre for the Settlement of Investment Disputes held the Annual Meeting of its Administrative Council on Thursday, September 28, at 3:00 p.m.
PROVISIONS RELATING TO THE CONDUCT
OF THE MEETINGS

ADMISSION

1. Sessions of the Boards of Governors of the Fund, the Bank, IFC and IDA will be joint and shall be open to accredited observers, the press, guests and staff.

2. Meetings of the Joint Procedures Committee shall be open only to Governors who are members of the Committee and their advisers, Executive Directors, and to such staff as may be necessary.

PROCEDURE AND RECORDS

3. The Chairmen of the Boards of Governors will establish the order of speaking at each session. Governors signifying a desire to speak will generally be recognized in the order in which they asked to speak.

4. With the consent of the Chairmen, a Governor may extend his statement in the record following advance submission of the text to the Secretaries.

5. The Secretaries will have verbatim transcripts prepared of the proceedings of the Boards of Governors and the Joint Procedures Committee. The transcripts of proceedings of the Joint Procedures Committee will be confidential and available only to the Chairmen, the Managing Director of the Fund, the President of the Bank and its Affiliates, and the Secretaries.

6. Reports of the Joint Procedures Committee shall be signed by the Committee Chairmen and the Reporting Member.

PUBLIC INFORMATION

7. The Chairmen of the Boards of Governors, the Managing Director of the Fund, and the President of the Bank and its Affiliates will communicate to the press such information concerning the proceedings of the Annual Meetings as they may deem suitable.

1Approved on April 18, 1972 pursuant to the By-Laws, IBRD Section 6(d), IFC Section 4(d) and IDA Section 1(a).
BANK AGENDA¹

1. 1971/72 Annual Report
2. Financial Statements and Annual Audit
3. Administrative Budget
4. Allocation of Net Income
5. Membership of Western Samoa
6. Election of Executive Directors
7. Place and Date of 1974 Annual Meetings
8. Officers and Procedures Committee for 1972-73

IFC AGENDA¹

1. 1971/72 Annual Report
2. Financial Statements and Annual Audit
3. Administrative Budget
4. Membership of Western Samoa

IDA AGENDA¹

1. 1971/72 Annual Report
2. Financial Statements and Annual Audit
3. Administrative Budget
4. Membership of Western Samoa

¹Approved on August 4, 1972, pursuant to the By-Laws, IBRD Section 6(a), IFC Section 4(a) and IDA Section 1(a).
REPORTS OF THE
JOINT PROCEDURES COMMITTEE

Chairmen ........................................ Indonesia
Vice Chairmen .................................... Austria
Nigeria
Reporting Member ............................... Nicaragua

Other Members

Bolivia ........................................ Iraq
Brazil ........................................ Ireland
Canada ......................................... Japan
Central African Republic ........................ Lesotho
Ethiopia ....................................... United Kingdom
France ......................................... United States
Germany ....................................... Yemen, People's
India ........................................ Democratic Republic

Report II  

September 28, 1972

At the meeting of the Joint Procedures Committee Held on September 28, 1972, the items of business on the agendas of the Boards of Governors of the Bank, IDA and IFC were considered.

A. The Committee submits the following report and recommendations on Bank and IDA business:

1. 1972 Annual Report

The Committee noted that the 1972 Annual Report and the activities of the Bank and IDA had been discussed at these Annual Meetings.

2. Financial Statements, Annual Audits and Administrative Budgets


The Committee recommends that the Boards of Governors of the Bank and IDA adopt the draft resolutions. . . .3

3. Allocation of Net Income of the Bank

The Committee was informed that recommendations to the Executive Directors with respect to the Allocation of Net Income for the Fiscal Year 1972 would be made shortly. The Executive Directors would

1Not a member of IFC.
2Report I related to the business of the Fund.
3See pages 154 and 194.
subsequently report thereon to the Board of Governors for action by a vote without meeting.

4. **Membership – Western Samoa**

   The Committee considered the recommendation of the Executive Directors regarding the admission of Western Samoa.

   The Committee recommends that the Boards of Governors of the Bank and of IDA adopt the draft resolutions. . . .

5. **Election of Executive Directors**

   The Committee noted that the 1972 Regular Election of the Executive Directors of the Bank had taken place and that the next Regular Election of the Executive Directors would take place at the Annual Meeting of the Board of Governors in 1974.

B. The Committee submits the following report and recommendations on IFC business:

1. **1972 Annual Report**

   The Committee noted that the 1972 Annual Report and the activities of IFC had been discussed at these Annual Meetings.

2. **Financial Statements, Annual Audit and Administrative Budget**


   The Committee recommends that the Board of Governors of IFC adopt the draft resolution. . . .

3. **Membership – Western Samoa**

   The Committee considered the recommendation of the Executive Directors regarding the admission of Western Samoa.

   The Committee recommends that the Board of Governors of IFC adopt the draft resolution. . . .

Approved:

/s/ RADIUS PRAWIRO
INDONESIA—Chairman

/s/ JUAN JOSE MARTINEZ L.
NICARAGUA—Reporting Member

This report was approved and its recommendations were adopted by the Boards of Governors on September 29, 1972.

1See pages 185 and 194.

2See page 190.

3See page 190.
The Joint Procedures Committee met on September 28, 1972 and submits the following Report:

1. **Place and Date of 1974 Annual Meetings**

   The Committee recommends that the 1974 Annual Meetings be convened in Washington, D.C.

2. **Officers and Joint Procedures Committee for 1972/1973**

   The Committee recommends that the Governor for Trinidad and Tobago be Chairman, and the Governors for Algeria and Uruguay be Vice Chairmen, of the Boards of Governors of the Bank and its affiliates and of the Fund, to hold office until the close of the next Annual Meetings.

   It is further recommended that a Joint Procedures Committee be established to be available, after the termination of these Meetings and until the close of the next Annual Meetings, for consultation at the discretion of the Chairmen normally by correspondence and, if the occasion requires, by convening; and that this Committee shall consist of the Governors for the following members: Algeria, Chad, France, Germany, Guinea, Haiti, Honduras, India, Japan, Kenya, Korea, Luxembourg, Malaysia, Norway, Saudi Arabia, Trinidad and Tobago, Turkey, United Kingdom, United States and Uruguay.

   It is recommended that the Chairman of the Joint Procedures Committee shall be the Governor for Trinidad and Tobago and the Vice Chairmen shall be the Governors for Algeria and Uruguay, and that the Governor for India shall serve as Reporting Member.

Approved:

[s] ALI WARDHANA          [s] ROBERTO INCER B.
[s] RADIUS PRAWIRO         [s] JUAN JOSE MARTINEZ L.
INDONESIA-Chairmen        NICARAGUA-Reporting Members

This report was approved and its recommendations were adopted on September 29, 1972.
RESOLUTIONS ADOPTED BY THE
BOARD OF GOVERNORS OF THE BANK
BETWEEN 1971 AND 1972 ANNUAL MEETINGS

Resolution No. 271

Membership of Oman

WHEREAS the Government of Oman has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank; and

WHEREAS, pursuant to Section 20 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of Oman, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby RESOLVES:

THAT the terms and conditions upon which Oman shall be admitted to membership in the Bank shall be as follows:

1. Definitions: As used in this resolution:
   (a) "Bank" means International Bank for Reconstruction and Development.
   (b) "Articles" means the Articles of Agreement of the Bank.
   (c) "Dollars" or "$" means United States dollars of the weight and fineness in effect on July 1, 1944.
   (d) "Subscription" means the capital stock of the Bank subscribed to by a member.
   (e) "Member" means member of the Bank.

2. Subscription: By accepting membership in the Bank, Oman shall subscribe to 60 shares of the capital stock of the Bank at the par value of $100,000 per share.

3. Membership in the Fund: Before accepting membership in the Bank, Oman shall accept membership in and become a member of the International Monetary Fund.

4. Payments on Subscription:
   (a) Before accepting membership in the Bank, Oman shall pay to the Bank on account of the subscription price of one-half of such shares:

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(i) Gold or United States dollars equal to 2% thereof; and
(ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 18% thereof.

(b) With respect to the subscription price of the other one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled, as set forth in Resolution No. 129, on the same basis as the 2% and 18% portions of subscriptions made pursuant to Resolution No. 128 of the Board of Governors.

5. Representation and Information: Before accepting membership in the Bank, Oman shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraph 6(d) and (e) of this resolution and Oman shall furnish to the Bank such information in respect of such action as the Bank may request.

6. Acceptance of Membership: Oman shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution as of the date when Oman shall have complied with the following requirements:

(a) Become a member of the International Monetary Fund;
(b) Made the payments called for by paragraph 4 of this resolution;
(c) Furnished the representation, and such information as may have been requested, pursuant to paragraph 5 of this resolution;
(d) Deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution;
(e) Signed the original copy of the Articles held in the Archives of the Government of the United States of America.

7. Limitation on Period for Acceptance of Membership: Oman may accept membership in the Bank pursuant to this resolution until March 31, 1972 or such later date as the Executive Directors may determine.

(Adopted December 14, 1971)
Resolution No. 272

Membership of Bahrain

WHEREAS the Government of Bahrain has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank; and

WHEREAS, pursuant to Section 20 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of Bahrain, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which Bahrain shall be admitted to membership in the Bank shall be as follows:

1. Definitions: As used in this resolution:

(a) "Bank" means International Bank for Reconstruction and Development.

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

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

(d) "Subscription" means the capital stock of the Bank subscribed to by a member.

(e) "Member" means member of the Bank.

2. Subscription: By accepting membership in the Bank, Bahrain shall subscribe to 85 shares of the capital stock of the Bank at the par value of $100,000 per share.

3. Membership in the Fund: Before accepting membership in the Bank, Bahrain shall accept membership in and become a member of the International Monetary Fund.

4. Payments on Subscription:

(a) Before accepting membership in the Bank, Bahrain shall pay to the Bank on account of the subscription price of one-half of such shares:

(i) Gold or United States dollars equal to 2% thereof; and
(ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 18% thereof.

(b) With respect to the subscription price of the other one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled, as set forth in Resolution No. 129, on the same basis as the 2% and 18% portions of subscriptions made pursuant to Resolution No. 128 of the Board of Governors.

5. **Representation and Information:** Before accepting membership in the Bank, Bahrain shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraph 6(d) and (e) of this resolution and Bahrain shall furnish to the Bank such information in respect of such action as the Bank may request.

6. **Acceptance of Membership:** Bahrain shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution as of the date when Bahrain shall have complied with the following requirements:

   (a) Become a member of the International Monetary Fund;

   (b) Made the payments called for by paragraph 4 of this resolution;

   (c) Furnished the representation, and such information as may have been requested, pursuant to paragraph 5 of this resolution;

   (d) Deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution;

   (e) Signed the original copy of the Articles held in the Archives of the Government of the United States of America.

7. **Limitation on Period for Acceptance of Membership:** Bahrain may accept membership in the Bank pursuant to this resolution until December 29, 1972 or such later date as the Executive Directors may determine.

   *(Adopted May 3, 1972)*
Resolution No. 273

Membership of Qatar

WHEREAS the Government of Qatar has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank; and

WHEREAS, pursuant to Section 20 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of Qatar, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which Qatar shall be admitted to membership in the Bank shall be as follows:

1. Definitions: As used in this resolution:
   (a) “Bank” means International Bank for Reconstruction and Development.
   (b) “Articles” means the Articles of Agreement of the Bank.
   (c) “Dollars” or “$” means United States dollars of the weight and fineness in effect on July 1, 1944.
   (d) “Subscription” means the capital stock of the Bank subscribed to by a member.
   (e) “Member” means member of the Bank.

2. Subscription: By accepting membership in the Bank, Qatar shall subscribe to 171 shares of the capital stock of the Bank at the par value of $100,000 per share.

3. Membership in the Fund: Before accepting membership in the Bank, Qatar shall accept membership in and become a member of the International Monetary Fund.

4. Payments on Subscription:
   (a) Before accepting membership in the Bank, Qatar shall pay to the Bank on account of the subscription price of one-half of such shares:
      (i) Gold or United States dollars equal to 2% thereof; and
(ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 18% thereof.

(b) With respect to the subscription price of the other one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled, as set forth in Resolution No. 129, on the same basis as the 2% and 18% portions of subscriptions made pursuant to Resolution No. 128 of the Board of Governors.

5. **Representation and Information**: Before accepting membership in the Bank, Qatar shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraph 6(d) and (e) of this resolution and Qatar shall furnish to the Bank such information in respect of such action as the Bank may request.

6. **Acceptance of Membership**: Qatar shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution as of the date when Qatar shall have complied with the following requirements:

(a) Become a member of the International Monetary Fund;

(b) Made the payments called for by paragraph 4 of this resolution;

(c) Furnished the representation, and such information as may have been requested, pursuant to paragraph 5 of this resolution;

(d) Deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution;

(e) Signed the original copy of the Articles held in the Archives of the Government of the United States of America.

7. **Limitation on Period for Acceptance of Membership**: Qatar may accept membership in the Bank pursuant to this resolution until December 29, 1972 or such later date as the Executive Directors may determine.

*(Adopted May 11, 1972)*
Resolution No. 274

Membership of Bangladesh

WHEREAS the Government of Bangladesh has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank; and

WHEREAS, pursuant to Section 20 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of Bangladesh, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which Bangladesh shall be admitted to membership in the Bank shall be as follows:

1. Definitions: As used in this resolution:
   (a) “Bank” means International Bank for Reconstruction and Development.
   (b) “Articles” means the Articles of Agreement of the Bank.
   (c) “Dollars” or “$” means United States dollars of the weight and fineness in effect on July 1, 1944.
   (d) “Subscription” means the capital stock of the Bank subscribed to by a member.
   (e) “Member” means member of the Bank.

2. Subscription: By accepting membership in the Bank, Bangladesh shall subscribe to 1,067 shares of the capital stock of the Bank at the par value of $100,000 per share.

3. Membership in the Fund: Before accepting membership in the Bank, Bangladesh shall accept membership in and become a member of the International Monetary Fund.

4. Payments on Subscription:
   (a) Before accepting membership in the Bank, Bangladesh shall pay to the Bank on account of the subscription price of one-half of such shares:
      (i) Gold or United States dollars equal to 2% thereof; and
(ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 18% thereof.

(b) With respect to the subscription price of the other one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled, as set forth in Resolution No. 129, on the same basis as the 2% and 18% portions of subscriptions made pursuant to Resolution No. 128 of the Board of Governors.

5. **Representation and Information:** Before accepting membership in the Bank, Bangladesh shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraph 6(d) and (e) of this resolution and Bangladesh shall furnish to the Bank such information in respect of such action as the Bank may request.

6. **Acceptance of Membership:** Bangladesh shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution as of the date when Bangladesh shall have complied with the following requirements:

(a) Become a member of the International Monetary Fund;

(b) Made the payments called for by paragraph 4 of this resolution;

(c) Furnished the representation, and such information as may have been requested, pursuant to paragraph 5 of this resolution;

(d) Deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution;

(e) Signed the original copy of the Articles held in the Archives of the Government of the United States of America.

7. **Limitation on Period for Acceptance of Membership:** Bangladesh may accept membership in the Bank pursuant to this resolution until December 29, 1972 or such later date as the Executive Directors may determine.

*Adopted June 13, 1972*
Resolution No. 275

Amendment of Section 14(e) of the
By-Laws of the Bank

RESOLVED:

THAT, effective November 1, 1972, Section 14(e) of the By-Laws shall be amended by substituting $37,000 where the figure of $35,000 appears, and by substituting $29,000 where the figure of $27,000 appears.

(Adopted July 13, 1972)

Resolution No. 276

Membership of United Arab Emirates

WHEREAS the Government of United Arab Emirates has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank; and

WHEREAS, pursuant to Section 20 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of United Arab Emirates, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which United Arab Emirates shall be admitted to membership in the Bank shall be as follows:

1. Definitions: As used in this resolution:

(a) “Bank” means International Bank for Reconstruction and Development.

(b) “Articles” means the Articles of Agreement of the Bank.

(c) “Dollars” or “$” means United States dollars of the weight and fineness in effect on July 1, 1944.

(d) “Subscription” means the capital stock of the Bank subscribed to by a member.

(e) “Member” means member of the Bank.
2. **Subscription:** By accepting membership in the Bank, United Arab Emirates shall subscribe to 128 shares of the capital stock of the Bank at the par value of $100,000 per share.

3. **Membership in the Fund:** Before accepting membership in the Bank, United Arab Emirates shall accept membership in and become a member of the International Monetary Fund.

4. **Payments on Subscription:**
   
   (a) Before accepting membership in the Bank, United Arab Emirates shall pay to the Bank on account of the subscription price of one-half of such shares:

   (i) Gold or United States dollars equal to 2% thereof; and

   (ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 18% thereof.

   (b) With respect to the subscription price of the other one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled, as set forth in Resolution No. 129, on the same basis as the 2% and 18% portions of subscriptions made pursuant to Resolution No. 128 of the Board of Governors.

5. **Representation and Information:** Before accepting membership in the Bank, United Arab Emirates shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraph 6(d) and (e) of this resolution and United Arab Emirates shall furnish to the Bank such information in respect of such action as the Bank may request.

6. **Acceptance of Membership:** United Arab Emirates shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution as of the date when United Arab Emirates shall have complied with the following requirements:

   (a) Become a member of the International Monetary Fund;

   (b) Made the payments called for by paragraph 4 of this resolution;

   (c) Furnished the representation, and such information as may have been requested, pursuant to paragraph 5 of this resolution;
(d) Deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution;

(e) Signed the original copy of the Articles held in the Archives of the Government of the United States of America.

7. **Limitation on Period for Acceptance of Membership:** United Arab Emirates may accept membership in the Bank pursuant to this resolution until December 29, 1972 or such later date as the Executive Directors may determine.

*(Adopted August 18, 1972)*

Resolution No. 277

1972 Regular Election of Executive Directors

RESOLVED:

(a) **THAT** the proposed RULES FOR THE 1972 REGULAR ELECTION OF EXECUTIVE DIRECTORS are hereby approved; and

(b) **THAT** a Regular Election of Executive Directors shall take place at the Annual Meeting of the Board of Governors in 1974.

*(Adopted August 31, 1972)*

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF THE BANK AT THE 1972 ANNUAL MEETING

Resolution No. 278

Financial Statements, Auditors' Report and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Bank consider the Financial Statements, Auditors' Report and Administrative Budget, included in
the 1971/72 Annual Report, as fulfilling the requirements of Article V, Section 13, of the Articles of Agreement and of Section 19 of the By-Laws of the Bank.

(Adopted September 29, 1972)

Resolution No. 279

Membership of Western Samoa

WHEREAS the Government of Western Samoa has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank; and

WHEREAS, pursuant to Section 20 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of Western Samoa, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby RESOLVES:

THAT the terms and conditions upon which Western Samoa shall be admitted to membership in the Bank shall be as follows:

1. Definitions: As used in this resolution:
   (a) “Bank” means International Bank for Reconstruction and Development.
   (b) “Articles” means the Articles of Agreement of the Bank.
   (c) “Dollars” or “$” means United States dollars of the weight and fineness in effect on July 1, 1944.
   (d) “Subscription” means the capital stock of the Bank subscribed to by a member.
   (e) “Member” means member of the Bank.

2. Subscription: By accepting membership in the Bank, Western Samoa shall subscribe to 17 shares of the capital stock of the Bank at the par value of $100,000 per share.

3. Payments on Subscription:
   (a) Before accepting membership in the Bank, Western Samoa shall pay to the Bank on account of the subscription price of one-half of such shares:
      (i) Gold or United States dollars equal to 2% thereof; and
(ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 18% thereof.

(b) With respect to the subscription price of the other one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled, as set forth in Resolution No. 129, on the same basis as the 2% and 18% portions of subscriptions made pursuant to Resolution No. 128 of the Board of Governors.

4. **Representation and Information:** Before accepting membership in the Bank, Western Samoa shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraph 5(c) and (d) of this resolution and Western Samoa shall furnish to the Bank such information in respect of such action as the Bank may request.

5. **Acceptance of Membership:** Western Samoa shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution as of the date when Western Samoa shall have complied with the following requirements:

   (a) Made the payments called for by paragraph 3 of this resolution;

   (b) Furnished the representation, and such information as may have been requested, pursuant to paragraph 4 of this resolution;

   (c) Deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution;

   (d) Signed the original copy of the Articles held in the Archives of the Government of the United States of America.

6. **Limitation on Period for Acceptance of Membership:** Western Samoa may accept membership in the Bank pursuant to this resolution until March 31, 1973 or such later date as the Executive Directors may determine.

   *(Adopted September 29, 1972)*
RESOLUTIONS ADOPTED BY THE
BOARD OF GOVERNORS OF IFC
BETWEEN 1971 AND 1972 ANNUAL MEETINGS

Resolution No. 80

Membership of Upper Volta

WHEREAS the Government of the Republic of Upper Volta has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of the Republic of Upper Volta, has made recommendations to the Board of Governors regarding the application of said Government;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Upper Volta shall be admitted to membership in the Corporation shall be as follows:

1. Definitions: As used in this resolution:
   (a) "Corporation" means International Finance Corporation.
   (b) "Articles" means the Articles of Agreement of the Corporation.
   (c) "Dollars" or "$" means United States dollars.
   (d) "Subscription" means the Capital Stock of the Corporation subscribed by a member.
   (e) "Member" means member of the Corporation.

2. Subscription: By accepting membership in the Corporation, the Republic of Upper Volta shall subscribe to 55 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. Payment on Subscription: Before accepting membership in the Corporation, the Republic of Upper Volta shall pay $55,000 to the Corporation in full payment of the capital stock subscribed.

4. Information: Before accepting membership in the Corporation, the Republic of Upper Volta shall furnish to the Corporation
such information relating to its application for membership as the Corporation may request.

5. Acceptance of Membership: The Republic of Upper Volta shall become a member of the Corporation with a subscription as set forth in Paragraph 2 of this resolution as of the date when the Republic of Upper Volta shall have complied with the following requirements:

(a) made the payment called for by paragraph 3 of this resolution;

(b) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;

(c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(d) signed the original copy of the Articles held by the International Bank for Reconstruction and Development.

6. Limitation on Period for Acceptance of Membership: The Republic of Upper Volta may accept membership in the Corporation pursuant to this resolution until June 30, 1972, or such later date as the Board of Directors may determine.

(Adopted November 15, 1971)

Resolution No. 81

Membership of Lesotho

WHEREAS the Government of Lesotho has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of Lesotho, has made recommendations to the Board of Governors regarding the application of said Government;

NOW, THEREFORE, the Board of Governors hereby
RESOLVES:
THAT the terms and conditions upon which Lesotho shall be admitted to membership in the Corporation shall be as follows:

1. **Definitions:** As used in this resolution:
   
   (a) “Corporation” means International Finance Corporation.
   
   (b) “Articles” means the Articles of Agreement of the Corporation.
   
   (c) “Dollars” or “$” means United States dollars.
   
   (d) “Subscription” means the Capital Stock of the Corporation subscribed by a member.
   
   (e) “Member” means member of the Corporation.

2. **Subscription:** By accepting membership in the Corporation, Lesotho shall subscribe to 18 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. **Payment on Subscription:** Before accepting membership in the Corporation, Lesotho shall pay $18,000 to the Corporation in full payment of the capital stock subscribed.

4. **Information:** Before accepting membership in the Corporation, Lesotho shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. **Acceptance of Membership:** Lesotho shall become a member of the Corporation with a subscription as set forth in Paragraph 2 of this resolution as of the date when Lesotho shall have complied with the following requirements:
   
   (a) made the payment called for by paragraph 3 of this resolution;
   
   (b) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;
   
   (c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and
   
   (d) signed the original copy of the Articles held by the International Bank for Reconstruction and Development.
6. **Limitation on Period for Acceptance of Membership:** Lesotho may accept membership in the Corporation pursuant to this resolution until December 29, 1972, or such later date as the Board of Directors may determine.

(Adopted June 23, 1972)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IFC AT THE 1972 ANNUAL MEETING

Resolution No. 82

Financial Statements, Auditors' Report and Administrative Budget

**RESOLVED:**

THAT the Board of Governors of the Corporation consider the Financial Statements and the Auditors' Report, included in the 1971/72 Annual Report, and the Administrative Budget attached to the Report dated August 15, 1972, as fulfilling the requirements of Article IV, Section 11, of the Articles of Agreement and of Section 16 of the By-Laws of the Corporation.

(Adopted September 29, 1972)

Resolution No. 83

Membership of Western Samoa

WHEREAS the Government of Western Samoa has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of Western Samoa, has made recommendations to the Board of Governors regarding the application of said Government;

NOW, THEREFORE, the Board of Governors hereby

**RESOLVES:**

THAT the terms and conditions upon which Western Samoa shall be admitted to membership in the Corporation shall be as follows:

1. **Definitions:** As used in this resolution:

   (a) "Corporation" means International Finance Corporation.
(b) "Articles" means the Articles of Agreement of the Corporation.

(c) "Dollars" or "$" means United States dollars.

(d) "Subscription" means the Capital Stock of the Corporation subscribed by a member.

(e) "Member" means member of the Corporation.

2. Subscription: By accepting membership in the Corporation, Western Samoa shall subscribe to 9 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. Payment on Subscription: Before accepting membership in the Corporation, Western Samoa shall pay $9,000 to the Corporation in full payment of the capital stock subscribed.

4. Information: Before accepting membership in the Corporation, Western Samoa shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. Acceptance of Membership: Western Samoa shall become a member of the Corporation with a subscription as set forth in Paragraph 2 of this resolution as of the date when Western Samoa shall have complied with the following requirements:

(a) made the payment called for by paragraph 3 of this resolution;

(b) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;

(c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(d) signed the original copy of the Articles held by the International Bank for Reconstruction and Development.

6. Limitation on Period for Acceptance of Membership: Western Samoa may accept membership in the Corporation pursuant to this resolution until March 31, 1973 or such later date as the Board of Directors may determine.

(Adopted September 29, 1972)
Resolution No. 83

Additions to Resources; Third Replenishment; Iceland

WHEREAS the resolution adopted by the Board of Governors on February 17, 1971 entitled “Additions to Resources; Third Replenishment” (hereinafter called the Third Replenishment Resolution) authorizes certain contributions and subscriptions to the Association as provided therein;

WHEREAS the additional subscription authorized thereby for Iceland is the equivalent of $4,080;

WHEREAS the Icelandic Government has confirmed that as from October 7, 1971, Iceland will consider itself for all purposes as a Part I member of the Association and has agreed not to exercise its right to make the subscription provided for by the Third Replenishment Resolution;

WHEREAS the Icelandic Government has expressed its intention to make a contribution to the Third Replenishment in the amount of the equivalent of $447,120 and to make a subscription to the Association in the amount of $2,880.

WHEREAS in the circumstances members do not wish to avail themselves of their rights to subscribe pursuant to Article III, Section 1(c) of the Articles of Agreement of the Association;

NOW THEREFORE, the Board of Governors resolves that:

(a) The Association is authorized to accept Iceland’s (i) contribution in the amount of the equivalent of $447,120 and (ii) subscription in the amount of the equivalent of $2,880 in respect of which Iceland shall have voting rights calculated on the basis of 1,250 votes plus one additional vote per $80 of such subscription;

(b) Such contribution and such subscription shall be made on the same terms and conditions as those provided in the Third Replenishment Resolution for the contributions and subscriptions by Part I members authorized thereby; and

(c) Such contribution and such subscription shall not become payable until (i) the condition specified in paragraph 9(a) of the Third Replenishment Resolution shall have been satisfied and (ii) Iceland has notified the Association that it will make the subscription and contribu-
tion authorized hereunder. For the purpose of determining whether the condition specified in the said paragraph 9(a) has been satisfied, account shall not be taken of the amounts of such contribution and such subscription.

(Adopted November 5, 1971)

Resolution No. 84

Membership of Bangladesh

WHEREAS the Government of Bangladesh has applied for admission to membership in the International Development Association (hereinafter called “Association”) in accordance with Section 1(b) of Article II of the Articles of Agreement of the Association (hereinafter called “Articles”); and

WHEREAS, pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Government of Bangladesh, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby RESOLVES:

THAT the terms and conditions upon which Bangladesh shall be admitted to membership in the Association shall be as follows:

I. Initial Subscription

(a) The terms and conditions of membership of Bangladesh in the Association other than those specifically provided for in this resolution shall be those set forth in the Articles with respect to the membership of original members listed in Part II of Schedule A thereof (including, but not by way of limitation, the terms and conditions relating to subscriptions, payments on subscriptions, usability of currencies, and voting rights).

(b) Upon accepting membership in the Association, Bangladesh shall subscribe funds in the amount of $5,380,000 expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960.

(c) Before accepting membership in the Association, Bangladesh shall make all payments on its initial subscription which would have been payable on or before the date of acceptance had it become a member of the Association as an original member listed in Part II of Schedule A of the Articles.
(d) Bangladesh may accept membership in the Association pursuant to this resolution until December 29, 1972, or such later date as the Executive Directors may determine.

II. Additional Subscription

(e) Upon or after acceptance of membership, Bangladesh is also authorized at its option to make an additional subscription in the amount of $209,440 which shall carry 1,250 votes plus one vote for each $80 of such additional subscription (that is, 2,618 votes).

(f) The rights and obligations of the Association and Bangladesh with regard to such additional subscription shall be the same as those which are applicable to the subscriptions authorized for Part II members under Part D of the Third Replenishment Resolution adopted by the Board of Governors on February 17, 1971.

(Adopted June 13, 1972)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IDA AT THE 1972 ANNUAL MEETING

Resolution No. 85

Financial Statements, Auditors' Report and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Association consider the Financial Statements, Auditors' Report and Administrative Budget, included in the 1971/72 Annual Report, as fulfilling the requirements of Article VI, Section 11, of the Articles of Agreement and of Section 8 of the By-Laws of the Association.

(Adopted September 29, 1972)

Resolution No. 86

Membership of Western Samoa

WHEREAS the Government of Western Samoa has applied for admission to membership in the International Development Association (hereinafter called "Association") in accordance with Section 1(b) of

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Article II of the Articles of Agreement of the Association (hereinafter called “Articles”); and

WHEREAS, pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Government of Western Samoa, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which Western Samoa shall be admitted to membership in the Association shall be as follows:

I. Initial Subscription

(a) The terms and conditions of membership of Western Samoa in the Association other than those specifically provided for in this resolution shall be those set forth in the Articles with respect to the membership of original members listed in Part II of Schedule A thereof (including, but not by way of limitation, the terms and conditions relating to subscriptions, payments on subscriptions, usability of currencies, and voting rights).

(b) Upon accepting membership in the Association, Western Samoa shall subscribe funds in the amount of $90,000 expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960.

(c) Before accepting membership in the Association, Western Samoa shall make all payments on its initial subscription which would have been payable on or before the date of acceptance had it become a member of the Association as an original member listed in Part II of Schedule A of the Articles.

(d) Western Samoa may accept membership in the Association pursuant to this resolution until March 31, 1973 or such later date as the Executive Directors may determine.

II. Additional Subscription

(e) Upon or after acceptance of membership, Western Samoa is also authorized at its option to make an additional subscription in the amount of $3,520 which shall carry 1,250 votes plus one vote for each $80 of such additional subscription (that is, 44 votes).

(f) The rights and obligations of the Association and Western Samoa with regard to such additional subscription shall be the same as those which are applicable to the subscriptions autho-
RULES FOR
THE 1972 REGULAR ELECTION OF
EXECUTIVE DIRECTORS

1. DEFINITIONS:

In these Rules, unless the context shall otherwise require,

(a) "Articles" means the Articles of Agreement of the Bank.

(b) "Board" means the Board of Governors of the Bank.

(c) "Chairman" means the Chairman of the Board or a Vice Chairman acting as Chairman.

(d) "Governor" includes the Alternate Governor or any temporary alternate Governor, when acting for the Governor.

(e) "Secretary" means the Secretary or any acting Secretary of the Bank.

(f) "Election" means the 1972 Regular Election of Executive Directors.

2. DATE OF ELECTION:

The election shall be held during the 1972 Annual Meeting of the Board at a time to be fixed by the Board.

3. BASIC RULES – SCHEDULE B:

Subject to the adjustments set forth herein, the provisions of Schedule B of the Articles shall apply to the conduct of the election, except that:

(a) "four-and-a-half percent" shall be substituted for "fourteen percent" in Paragraphs 2 and 5 and "ten percent" shall be substituted for "fifteen percent" in Paragraphs 3, 4 and 5 thereof; and

(b) "fifteen persons" shall be substituted for "seven persons" in Paragraphs 2, 3 and 6, "fourteen persons" shall be substituted for "six persons" in Paragraph 6, and "the fifteenth" shall be substituted for "the seventh" in Paragraph 6, thereof.
4. **EXECUTIVE DIRECTORS TO BE ELECTED:**

   Fifteen Executive Directors shall be elected.

5. **NOMINATIONS:**

   (a) Any person nominated by one or more Governors entitled to
   vote in the election shall be eligible for election as Executive
   Director.

   (b) Each nomination shall be made on a Nomination Form fur­
   nished by the Secretary, signed by the Governor or Governors
   making the nomination, and deposited with the Secretary.

   (c) A Governor may nominate only one person.

   (d) Nominations may be made until 12 o'clock noon on the day
   preceding the election. The Secretary shall post and distribute
   a list of the persons nominated.

6. **SUPERVISION OF THE ELECTION:**

   The Chairman shall appoint such tellers and other assistants and
   take such other action as he deems necessary for the conduct of the
   election.

7. **BALLOTS:**

   One ballot form shall be furnished before a ballot is taken to each
   Governor entitled to vote. On any particular ballot only ballot forms
   distributed for that ballot shall be counted.

8. **BALLOTING:**

   Each ballot shall be taken as follows:

   (a) There shall be a call of members whose Governors are entitled
   to vote and each ballot, signed by the Governor, shall be depo­
   sited in the ballot box.

   (b) When a ballot shall have been completed, the Chairman shall
   cause the ballots to be counted and shall announce the names
   of the persons elected before the end of the session at which
   the election is held. If a succeeding ballot is necessary, the
   Chairman shall announce the names of the nominees to be
   voted on and the members whose Governors are eligible to
   vote.

   (c) If the tellers shall be of the opinion that any particular ballot is
   not properly executed, they shall, if possible, afford the Gover­
   nor concerned an opportunity to correct it before tallying the
   results; and such ballot, if so corrected, shall be deemed to be
   valid.
9. When on any ballot the number of nominees shall not exceed the number of Executive Directors to be elected, each nominee shall be deemed to be elected by the number of votes received by him on such ballot; provided, however, that if, on such ballot, the votes of any Governor shall be deemed under Paragraph 4 of Schedule B to have raised the votes cast for any nominee above ten per cent of the eligible votes, no nominee shall be deemed to have been elected who shall not have received on such ballot a minimum of four-and-a-half per cent of the eligible votes, and a succeeding ballot shall be taken for which any nominee not elected shall be eligible.

10. If, as a result of the first ballot, the number of Executive Directors to be elected in accordance with Paragraph 4 above shall not have been elected, a second and, if necessary, further ballots shall be taken. The Governors entitled to vote on such succeeding ballots shall be only:

(a) those Governors who voted on the preceding ballot for any nominee not elected; and

(b) those Governors whose votes for a nominee elected on the preceding ballot are deemed under Paragraph 4 of Schedule B to have raised the votes cast for such nominee above ten per cent of the eligible votes.

11. The votes of a Governor shall not be deemed under Paragraph 4 of Schedule B to have raised the total votes for a nominee above ten per cent of the eligible votes if without the votes of such Governor such total would be more than four-and-a-half per cent but not more than ten per cent of the eligible votes.

12. If on any ballot two or more Governors having an equal number of votes shall have voted for the same nominee and the votes of one or more, but not all, of such Governors could be deemed under Paragraph 4 of Schedule B to have raised the total votes received by such nominee above ten per cent of the eligible votes, the Chairman shall determine by lot the Governor or Governors, as the case may be, who shall be entitled to vote on the next ballot.

13. ABSTENTION FROM VOTING:

If a Governor shall abstain from voting on any ballot he shall not be entitled to vote on any subsequent ballot and his votes shall not be counted within the meaning of Section 4(g) of Article V towards the election of any Executive Director. If at the time of any ballot a member shall not have a duly appointed Governor, such member shall be deemed to have abstained from voting on that ballot.

14. ELIMINATION OF NOMINEES:

If on any ballot two or more nominees shall receive the lowest
number of votes, no nominee shall be dropped from the next succeeding ballot, but if the same situation is repeated on such succeeding ballot, the Chairman shall eliminate by lot one of such nominees from the next succeeding ballot.

15. ANNOUNCEMENT OF RESULT:

After the last ballot the Chairman shall cause to be distributed a statement setting forth the result of the election.

16. EFFECTIVE DATE OF ELECTION:

The effective date of the election shall be November 1, 1972. Incumbent elected Executive Directors shall serve through the day preceding such date.

17. GENERAL:

Any question arising in connection with the conduct of the election shall be resolved by the tellers, subject to appeal, at the request of any Governor, to the Chairman and from him to the Board. Whenever possible, any such questions shall be put without identifying the members or Governors concerned.
EXECUTIVE DIRECTORS ELECTED AT
1972 REGULAR ELECTION

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<th>Number of Votes</th>
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8,234

| André van Campenhout | Austria       | 2,554 |
| (Belgium)            | Belgium       | 5,795 |
|                      | Luxembourg    | 450   |
|                      | Turkey        | 1,536 |

10,335

/s/ WALTER NEUDÖRFER (AUSTRIA)  
/s/ A. A. AYIDA (NIGERIA)
ACCREDITED MEMBERS OF DELEGATIONS AT 1972 ANNUAL MEETINGS

AFGHANISTAN

Governor .............................................. Gholam Haider Dawar
Alternate Governor ....................... Abdul Samad Khaliki

Adviser:
Mohammed Younos Rafik

ALGERIA

Governor .............................................. Ismail Mahroug
Alternate Governor ....................... Bouasria Belghoula

Advisers:
Mohammed Bessekhouad  Abdelkader Bousselham
Idris Jazairy  Yahia Khelif
Ferhat Lounes  Mouloud Tiab
Mahfoud Zerouta

ARGENTINA

Governor .............................................. Dante Simone
Alternate Governor ....................... Elias Salama*

Advisers:
Ricardo H. Arriazu  Omar E. Blasco
Miguel Angel Bolivar  Angel R. Caram
Alberto L. L. Chazez  Adolfo C. Diz
Teodoro Fernández  Alfredo Girelli
Jorge Hernández  Juan F. de Larrechea
Ricardo Lumi  Luis B. Mey†
Roberto Orgeira  Roberto Recalde
Carlos A. Rodríguez Babuscio  Jesús Sabra
José Carlos Santoro Peña  Jorge L. Tersoglio

AUSTRALIA

Governor .............................................. B. M. Snedden
Alternate Governor ....................... H. M. Knight

Advisers:
G. Allen  L. B. Brand
G. F. Carmody  M. A. Cranswick††
R. Daniel  M. R. Hill
G. A. Hutton  Sir James Plimsoll
F. G. H. Pooley  E. W. Shann
J. R. Short  E. M. W. Visbord
R. J. Whitelaw

IFC Member  Executive Director
IDA Member  Alternate Director
Temporary

204
AUSTRIA

Governor ........................................... Hannes Androsch
Alternate Governor ......................... Walter Neudörfer
Advisers:
  Paul Berger  Ferdinand Hain
  Philipp Rieger  Heinrich Schneider
  Franz Vranitzky  Viktor Wolf†

BAHRAIN

Governor ........................................... Sayed Mahmood Al Alawi
Alternate Governor ......................... Yusuf Ahmed Shirawi

BANGLADESH

Governor ........................................... Nurul Islam
Alternate Governor ......................... M. Matiul Islam
Alternate Governor ......................... A. M. A. Muhith*
Advisers:
  A. S. Choudhury  A. R. Khan

BELGIUM

Governor ........................................... A. Vlerick
Alternate Governor ......................... Robert Vandeputte
Advisers:
  André van Campenhout†  Herman Deheynin
  Miss Anne Doize  Georges Janson
  Jacques Mertens de Wilmars  L. Meulemans
  André Rahir  J. van Ypersele de Strihou
  J. Vanormelingen

BOLIVIA

Governor ........................................... Jorge Salazar Mostajo
Alternate Governor ......................... Luis Vizcarra
Alternate Governor ......................... Edmundo Valencia*
Alternate Governor ......................... Juan José Loria*
Advisers:
  Hugo Duchen  Gualberto Herbas

BOTSWANA

Governor ........................................... Q. K. J. Masire
Alternate Governor ......................... P. M. Landell-Mills

IFC Member  Executive Director  Alternate Director
IDA Member  Temporary
Governor ................................................. Antônio Delfim Netto
Alternate Governor ................................. Ernane Galvés
Alternate Governor ................................. Nestor Jost*
Alternate Governor .................. Octavio Gouvea de Bulhões*
Alternate Governor ...................... Alexandre Kafka*

Advisers:
Alvaro Pinto de Aguiar, Jr. ................................................ Amador Aguiar
Paulo Cezar de Albuquerque Caldas ...................................... Ariosto Amado
Raúl Barbosa ................................................................. Luiz Carlos Marinho de Barros
Oscar Bloch ................................................................. William D. Brisbane
Angelo Calmon de Sa ......................................................... Carlos Eduardo Fães de Carvalho
Salomon Cohn ............................................................... Horacio Sabino Coimbra
Luiz Felipe d’Aragona ....................................................... Celso Dintz
Jaques Eluf .............................................................. Lycio de Faria
Renato Filépo ............................................................ Luis Mendonça de Freitas
Eduardo da Silveira Gomes, Jr. ................................. Paulo Graciano
Geoffrey D. Greenman ................................................... Ibate Jost
Lucas Lopes ........................................................... José Fernandes Luna
Basilio Martins .......................................................... Francisco Mello Franco
Pedro de Moura Maia ........................................................ João Nascimento Pires
Eduardo Castro Neiva .................................................. Zeuxis Ferreira Neves
Paulo H. Pereira Lira .......................................................... Fernando Machado Portela
Norman Puggina ............................................................ José Maria Villar de Queiroz
Wilson Quintela ............................................................. Casimiro Antônio Ribeiro
Jean Paulo Ricommard .................................................. Carlos Antônio Rocca
José Safra ................................................................. José Maria Sampaio Correa
Floriano Pecanha dos Santos ...................................... Ary dos Santos Pinto
Roberto Selmi-Dei .......................................................... Victor da Silva Alves Filho
Gustavo Paulo da Silveira ................................................. Josã£ Luiz Silva Miranda
Moacyr Teixeira ........................................................... Francisco Thompson Flores
Carlos Alberto Vieira .................................................... Lidiberto Villar
Masatto Yokota

Governor ......................................................... U Lwin

Advisers:
U Kyaw Zaw ......................................................... U Win Maung

IFC Member .......................................................... Executive Director
IDA Member .......................................................... Alternate Director
Temporary

206
BURUNDI

Governor ................................................................. Joseph Hicuburundi
Alternate Governor ................................................. Athanase Ntukamazina
Advisers:
Augustin Bankebabone
Felix Magence
Joseph Nzeyimana
Bonus Kamwenubusa
Terence Nsanze

CAMEROON

Governor ................................................................. Abdoulaye Maikano
Alternate Governor ..................................................... E. M. Koulla

CANADA

Governor ................................................................. John N. Turner
Alternate Governor .................................................... Paul Gérin-Lajoie
Advisers:
Wm. Bain
Robert Bryce
V. L. Chapin
Earl G. Drake
M. W. Hunter
R. W. Lawson
David I. Miller
R. A. Bull
Marcel Cadieux
John C. Coleman
W. R. Hines
Claude M. Isbister†
J. R. McKinney
N. A. Rost van Tonningen

CENTRAL AFRICAN REPUBLIC

Governor ................................................................. Joseph Moutou Mondzisau
Alternate Governor ..................................................... Christophe Maidou

CHAD

Governor ................................................................. Valentin N'Gakoutou
Alternate Governor ..................................................... Jean Chavanel
Adviser:
Jean Alingue

CHILE

Governor ................................................................. Alfonso Inostroza
Alternate Governor ..................................................... Patricio Morales*
Advisers:
Orlando Letelier
Carlos Massad
IFC Member
IDA Member
Executive Director
Alternate Director
Temporary
□ ° CHINA

Governor ......................................................... Kwoh-Ting Li
Alternate Governor ............................................ Shao-Yu Wang*

Advisers:
  Chun-Ming Chang  .......................................... Chih-chang Chao
  Tai-Chu Chen  ................................................ Pao-Nan Cheng
  C. L. Chow  ...................................................... Mrs. Rose Hu
  C. C. King  ....................................................... Yen Shen
  Beue Tann  ....................................................... K. C. Toh
  Martin Wong† .................................................... Hsueh-Si Yeh
  John C. C. Yuan

□ ° COLOMBIA

Governor ............................................................ Rodrigo Llorente
Alternate Governor ............................................. Jorge Mejía-Palacio
Alternate Governor ............................................... Virgilio Barco*†
Alternate Governor .............................................. Douglas Botero-Boshell*

Advisers:
  Oscar Alviar  ..................................................... Raúl Eduardo Arbelae
  Abel Francisco Carbonel  ..................................... Gonzalo Duque
  Aníbal Fernández de Soto  ................................... Mrs. Wallace Friedman
  Eduardo Gaitán Duran  ......................................... Carlos Holguín S.
  Jaime López Reyes  ............................................. Carlos Mejía-Eder
  Luis Palau  ....................................................... Francisco Sardi
  Ignacio Solano

□ ° CONGO, PEOPLE'S REPUBLIC OF THE

Governor ........................................................ Bernard Banzi-Bouiti
Alternate Governor ............................................... Jean-Edouard Sathoud

Advisers:
  Pierre Loufoua  ................................................ Daniel Obela

□ ° COSTA RICA

Governor .......................................................... Claudio Alpízar V.
Alternate Governor ............................................... Oscar Arias S.*
Alternate Governor ............................................... Jorge Sánchez-Mendez*

Advisers:
  Robert S. Jagger  .............................................. Roberto Picado H.

IFC Member † Executive Director †† Alternate Director
IDA Member Temporary
CYPRUS

Alternate Governor ............................................ A. C. Afxentiou

DAHOMEY

Governor ......................................................... Joseph Kéké
Alternate Governor ............................................. Abou Baba-Moussa

Advisers:
Candide Ahouansou
Mrs. Veronique N'Diaye
Wilfrid De Souza
Innocent P. D’Almeida
Théophile Paoleti

DENMARK

Governor .......................................................... Hans Erik Kastoft
Alternate Governor .............................................. Miss Inger Nielsen
Alternate Governor ............................................... Erik Hauge*

Advisers:
Henning Dalgaard
Kaj Kjær
Niels Erik Sørensen
Hans Peter Houlberg
Christen Mondrup
Lars Tybjerg

DOMINICAN REPUBLIC

Governor ........................................................... Diógenes H. Fernández
Alternate Governor ............................................... Carlos Despradel*

Adviser:
Bernardo Vega

ECUADOR

Governor ........................................................... Néstor Vega-Moreno
Alternate Governor .............................................. Col. Oliveiraio Vascoñez*
Alternate Governor ............................................... José C. Cardenas*

Advisers:
Eduardo Andrade
Santiago Mateus
Alfonso Arcos

EGYPT, ARAB REPUBLIC OF

Governor ........................................................... Mohamed Abdalla Merzheban
Alternate Governor ................................................ Sherif Lotfy

Advisers:
Sayed Attalla
Moustafa El-Katib
Henry Tadros
Mahmoud Abou Elela
Gamal El Nazer

IFC Member
IDA Member
Temporary

Executive Director
Alternate Director
□ ° EL SALVADOR

Governor ........................................ Alfredo Benjamín Noyola
Alternate Governor ............................. Francisco Arturo Samayoa*

Advisers:
Rodoñño Alfredo Cabezas Castillo
Ricardo Muñez Gutiérrez
Salvador Sánchez Aguilón
Tómas Alfonso Medina
Marco Tulio Rodríguez Mena

□ ° EQUATORIAL GUINEA

Governor ........................................ Andrés Nko Ivasa
Alternate Governor ............................ Gabriel Andombe Buanga

□ ° ETHIOPIA

Governor ........................................ Mammo Tadesse
Alternate Governor ............................ Woldemariam Girma

Advisers:
Abdul Jelil Mohamed
Teferra Wolde-Semait

FIJI*

Governor ........................................ C. A. Stinson

□ ° FINLAND

Governor ........................................ Johannes Virolainen
Alternate Governor ............................ Osmo Kalliala

Advisers:
Jorma Aranko
Jorma Johannes Leskelä
Kari R. Nars
Erik Törnqvist†
Eero Asp
M. Mannerkorpi
Mrs. Annikki Saarela
Leo Tuominen

□ ° FRANCE

Governor ......................................... Valéry Giscard d'Estaing
Alternate Governor ............................. Jacques de Larosière*

Advisers:
Henri Baquiast
Henri Chavranski
Xavier Gouyou-Beauchamps
Michel Pebereau
Jean-Claude Rouher
Jacques Wahl
Marc Viénot†
Claude Beaurain
Daniel Deguen
Gérard de Margerie
Didier Pfeiffer††
Marcel Theron
Jean Vallet
Olivier Wormser

1 Became member of IDA on September 29, 1972.

□ IFC Member  † Executive Director  †† Alternate Director
° IDA Member * Temporary

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GABON

Governor ........................................... Augustin Boumah
Alternate Governor .......................... Edouard-Alexis M'Bouy Boutzit
Adviser: Robert Renombo

THE GAMBIA

Governor ........................................... S. M. Dibba
Alternate Governor .......................... D. A. N'Dow
Adviser: M. L. Auber

GERMANY

Governor ........................................... Helmut Schmidt
Alternate Governor .......................... Dieter Hisz*
Alternate Governor .......................... Hans-Herbert Weber*
Alternate Governor .......................... Horst Dumke*
Advisers:
Wolfgang Artopoeus†† Manfred Beutgen
Burghard Brock Johann Fehn
Ernst Fessler Fritz Fischer
Miss Lore Fünfgelt Lutz Halfmann
Wilhelm Hanemann Jörg Jaeckel
Hans Janssen Alois Jelonek
Wilfried Hanemann Klaus Dieter Leister
Udo Loewke Helmut Matthias
Eckard Pieske Wolfgang Rieke
Eberhard Schwark Günther Schleiminger
Fritz Stedtfeld† Herbert Stahlberg
Peter Titzhoff Klaus Weber
Richard Wenz

GHANA

Governor ........................................... Lt. Col. Enninful
Alternate Governor .......................... Amon Nikoi*
Advisers:
E. N. Afful P. K. Agboh
H. R. Amanoo Reno Basoah
S. K. Botchway K. Donkoh Fordwor
K. Gyasi-Twum A. Korsah-Dick

IFC Member † Executive Director †† Alternate Director
IDA Member * Temporary
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<td>Alternate Director</td>
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ICELAND

Governor .................................................. Lúdvík Jóhannesson
Alternate Governor ..................................... Jóhannes Eliasson*
Adviser: Sigurgeir Jónsson

INDIA

Governor .................................................. Y. B. Chavan
Alternate Governor ..................................... J. G. Patel
Alternate Governor ..................................... S. R. Sen*†
Advisers:
Miss Chandi Batiwalla P. B. Ghate
S. Mazhar Hussain S. S. Marathe
Arvind Pande V. N. Rajagopalan
R. K. Seshadri M. R. Shroff††
Mannmohan Singh N. S. Taneja
S. P. Upasani

INDONESIA

Governor .................................................. Radius Prawiro
Alternate Governor ..................................... Salamun A. T.
Alternate Governor ..................................... Sjarif Thajeb*
Advisers:
B. S. Arifin Miss M. Gandabrata
Byanti Kharmawan Parjono Reksoamidjojo
Sujitno Siswowidagdo Ronnie Sujanto
Atmono Surjono

IRAN

Governor .................................................. Jamshid Amouzegar
Alternate Governor ..................................... Homayoun Farboud*
Advisers:
Ali Rashidi Shahpur M. Shirazi

IRAQ

Governor .................................................. Amin Abdul Karim Kalamchi
Alternate Governor ..................................... Abdul Aal Al-Sagban
Adviser: Fawzi El-Kaissi

IFC Member † Executive Director †† Alternate Director
IDA Member
Temporary
IRELAND

Governor ..................................................... George Colley
Alternate Governor ........................................ C. H. Murray
Advisers:
Maurice Hoggett†† G. Reynolds

ISRAEL

Governor ...................................................... Moshe Sanbar
Alternate Governor ......................................... Avraham Agmon
Advisers:
Shimon Alexandroni Moshe Meirav
Menachem Naveh

ITALY

Governor ....................................................... Guido Carli
Alternate Governor ......................................... Rinaldo Ossola*
Advisers:
Aldo Baldari Vittorio Barattieri
Luciano Cafagna Carlo Ciampi
Mario Ercolani Miss Fernanda Forcignano
Domenico Gagliardi Cesidio Guazzaroni
Giovanni Lovato Francesco Masera
Silvano Montanaro Federico Orlando
Silvano Palumbo Aldo Pelosi
Giorgio A. Rota† Edgardo Valle
Alfredo Vernucci

IVORY COAST

Governor ....................................................... H. Konan Bédié
Alternate Governor ......................................... Mohamed T. Diawara*
Alternate Governor ................................. Abdoulaye Koné
Advisers:
Timothée N'Guéta Ahoua Florent Amany Gnissan
Jean-Baptiste Amethier René Amichia
N'Zi Assamoi Jean Batigne
André Chardon Jean Charpentier
Lamine Diabaté Alphonse Diby
John C. Elliott Charles Gomis
Dia Houphouet-Boigny Antoine Koffi
Camille Konan Joseph Kouassi N’Te
Kra Kosadio Kouamé N’Dri Kpatchibo
Léon Naka Alphonse Yao Kouman

IFC Member † Executive Director †† Alternate Director
IDA Member Temporary
□ JAMAICA

Governor ................................................................. D. H. Coore
Alternate Governor ................................................ G. A. Brown
Alternate Governor .............................................. H. G. Barber*

Advisers:
E. Angus ....................................................... H. P. Bartlett
D. R. Clarke .................................................. Douglas V. Fletcher
Canute Miller ................................................. Donald O. Mills

□ * JAPAN

Governor ............................................................... Koshiro Ueki
Alternate Governor ........................................... Tadashi Sasuki
Alternate Governor ................................. Koichi Inamura*
Alternate Governor ..................................... Taizo Hayashi*
Alternate Governor ................................... Hitoshi Yukawa*
Alternate Governor ................................. Yusuke Kashiwagi*
Alternate Governor ................................ Takashi Hosomi*

Advisers:
Yoshito Amano ........................................ Eikichi Arai
Yoshio Fujii ................................................ Seitaro Hattori†
Sudayuki Hayashi ....................................... Hiroshi Hori
Hiroshi Isetani ............................................ Asahiko Isobe
Kaichi Kawaguchi ....................................... Akira Kaya
Nobuaki Kenmochi .................................... Michio Kondo
Taro Maeda .................................................. Yoshih Nomura
Tosho Nagaoaka ........................................ Yutaka Nomura
Akira Oka ...................................................... Hisamasa Sakomizu
Koichi Satow ................................................ Shigemitsu Sugisaki
Masanari Suni†† .............................................. Hideo Suzuki
Atsuo Takahashi ........................................... Norio Taikagoshi
Tatsuo Yamaguchi

□ * JORDAN

Governor ................................................................. M. Said Nabulsi
Alternate Governor ........................................... M. Nuri Shafiu

□ IFC Member ☆ Executive Director ☆☆ Alternate Director
○ IDA Member
* Temporary

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KENYA

Governor ...................................................... Mwai Kibaki
Alternate Governor ........................................... P. Ndegwa

Advisers:
- A. Abdallah
- C. Aldons
- P. R. Coney
- J. K. Geau
- L. O. Kibinge
- R. Maina
- K. S. N. Matiba
- D. Mutiso
- D. W. Njorge
- B. Rapozo
- Matu Wamae
- E. K. Adagala
- A. T. Brough
- E. N. Gakuo
- C. Kahara
- J. N. Kimeria
- C. Malavu
- J. N. Michuki
- M. J. Njenga
- K. Nostvik
- A. Vienna

KHMER REPUBLIC

Governor ...................................................... Mrs. Pheng Santhan
Alternate Governor ............................................ Truong Sang Samrinh*

Advisers:
- Eap Kim Choan
- Keo Naun
- Neak Seng

KOREA

Governor ...................................................... Duck Woo Nam
Alternate Governor ............................................ Sung Whan Kim
Alternate Governor ............................................ Jae Sul Lee*

Advisers:
- Byung Kuk Choo
- Do Young Chang
- Shin Jee Kang
- Joon Kim
- Woo Keun Kim
- Choo Yong Lee
- Won Lee
- Byong H. Shin†
- Myong Hyun Sohn
- Choon Taik Chung
- I. Y. Chung
- Wan Mo Hong
- Bong H. Kay
- Kun Kim
- Chang Soo Lee
- Gang Yon Lee
- Yong Sung Lee
- Dong Won Shin
- Sung Yong Wei

KUWAIT

Governor ...................................................... Abdul Rahman Salim Al-Ateeqy
Alternate Governor ............................................ Abdlatif Y. Al-Hamad

Advisers:
- Abdel Aziz Al-Moussa
- Abdul Rasool Abulhasan
- F. Al-Sabah
- Khaled Abu Saad
- IFC Member
- IDA Member
- Temporary
- Executive Director
- Alternate Director

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LAOS

Governor ................................................. Oudong Souvannavong
Alternate Governor ................................. Sitha Sisombat
Advice:
    Soukpraseuth Sithimolada

LEBANON

Governor ................................................ Fouad Naffah
Alternate Governor ................................. Khalil Salem

LESOTHO

Governor .................................................. D. P. G. Makoae
Alternate Governor ................................. T. Thahane
Advice:
    P. P. Mofolo
    Konka C. Molapo

LIBERIA

Governor .................................................. Stephen Tolbert
Alternate Governor ................................. Cyril Bright
Advice:
    Michael Brown
    George Cooper
    John Woods

LIBYAN ARAB REPUBLIC

Governor .................................................. Mohammad Zarrough Ragab
Alternate Governor ................................. Nuri A. Baryun
Advice:
    Abdalla Sweisi

LUXEMBOURG

Governor .................................................. Pierre Werner
Alternate Governor ................................. Albert Dondelinger

MALAGASY REPUBLIC

Governor .................................................. Raymond Randriamandranto
Alternate Governor ................................. Mrs. Céline Rabekoriana Rabevazaha
Advice:
    Jean Kientz
    Henri Raharijaona
    Léon Rajaobelina

1 Became member of IFC on September 29, 1972.
 MALAWI

Governor ........................................... D. T. Matenje
Alternate Governor ............................ G. E. Gondwe
Advisers:
   H. P. Bandawe   W. K. Banda
   E. J. Kambalame C. M. Mkona

 MALAYSIA

Governor ........................................... Ismail bin Mohamed Ali
Alternate Governor ............................ Choi Siew Hong
Advisers:
   Annuar bin Dato Haji Mohd. Eusoff   Mohamed Ariff bin Ja'afar
   Agam Hasmy     R. V. Navaratnam††
   Tan Sri Yoke Lin Ong     M. Shanmugalingam

 MALI

Governor ........................................... Tiéoule Konaté
Alternate Governor ............................ Abdoulaye Amadou Sy
Advisers:
   Georges Dussine     Ismaila Sidibe

 MAURITANIA

Governor ........................................... Mohamed Ould Cheikh-Sidia
Alternate Governor ............................ Mamadou Cissoko

 MAURITIUS

Governor ........................................... Keharsingh Jagatsingh
Alternate Governor ............................ Ramaswamy Pyndiah
Advisers:
   Guy Balancy     C. Jesseramsing
   Om Prakash Nijhawan

 MEXICO

Governor ........................................... Hugo B. Margain
Alternate Governor ............................ Miguel De la Madrid H.*
Advisers:
   Rafael Izquierdo Alfredo Phillips O.
   Enrique Sosa

IFC Member       † Executive Director
IDA Member       †† Alternate Director
Temporary

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□ ° MOROCCO

Governor ................................................ Abdallah Fassi Fihri
Alternate Governor ................................. Farouk Bennis*

Advisers:
M'Hamed Bargach
Abdelmajid Benjelloun
Abderrahman Tazif†

□ ° NEPAL

Governor ................................................... J. B. Shah
Alternate Governor ................................. B. B. Pradhan

Advisers:
Sambhu Acharya
Kul Sekhar Sharma
B. P. Rimal
N. S. Thapa

□ ° NETHERLANDS

Governor ................................................... R. J. Nelissen
Alternate Governor ................................. Baron A. W. R. Mackay*

Advisers:
J. A. H. de Beaufort Wijnholds
P. Lieftinck
V. M. de Miranda
A. Rinnooy Kan†
T. de Vries
P. C. Witte
Miss G. A. Koen
A. J. A. Looijen
H. S. Radhakishun
V. A. Servage
Baron R. H. de Vos van Steenwijk
J. P. Th. Zwartjes

□ ° NEW ZEALAND

Governor ................................................... H. G. Lang
Alternate Governor ................................. B. V. Galvin

Advisers:
E. G. Buckton
R. L. Knight†
G. D. L. White
W. J. P. Cook
I. E. Sliper
A. E. Wilson

□ ° NICARAGUA

Governor ................................................... Guillermo Sevilla-Sacasa
Alternate Governor ................................. Juan José Martínez L.

Advisers:
Gustavo Escoto-Goenaga
Luis Mejía González
Carlos Muñoz B.
Guillermo Solórzano A.
Eduardo Espinoza
Juan José Martínez Alarcon
Alvaro Rizo-Castellón

IFC Member  † Executive Director  †† Alternate Director
° IDA Member  † Temporary
NGER

Governor ........................................... Abdoulaye Diallo
Alternate Governor ................................... Oumarou Sani*
Adviser:
Charles Godefroy

NIGERIA

Governor ............................................. A. A. Ayida
Alternate Governor ..................................... I. J. Ebong
Advisers:
J. O. Adekunle S. B. Daniyan
M. O. Fashola J. M. Garba
Mrs. R. A. Omotoso H. M. Osha
M. G. Ononaiye F. O. Rufai

NORWAY

Governor ............................................. Per Kleppe
Alternate Governor ..................................... Christian Brinch
Advisers:
Erling Børresen Erik Brofoss
Per Gulowsen Gunnar Haerum
V. H. Schirmer John Tvedt

OMAN

Governor ............................................. Mahmoud M. Murad
Alternate Governor ..................................... Philip E. Aldous

PAKISTAN

Alternate Governor ..................................... A. G. N. Kazi
Alternate Governor ..................................... Ziauddin Ahmad*
Advisers:
Tariq Osman Hyder Qamarul Islam
Haq Nawaz

PANAMA

Alternate Governor ..................................... Rigoberto Paredes
Advisers:
Manuel B. García Almengor Luis C. Pabon
Nander Pitty Velásquez

• IFC Member † Executive Director †† Alternate Director
• IDA Member
* Temporary

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PARAGUAY

Governor ........................................... César Romeo Acosta
Alternate Governor ................................. Augusto Colmán
Advisers:
Abelardo Brugada Saldivar ................................ Gilberto Caniza
Marcos Martínez-Mendieta ................................ Crispiniano Sandoval

PERU

Governor ........................................... General Guillermo Marco del Pont
Alternate Governor ................................. Manuel Moreyra Loredo*
Advisers:
Captain Pedro del Carpio ................................ Guillermo Castañeda Mungi
Luis Marchand Stens ................................................. Wilfredo Pflucker
Carlos Santistevant† ....................................... Alfredo Valencia
Allan Wagner

PHILIPPINES

Governor ........................................... Cesar E. A. Virata
Alternate Governor ................................. Alejandro Melchor
Alternate Governor ................................. Placido L. Mapa, Jr.*††
Alternate Governor ................................. Hortencio J. Brillantes*
Advisers:
Vicente Aquino ........................................... Constantino Bautista
Gaudencio Biduya ........................................ Mrs. Escolastica B. Bince
Abelardo Buenaventura ................................ Ramon Durano
Crispulo Guevarra ........................................ Mrs. Belen Emile Gutierrez
Benito J. Logarda, Jr. .................................... Ernest Leung
Vicente A. Pacis, Jr. ..................................... Gabriel C. Singson
Jose R. Tengco, Jr. ......................................... Ramon V. Tiaoqui
Wilfredo Vega ............................................ Fernando R. Veloso
Alberto de Villa-Abrille

PORTUGAL

Governor ........................................... Manuel Cotta Dias
Alternate Governor ................................. Daniel Maria Vieira Barbosa
Advisers:
Martim L. Cabral ........................................... Albino Cabral Pessoa
Luis Gois Figueira ........................................ Alvao Ramos Pereira
Carlos Saldanha do Valle

QATAR

Governor ........................................... Shaikh Abdul Aziz Al-Thani
Alternate Governor ................................. Madhat Masud

* Temporary
**RWANDA**

Governor ................................. Fidele Nzanana
Alternate Governor .................... Faustin Nshimiyimana*

**SAUDI ARABIA**

Governor ................................. Ahmed Zaki Saad

**SENEGAL**

Governor ................................. Ousmane Seck
Alternate Governor ..................... Djibril Sakho

Advisers:
- Samba Ba
- André J. Coulbary
- Birahime Gallo Fall
- Robert Julienne
- Ousmane M'Baye
- Famara I. Sagna

- Daniel Cabou
- François Eliard
- Bitama Fall
- S. Kande
- Ibrahima N'Diaye
- Pierre Sanner

**SIERRA LEONE**

Governor ................................. C. A. Kamara-Taylor
Alternate Governor ..................... B. Strasser-King

Advisers:
- J. K. E. Cole
- Emilio de Marke
- Philip B. Palmer
- A. Tejan
- V. F. Jamina
- V. A. W. Nylander
- David S. Rowe-Beddoe

**SINGAPORE**

Governor ................................. Hon Sui Sen
Alternate Governor ..................... Mrs. Elizabeth Sam*
Alternate Governor ..................... Au Pui Chuan*

Advisers:
- Ernest Steven Monteiro
- Mrs. Tan Geok Lin

- George K. Seow
- F. Yeo Teng Yang

**SOMALIA**

Governor ................................. Omar Ahmed Omar
Alternate Governor ..................... Jama Rabile God*

Advisers:
- A. A. Addou
- I. H. Mussa

* IFC Member  † Executive Director  †† Alternate Director
* IDA Member  ** Temporary

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□ SOUTH AFRICA

Governor .................................................. T. W. de Jongh
Alternate Governor ................................. G. P. C. de Kock

Advisers:
- W. J. J. Conradie
- D. V. Louw
- W. J. le Roux
- R. van S. Smit
- D. S. Franklin
- W. J. Lubbe
- F. C. Sengers
- C. L. Stals

□ SPAIN

Governor ................................................. Alberto Monreal Luque
Alternate Governor .............................. José María González Valles*

Advisers:
- Raphael Aguilar
- Juan Aronchibia
- Carlos Bustelo
- Fernando Eguidazu
- Rafael García Palencia
- Javier Irastorza R.
- Juan Moro††
- Angel Rojo
- Manuel Varela
- Agustín Alcocer Moreno
- Emilio Barcia
- Tomás Chavarri
- Francisco Fernández Ordoñez
- Manuel Guasch
- Luis Lerena
- Marcelino Oreja Aguirre
- José María Sierra
- José Vilarasau

□ SRI LANKA

Governor ................................................ N. M. Perera
Alternate Governor ............................ C. A. Cooray
Alternate Governor ............................ N. T. D. Kanakaratne*
Alternate Governor ............................. L. R. Jayawardena*

Advisers:
- W. S. L. de Alwis
- S. Gunasekera
- M. A. Fernando
- N. Kappagoda

□ SUDAN

Governor ............................................. Major Abul Gasim Hashim
Alternate Governor ............................. Nasreldin Mubarak

Advisers:
- Mahdy Ahmed
- El Bagir Yousif
- A. N. Hamza

□ SWAZILAND

Governor .............................................. E. A. Mayisela
Alternate Governor ............................ J. Nxumalo

Adviser:
- S. T. M. Sukati
- IFC Member
- ⊹ IDA Member
- † Executive Director
- †† Alternate Director

* Temporary
SWEDEN

Governor .................................................. Kjell-Olof Feldt
Alternate Governor ............................... Bo Jonas Sjööander*

Advisers:
Lennart Klackenberg                      Curt Lidgard
Arne Linda                                Carl I. Öhman†

SYRIAN ARAB REPUBLIC

Alternate Governor ............................... Abdul-Hadi Nehlawi

TANZANIA

Governor .................................................. W. K. Chagula
Alternate Governor ............................... I. M. Kaduma

Advisers:
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R. O. S. Mollel                             A. H. Mshangama
E. A. K. Mwanjisi                          D. G. Rwegasira

THAILAND

Governor .................................................. Serm Vinicchayakul
Alternate Governor ............................... Yune Huntrakoon*

Advisers:
Bua Sajisevi                                 Miss Nopporn Ruangskul
Olarn Chaipravat                             Panas Simasathien
Mrs. Marisa Siripipat                       Suwan Pasugswad

TOGO

Governor .................................................. Henri Dogo
Alternate Governor .................................. Boukari Djobo

Adviser:
Epiphane Mawussi

TRINIDAD AND TOBAGO

Governor .................................................. G. M. Chambers
Alternate Governor ............................... F. B. Rampersad

Advisers:
G. H. Legall                                Miss I. Sinanan

IFC Member ♦️
IDA Member ○
Temporary *
Executive Director †
Alternate Director ††
**TUNISIA**

Governor ................................................. Mansour Mouilla
Alternate Governor ................................. Moncef Bel Hadj Amor
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- Moncef Belkhodja
- Mohamed Ghanouchi
- Ahmed Ghezal
- Moncef Riahi

**TURKEY**

Governor ................................................ Ziya Muazzinoglu
Alternate Governor ................................. Ahmet Tufan Gul
Alternate Governor ................................. Asaf Guven*
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- Cengiz Alper
- Turgut Apaydin
- Gundogan Cagol
- Ahmet Guresin
- Tuna Iskir
- Yilpar Kaynak
- Alaeddin T. Yoruk

**UGANDA**

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Alternate Governor ................................. J. Geria
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- A. Njala
- S. Y. Mukasa
- G. Nkojo

**UNITED ARAB EMIRATES**

Governor ................................................ Sheikh Hamdan bin Rashid Al Maktoom
Alternate Governor ................................. Sadek Wissa

**UNITED KINGDOM**

Governor .................................................. Sir Leslie O’Brien
Alternate Governor ................................. John Nott*
Alternate Governor ................................. Sir Douglas Allen
Alternate Governor ................................. D. J. Mitchell**†
Advisers:
- A. M. Bailey
- P. J. Bull
- K. M. Critchley††
- G. M. Gill
- R. M. Graham-Harrison
- C. P. Haddon Cave
- Mrs. M. E. Hedley-Miller
- R. B. M. King
- J. A. Kirbyshire
- Sir Donald MacDougall
- P. E. Middleton
- I. Plenderleith
- A. K. Rawlinson
- Miss D. J. Seammen
- B. Sewill

[ IFM Member ] [ IDA Member ] [ Temporary Director ] [ Executive Director ] [ Alternate Director ]

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UNITED STATES

Governor ................................................. George P. Shultz
Alternate Governor ........................................ John N. Irwin, II
Alternate Governor ........................................ Arthur F. Burns*
Alternate Governor ......................................... Charles E. Walker*
Alternate Governor ........................................ Paul A. Volcker*
Alternate Governor ........................................... John M. Hennessy*
Alternate Governor ........................................... William B. Dale*
Alternate Governor ......................................... Robert E. Wieczorowski*†

Advisers:
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Edwin S. Cohen ............................................. Charles Coombs
John B. Connally ............................................ William R. Cotter
Philip M. Crane ............................................ J. Dewey Daane
Douglas Dillon ............................................. Peter M. Flanigan
Hiram L. Fong ............................................... Henry H. Fowler
Bill Frenzel ................................................... J. William Fulbright
Andrew F. Gibson ........................................... Henry B. Gonzalez
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John A. Hannah ............................................ Charles R. Harley
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David M. Kennedy ........................................... Norman F. Lent
John L. McClellan ........................................... George H. Mahon
Bradford Mills ............................................... William S. Moorhead
Wright Patman ............................................... Peter G. Peterson
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Hal F. Reynolds ............................................. Walter C. Sauer
John W. Snyder ............................................. John J. Sparkman
J. William Stanton .......................................... Herbert Stein
John G. Tower ............................................... Henry C. Wallrich
Mrs. Marina V. Whitman .................................... William B. Widnall

UPPER VOLTA

Governor ............................................... Edouard Yaméogo
Alternate Governor ........................................ Pierre Tahita

☐ IFC Member  ☑ Executive Director  † Alternate Director
☐ IDA Member  ☑ IDA Member  † Alternate Director
* Temporary
URUGUAY

Governor ........................................ Francisco A. Forteza
Alternate Governor ................................ Ricardo Zerbiño
Alternate Governor ................................ William Rosso*
Alternate Governor ................................ Carlos Koncke*
Advisor: Juan Olascoaga

VENEZUELA

Governor ........................................ General Rafael Alfonso Ravard
Alternate Governor .......................... Carlos Emmanuelli Llamozas
Alternate Governor ......................... Roberto Guarnieri*
Alternate Governor ...................... Carlos Eduardo Galavis*
Advisers:
Roberto Alamo Blanco ............................. Rodolfo Aristeguieta F.
Alfredo Beloso ...................................Mrs. Leonor Filardo González
José Gabaldón Anzola ......................... Mauricio García Araujo
Mrs. Ruth O. de Krivoy ......................... Guillermo D. Marquez
Félix Miralles .................................. Rafael Pérez Marcano
Ildefar Pérez Segnini ........................ Túlio Pinedo
Carlos Rafael Silva ............................ Domingo Valladares Lima

VIET-NAM

Governor ............................................. Le-Quang-Uyen
Alternate Governor .............................. Nguyen-Van-Hao
Advisers:
Bui-Cong-Bat .................................... Nguyen-Duc-Cuong
Truong-Van-Sang

YEMEN ARAB REPUBLIC

Governor ........................................ Mohamed Al-Gunaid
Alternate Governor ............................. Abdul Karim El-Eryani

YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC

Governor ............................................. Fadlul Mohsen
Alternate Governor ............................. Farag bin Ghanem

IFC Member ........................Executive Director .......................... Alternate Director
IDA Member .................................. Temporary
Governor .................................. Janko Smole
Alternate Governor ........................... Gavra Popović
Alternate Governor .......................... Milovan Marković*

Advisers:
- Vladimir Cerić
- Toma Gudac
- Mirko Mermolja
- Gabriel Santo
- Mrs. Nada Zivanović
- Ratoljub Đodić
- Trajan Ivanovski
- Branko Mijović†
- Miodrag Stojiljković

Governor .................................. Baruti wa Ndwali
Alternate Governor .......................... Lombo lo Manga Manga

Advisers:
- Kabombo wa Nzaji
- Mushobekwa Kalimba wa Katana
- Zonda Diwa Kole
- Kazadi-Membu Mukinkila
- Tshishimbi wa Bilenga

Governor .................................. J. M. Mwanakatwe
Alternate Governor .......................... E. C. Chibwe

Advisers:
- D. S. Attri
- J. G. Lavender
- G. M. Munkonge
- F. S. Kazunga
- U. G. Mwila

IFC Member <IDA Member
† Executive Director  †† Alternate Director
* Temporary
OBSERVERS AT 1972 ANNUAL MEETINGS

Romania
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Vasile Malinschi
Corneliu Bogdan
Stefan Nastasecu
Ion Barac
Gheorghe Ionița
Mircea Raceanu

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Abdoulaye Wade
I. E. Ebong
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Saeb Jaroudi

Asian Development Bank
Takeshi Watanabe
Kunihiko Takai
Edgar Plan

Bank for International Settlements
René Larre
Milton Gilbert
Donald H. MacDonald

Caribbean Development Bank
Roy A. Jones

Center for Latin American Monetary Studies
Javier Marquez
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Central African Customs and Economic Union
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Central American Bank for Economic Integration
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Neftali Alvarez
Abraham Bennson
Salvador Jauregui

Central American Monetary Council
Jorge González del Valle

Central Bank of Equatorial African States and Cameroon
Claude Panouillot
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Central Bank of West African States
Robert Julienne
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Ugo Mosca
Frederic Boyer de la Giroday
Giampietro Morelli
Pierre Malve
C. van der Vaeren

Common Organization of African, Malagasy and Mauritian States
A. Foalem

Commonwealth Secretariat
R. Hunter Wade

Contracting Parties to the General Agreement on Tariffs and Trade
Olivier Long
Gardner Patterson

East African Community
Al Noor Kassim
R. K. Kituriko

East African Development Bank
Iddi Simba
S. Y. Mukasa

European Investment Bank
Yves Le Portz
Sjoerd Boomstra
Louis Cassagnes
Jacques Silvain
Helmut Cramer

Food and Agriculture Organization of the United Nations
J. P. Bhattcharjee
R. C. Tetro
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Henry J. Costanzo
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Meryn N. Trued
Arnold H. Weiss
Jorge Hazera
José Epstein
Enrique Pérez-Cisneros
Arturo José Cruz
Milic Kybal

International Atomic Energy Agency
Guy Ferri

International Labor Organization
George L.-P. Weaver
Mrs. M. Holinkes

League of Arab States
Odeh Aburdeneh

Mutual Aid and Guarantee Fund
of the Conseil de L'Entente
Paul Kaya

Organization for Economic Cooperation and Development
E. van Lennep
Christopher Dow
Raymond Bertrand
André Vincent
Harry Travers

Development Assistance Committee
Edwin Martin

European Monetary Agreement
Alexandre Hay

Organization of African Unity
J. G. Kamanda

Organization of American States
Carlos Sanz de Santamaría
Walter J. Sedwitz
Nicolas Ardito Barletta
René Monserrat
Michael Zuntz

Organization for the Development of the Senegal River
Mohamed Ould Amar

Permanent Secretariat of the
General Treaty for Central American Economic Integration
Raúl Sierra-Franco
Roberto Mayorga-Cortes
Guillermo Noriega-Morales

United Nations
Philippe de Seynes
Ismael T. Kittani
Paul L. Faber

United Nations Development Programme
Rudolph Peterson
John Oliver
Jacob Everts
Rafik Asha
Krishan Kapur
Charles L. Perry
Claude de Kemoularia
Bert Lindstrom

United Nations Industrial Development Organization
Aron J. Aizenstat

United Nations Conference on Trade and Development
M. Pérez-Guerrero
Sidney Dell
G. Arsenis
R. Lawrence
S. Abrahamian
Jorge Sol Castellanos

Joint ECLA/Institute for Economic and Social Planning
Raúl Prebisch
David Pollock
Wolfgang Koenig

Economic Commission for Asia and the Far East
Prok Amranand
Robert Triffin

UNESCO
Werner Moller

World Health Organization
Dr. S. Malafatopoulos
EXECUTIVE DIRECTORS AND ALTERNATES

September 29, 1972

<table>
<thead>
<tr>
<th>Executive Directors</th>
<th>Alternate Executive Directors</th>
</tr>
</thead>
<tbody>
<tr>
<td>M. M. Ahmad</td>
<td>Mohammed Yeganeh</td>
</tr>
<tr>
<td>Virgilio Barco</td>
<td>Placido L. Mapa, Jr.</td>
</tr>
<tr>
<td>Donatien Bihute</td>
<td>Bulcha Demeksa</td>
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<tr>
<td>Seitaro Hattori</td>
<td>Masanari Sumi</td>
</tr>
<tr>
<td>Claude M. Isbister</td>
<td>Maurice Horgan</td>
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<tr>
<td>Mohamed Nassim Kochman</td>
<td>Benoit Boukar</td>
</tr>
<tr>
<td>R. Lindsay Knight</td>
<td>M. A. Cranswick</td>
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<tr>
<td>Adrián Lajous</td>
<td>Carlos Santistevan</td>
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<td>Luis B. Mey</td>
<td>Oscar Vega-López</td>
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<td>D. J. Mitchell</td>
<td>K. M. Critchley</td>
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<tr>
<td>Alfred Rinnooy Kan</td>
<td>Branko Mijović</td>
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<td>Giorgio Rota</td>
<td>Juan Moro</td>
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<tr>
<td>S. R. Sen</td>
<td>M. R. Shroff</td>
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<tr>
<td>Fritz Stedtfeld</td>
<td>Wolfgang H. Artopoeus</td>
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<tr>
<td>Khunying Suparb Yossundara</td>
<td>R. V. Navaratnam</td>
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<tr>
<td>Abderrahman Tazi</td>
<td>Ghulam H. Jewanyi</td>
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<tr>
<td>Erik Tornqvist</td>
<td>Carl I. Ohman</td>
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<tr>
<td>André van Campenhout</td>
<td>Viktor C. Wolf</td>
</tr>
<tr>
<td>Marc Viénot</td>
<td>Didier B. Pfeiffer</td>
</tr>
<tr>
<td>Robert E. Wieczorowski</td>
<td>Hal F. Reynolds²</td>
</tr>
<tr>
<td>Martin Wong</td>
<td>Byong Hyun Shin</td>
</tr>
</tbody>
</table>

¹Acting.
OFFICERS OF
THE BOARDS OF GOVERNORS
AND JOINT PROCEDURES COMMITTEE
FOR 1972-73

OFFICERS

Chairmen .................................. Trinidad and Tobago
Vice Chairmen ................................ Algeria
............................................. Uruguay

JOINT PROCEDURES COMMITTEE

Chairmen .................................. Trinidad and Tobago
Vice Chairmen ................................ Algeria
............................................. Uruguay
Reporting Member .............................. India

Members .................................. Chad
............................................. France
............................................. Germany
............................................. Guinea
............................................. Haiti
............................................. Honduras
............................................. Japan
............................................. Kenya
............................................. Korea
............................................. Luxembourg
............................................. Malaysia
............................................. Norway
............................................. Saudi Arabia
............................................. Turkey
............................................. United Kingdom
............................................. United States
WORLD BANK/IFC/IDA

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IFC: CORINTFIN
IDA: INDEVAS