ADDRESS BY EUGENE R. BLACK, PRESIDENT OF THE
BANK, IN PRESENTING THE SIXTH ANNUAL REPORT
OF THE BANK TO THE BOARD OF GOVERNORS,
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When we met in Paris a year ago, the world was just beginning to measure the implications of new and grave international tension. I said at that time that unless the worst should happen, the International Bank must and would carry on its work at an accelerated pace. The Annual Report you have before you shows that we have done so.

As your Chairman has remarked, the past fiscal year was the largest in our history. It was largest in the number of loans, largest in the amount lent, and largest in the extent of the activities we have carried on in our task of helping our member nations to increase productivity and raise standards of living.

Let me put this achievement against the background of previous fiscal years. Our first loans for projects in the less developed countries were made in 1948; in that year, we made two development loans totaling 16 million dollars. In the following 12 months we made three more development loans amounting to 109 million dollars. In fiscal 1950, the figures rose to eight loans and 134 million dollars. In this year on which we now report to you, we have made 21 loans, totaling nearly 300 million dollars, for development projects in 11 different countries.

This is twice the volume of lending for development in any previous year. In fact, it
is more than the volume of development lending in all our earlier years put together.

As you know, the Bank considers the manner of putting money to work to be no less important than the amount. We always have been ready to help provide technical assistance in both the preparation and execution of loan projects. This type of activity, in the past year, has been an increasingly significant part of our lending operations.

Quite apart from specific Bank financing, we have made growing progress in helping our member countries to assess and to realize more effectively their full economic potential. One of our instruments for providing such assistance is the comprehensive economic survey mission, which suggests to the receiving country policies and investment programs that appear most likely to accelerate its development. Last year we were able to inform you that one such mission had completed its work in Colombia. This year, we report that the work of this group has produced specific action; we present you with the findings of four other groups that have worked in Turkey, Guatemala, Cuba and Uruguay; and we announce work of a similar kind being completed or contemplated in five other countries of Latin America and the Near and Far East.

Finally, during the year, we have increased our own resources; we have broadened our base in the private capital markets which provide the bulk of our loan funds. We sold the first public offerings of our bonds in the United Kingdom and in Switzerland, and are continuing to explore opportunities to issue our securities outside the United States. In the American market, we raised new money for the first time since 1947 with a bond issue last February. The market itself welcomed the news that from now on we expect to be offering dollar securities, not at widely spaced intervals as in the past, but more frequently, as our lending operations require. Preparations for another offering of dollar bonds are now virtually complete.

All this demonstrates the considerable and growing strength of the International Bank. It is my opinion, which I think the record adequately supports, that unless the international situation deteriorates further, we will be able to meet all the capital needs of economic development in our member states, to the extent that those needs ought properly to be met on a long-term loan basis.

In view of the record, it seems strange indeed that suggestions are still heard that new ways must be found to increase many times over the amount of intergovernmental loans for development purposes. Such suggestions, in my experience, are usually based on large but hazy calculations of what is available and what really can be used in the form of loan capital for development. They are made without consideration of the seriousness of the obligation a country assumes when it incurs debt. They ignore the frustration and bitterness a country invites when it shoulders an obligation greater than it can afford, and before it is really ready to put capital effectively to work.

I would like to record my emphatic disagreement with suggestions of this kind. If they divert members from a proper use of the financial facilities available to them, if they distract developing countries from concrete objectives, they can do great harm to the orderly progress of development.

That is not to say that there may not be other useful instruments in the field of providing capital, on an international basis, for economic growth. The idea has been advanced, for instance, of an international authority to allocate grants for development. Under present world conditions, it does not appear likely that any significant amount of grant capital will be provided on a truly international basis; but the idea has merits that might well be considered in a later and happier day.

The proposal also has been made that an international finance corporation be established as an affiliate of the International Bank to do two things that the Bank does not do: that is, to make equity investments and to make loans for private enterprise without some form of governmental guarantee. It may be that a corporation of this kind could do much to stimulate private investment, both local and foreign. Such a result would be of the greatest advantage. The Bank is giving the proposal serious study, and will report on the matter to the United Nations Economic and Social Coun-
cil, at the request of that body, early next year.

For the first time in the history of the world the problems of development are being attacked on an organized international basis. At the same time, the awakening peoples within the under-developed countries have been pressing strongly for economic betterment. These two movements have joined to bring real progress: a rise in productive capacity and the building of sound foundations for further expansion. But while progress has been made, the problems are so enormous and the attack upon them is so new that none of us can be satisfied with the advances so far achieved.

There has been extensive discussion of ways and means to speed up the development process. Inevitably, much of that discussion has been in political forums, and more from the viewpoint of politics than of economics. We are familiar with the customary lines of argument—from the under-developed countries that they need more assistance than they are now getting, and from the developed countries that the other nations are not doing enough on their own account. There are elements of truth in both assertions.

We are fortunate here today in that we can approach the subject of development from an economic—and technical—standpoint, with fewer political overtones. It is for that reason that I believe it may be helpful to state—or, rather, restate—a few of the fundamental principles which, as I see it, should be guideposts in our attack on the problems of development.

The first such principle—and it is a truism indeed—is this: Economic development is an important objective for the entire community of nations. It is important to less developed countries in terms of production, of standards of living and of continuing national growth. It is not less important to countries that already have reached a high stage of development. Their own livelihood and their own future depend on the progressive expansion of world production and commerce.

The present international situation should illuminate rather than obscure these truths. The only way to support defense preparations and at the same time protect living standards is through greater production. Not long ago, the world emerged from a great war which made it necessary, in many areas, to suspend normal processes of economic growth. The nations have had to engage in tremendous effort and to spend enormous sums of money to repair the loss of those years. Surely we would now court disaster if economic development were again to be treated as a secondary problem and more years were to be lost.

The very increase in production which is now required must be based on balanced growth. Rising industrial production creates demands for additional supplies of raw materials; while developed countries themselves can do much to increase their output of these materials, and especially of food, new production elsewhere is also imperative. The under-developed countries can hardly be expected to continue to supply basic commodities, without some reasonable return in equipment and machinery that will enable them to raise their own standard of living. It is therefore less than ever possible to divide production problems neatly between nations that are highly industrialized and those that are not; the fact is that sound investments in raw materials production and in industrial growth, in either kind of country, are potential contributions to the solution of a common problem.

I wish I could assure you that this premise, of the importance of economic development, is universally accepted. But I cannot. Some countries have acted on it with vigor and wisdom, but there is still much that others could do. Let me mention two widely differing aspects of the problem as they are observed in the Bank's operations.

As you well know, our member countries have subscribed to the capital of the Bank partly in their own currencies, which are ultimately intended for use in the Bank's lending operations. We appreciate the difficulties involved in releasing significant amounts of these capital subscriptions in the circumstances of today; yet we feel that it would be worthwhile, in the pursuit of our common objective of development, to put more of these resources at the Bank's disposal. Since development does serve the common good of all the members, we are not
asking for an unrewarded export of capital from developed nations, but for an investment which will redound to their interest and to the interest of less developed countries as well. Release of the members’ currencies, in some instances, may well mean the difference between a useful development investment, including dollars, and no investment at all.

On the other side of our lending operations, I am sorry to have to report to you that many of the Bank’s borrowers are slow in putting money to work. We certainly appreciate the care that must be taken in the commencement of any undertaking; yet I think we have more instances than we should of an interval of many months—sometimes amounting to a year or more—between the signing of our loan contract and the accomplishment of the preliminary steps that are necessary to allow a development project to proceed. Our rate of disbursements, in relation to commitments, is low enough to be a cause of concern.

These are but two instances in which the Bank finds that the importance of economic development is not fully appreciated—instances in which development is retarded from causes not by any means beyond the control of member nations.

My second proposition is this: Economic development cannot be based on expediency—political or any other kind.

Political processes, of course, are the essence of democratic governments; and it is true that in a democratic society it is often difficult for a government to take the long-term view. Yet development is a long-term process. It cannot be carried out sporadically; it must be approached as a matter of broad and continuing public interest—not a means of promoting the interests of a particular area of the country, not a means of winning votes in a critical electoral district, not a means of satisfying the ego of political sponsors.

The more developed nations, too, need to remind themselves continually that international aid for development ought not to be based on expediency. To be really effective, they should not relate their efforts to fever charts of international tension, but rather to the fundamental conditions of which the fever may be only a long-delayed symptom.

Aid to development will be wasted unless there is continuity in providing it, and, almost equally important, unless there is a reasonable assurance of such continuity. Moreover, if economic assistance is cast solely in the mould of historical friendships or strategic considerations, it will neglect useful resources that should be developed for the common good.

Thirdly, let me say that in my opinion too much emphasis is often placed on capital, particularly foreign capital, as the prime ingredient of development.

We are familiar with the complaint that lack of capital impedes progress in underdeveloped countries, and this is undoubtedly true. Yet there are many other factors involved in development. Most of our member nations could profit by giving much more attention to these factors than they do.

The social institutions of the country, the distribution of wealth and opportunity among the people, the effectiveness of the educational effort, the energy and competence of government administration, and the character of the policies governing the use of the country’s resources—these are all factors which bear quite as directly as foreign capital on the rate of development.

Proper action in these fields is not only worthwhile in itself, but is indispensable to the productive use of capital. It could do much to mobilize capital resources which exist in nearly every under-developed country but are not fully available for development. We all know of many cases in which local capital is sent abroad, or hoarded in the form of gold, commodities or land that is not put to productive use. We know of countries where individual wealth finds speculative trading profits more appealing than investment in manufacturing or other productive enterprises. So long as governments and peoples do not pay sufficient attention to the environment in which capital must grow and work, it is hard to see how the case could be otherwise. Yet if a country cannot induce its citizens to put their own capital into productive investments at home, it cannot reasonably expect to attract capital from abroad.
My fourth proposition is that we must constantly work to improve the effectiveness of technical assistance.

The shortage of trained personnel at every level is one of the greatest and most intractable obstacles to development. Recent programs of technical assistance, undertaken both bilaterally and internationally, are a constructive effort to help the under-developed countries meet this difficulty. Considerable progress has been made. Many capable and devoted men are now hard at work, under these programs, in under-developed countries throughout the world. They daily provide proof that the programs are sound in purpose.

As we gain experience in technical assistance, however, it is becoming clear that some revisions of approach are necessary.

In an effort to get these programs started, too much emphasis has been put on sending out into the field as many experts as possible in just as short a time as possible. Too little emphasis has been put on getting, in advance, a clear definition of their duties, responsibilities and status. The result often has been frustration on the part of the experts; and in some recipient countries there has been bewilderment at a multiplicity of advisers without defined functions, and a breeding of antagonism toward the whole concept of technical assistance.

It is essential, I think, that certain understandings should be reached before any technical expert is sent to the field. There should be a convincing demonstration both of a need and a desire for his services, a clear agreement on the work he is to perform, and a precise understanding of his relationship to the official whom he is to serve.

I believe there has been far too much scattering of effort in the technical assistance programs. Assistance has been asked and provided over the whole vast range of economic and social activity, without much consideration for relative orders of importance. There is need for more concentration of effort on the fundamentals—on such things as improvement of agricultural techniques, education, health and public administration. Concentrated on these fundamentals, the programs would be more understandable, more manageable, more effective—they would, I think, have a coherence and impact far greater than at present.

So far as concerns the sectors of the economy directly concerned with production—agriculture, industry, mining, power, transportation and the like—there is need for far closer association of technical assistance with financial assistance. In these fields particularly, recommendations for improvements, however sound, are apt to go unheeded unless at the same time capital is made available to help carry out the recommendations. Good advice is rarely welcomed for its own sake; experience demonstrates that if the advice is to be effective, it must usually be accompanied by something more tangible. In other words, technical assistance in these fields should not be regarded as a separable activity. To the extent possible, it should be integrated with financial help in pursuance of a single development objective.

My fifth and last premise is that development is primarily the responsibility of the developing country itself.

There is not, and cannot be, any substitute for internal effort. Foreign capital cannot be broadly effective in the absence of local capital. Foreign advice will be useless unless there are roots for it to nurture.

At best, outside aid can provide only a margin over and above what a people are doing for themselves. It can be the margin between failure and success, but only when there is substantial local effort. And there can be such an effort only when a nation has a will to develop—when there is a drive within the country itself to improve the living standards of its people, and a government which reflects that drive.

Let me conclude by restating what, as I see it, we are all seeking in this process of economic development. Expanding world commerce and higher living standards are phrases that mean something important, but they may obscure the fact that both the source and the object of our efforts is the individual human being. In him is the motive power of what we can do, and for him are the rewards of what we can accomplish.

More clearly today than ever before, we know what happens when men live and are treated as masses, as statistics, as servants of privileged classes or as creatures of the
state. All during our lifetimes, we have seen them erupt in riot and bloodshed; we have seen them hypnotized and driven to self-destruction in war. The threat that faces us today does not lie in the wilfulness of a few men; it lies in their ability to control people in masses, and to appeal to other masses who may be willing to exchange one form of subjugation for another.

In that perspective, economic development can be one of the most significant and constructive activities of our time. Through development, we can help give men a chance to satisfy their aspirations not as a mob but as individuals. For one of the striking characteristics of a developed society is the great variety of choice it can offer to individuals; a choice not merely of one 20th century convenience over another, but a choice of work, of careers, of living places, of ideas and of leadership.

Variety of choice is one of the things we are talking about when we talk about freedom. In far too much of the world today, this element of freedom does not exist. Men are likely to think they have a choice only between extremes; between slow starvation and quick revolution; between complete inertia and regimented obedience to political leaders who themselves may represent extremes.

I think it is obvious that a world of free men would be far more stable and peaceful than the one around us today. I think it is obvious that economic development is an indispensable tool for providing the richness of alternatives that makes up a world of free men. If I am right, that our objective is to protect and enlarge the freedom of the individual, it is an objective that is surely worth all the energy we can devote to its achievement.