INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

SUMMARY PROCEEDINGS

1967 ANNUAL MEETINGS OF THE BOARDS OF GOVERNORS

Washington, D.C.
September 25 - September 29, 1967

Introductory Note

THE 1967 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 Rio de Janeiro, Brazil, on September 25-29, 1967 (inclusive) under the Chairmanship of The Honorable Kåre Willoch, Minister of Commerce and Shipping and Governor for Norway. The Closing Joint Session with the International Monetary Fund on September 29 was held under the Chairmanship of the Honorable Erik Brofoss, Governor of the Fund for Norway. 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.

There are recorded in these Summary Proceedings, in alphabetical order of member countries, the full or partial texts of statements by Governors insofar as these relate to the Bank, IFC and IDA. French and Spanish editions of these Summary Proceedings are available upon request to the Secretary's Department. The texts of statements concerning activities of the International Monetary Fund are published separately by the Fund.

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

WASHINGTON, D.C.
December 30, 1967

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[1]Report III relates to business of the Fund.

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Address by the President of the Republic of Brazil

ARTHUR DA COSTA E SILVA

I AM HERE to welcome on behalf of the Brazilian people and Government, the distinguished participants of the Annual Meetings of the Boards of Governors of the International Bank for Reconstruction and Development and its Affiliates and the Board of Governors of the International Monetary Fund.

Our country considers it a privilege, as the seat of your Meetings, to contribute to the continuity of the healthy tradition established in the last 20 years, that the men responsible for the economic and financial problems of so many countries, which are directly interested in the functioning of these institutions, should meet periodically to examine the progress of the world economy during the second half of the 20th century.

These Meetings — an extension of the Bretton Woods spirit—reflect the progress achieved in the field of communications and at the same time evidence the general desire to advance in the still more important sphere of the interests of each of the nations here represented. These Meetings amplify the possibilities of mutual understanding as opportunities are opened for personal discussions among the high authorities on economic matters, whose points of view may thus mutually influence each other in the search for solutions of problems which have their own characteristics in each sovereign nation, but are, in the final analysis, problems concerning the international community as a whole.

In fact, we shall only make progress in the solution of such problems if we achieve a well-balanced appraisal of the over-all interests of our countries. By this means we will be able to measure, with greater certainty, the differences to be overcome among better developed areas and those which demand and deserve an adequate treatment in their struggle for progress. Fortunately, the more favored nations are already aware of the fact that their own tranquility, in the context of international politics, depends directly on the development of poorer nations or those more pressed by social inequalities.

In many instances, it is less important to measure in absolute terms the progress already attained, than to be sure that the treatment adopted in each case will make it possible to reach positive results through the sincerity and perseverance of its application.

This, Gentlemen, is a moment of maturity for the international community. Our common destiny is inexorably linked to the destiny of each one of us. It is well known that it is the richer nations which trade most among themselves. Nonetheless, their unimpeded trade depends on the availability of means of payments. Though the international monetary system has functioned with great efficiency in the postwar period, there exists today the firm belief that the moment has come when the level of international reserves can no longer be the unforeseen result of the vagaries of gold production, or ad hoc measures, but must be the object of deliberate decision, as will be registered at this Meeting, 23 years after the first one was held in Bretton Woods.

It is necessary to entrust an international organization with the task of adjusting the level of the means through which international exchange is to be settled. It is even more important to note that this is a decision to be taken, not under the impact of an emergency, but as the result of a serene and objective evaluation of the conditions which govern our common advance towards the future.

This approach deserves to be stressed, especially when we have in mind the difficulties the world economy went through in the period between the two World Wars. On the other hand, it should be stressed that in the international organization charged with such an important task, there are to be represented, in accordance with accepted principles designed to reflect the economic weight of each country, all members of the International Monetary Fund, in order to ensure that the decisions to be taken shall be adopted in an adequate context, because they are capable of affecting profoundly the community of nations.

As a result of the tasks to be undertaken by the Governors of the IMF during this Meeting, there is to be established the basis for a solution which will allow continuous growth in international trade. The attention given to financial matters should not mean that less emphasis will be placed on questions pertaining to the liberalization of this trade, including the opening of markets for manufactured products from less developed countries.

It is a fact that the effort towards the promotion of development is the individual responsibility of each nation. However, this internal effort can and must be supplemented by a broader availability of resources derived from the more developed countries, to be used in accordance with consistent government programs. It is exactly in this area that the experience of these last few years has not been very satisfactory.

The well-known difficulties we face, in diversifying our exports, require urgently to be removed, so that, besides being raw material exporters, we will become suppliers of manufactures to the world market. As all of you are aware, the restrictions that the developing countries experience in building their industrial sector hinder the speeding up of their economic growth. We trust that, in addition to the measures to be adopted in this meeting concerning the problem of international liquidity, others may be studied which will help to stimulate the flow of investment capital and to open markets for the products which the economies of developing countries are in a condition to offer to the industrial nations. In addition to its own efforts, Brazil looks forward to the expansion of the availability of these external resources in order to help increase the pace of its progress and to enable Latin America to achieve its aim of economic integration.

The objective of harmonious and self-sustaining development for all nations can only be feasible if we have in mind the problems I have just mentioned.

The world must renew and raise the volume of resources made available through international financial institutions. However, equally important is the problem of how such resources shall be used. We have noticed a favorable evolution towards greater flexibility and more courage to innovate. This is a healthy tendency which must continue.

I hope that your labor will bear fruit and help to satisfy the hopes of countries like ours, which want to advance on the road to progress, so that our community of democratic nations shall be stronger and happier.

Brazil receives you with open arms.

Opening Address by the Chairman

KARE WILLOCH
Governor of the Bank, IFC and IDA for Norway[1]

I THANK the President of the Republic of Brazil for his most gracious remarks. It seems fitting that our first Annual Meeting in the Southern Hemisphere should be here in Brazil, which is the largest country in this part of the world and one of the founding members of the Bank and the Fund. I am certain that I speak for all in thanking the President of Brazil, and the Government and the people of Brazil, and of this city of extraordinary beauty for their generous hospitality. In particular, our thanks are due to those who have made available to us this striking Museum of Modern Art, and who have in the past year and a half, with great energy and imagination, adapted it so well to the needs of our Meetings.

Speaking for myself, as well as for my colleague as Chairman, Governor Brofoss, I extend a most cordial welcome to all Governors, Alternates, Advisers and guests. I wish especially to welcome the Governors for Indonesia and The Gambia, whose representatives have signed documents of membership since our last meeting, and to the Observers from Botswana, which has applied for membership.

You have before you the Annual Reports of the World Bank Group and the Fund. In a few moments I shall call on Mr. Woods and Mr. Schweitzer, whose Annual Addresses are eagerly awaited. Before doing so, however, I should like to make a few introductory observations on the problems we confront in finance and development.

For several years, our major preoccupations have been essentially the same. On the side of finance, our attention has primarily been focused on the intricate problems of world liquidity and the functioning of the international monetary system. In the realm of development, the core of our concern has been the inadequacy of financial resources. These are still the overriding issues before us. Their successful resolution is essential to the achievement of our twin objectives: the maintenance of international financial stability in an atmosphere conducive to high levels of employment and growth, and a marked rise in the living standards of developing countries. No doubt the attention of the world is focused on our Meetings this year, and there certainly is a feeling of hope that the clouds of uncertainty which have for some years surrounded these questions are at last dissipating.

A recitation of what the Bank Group and the Fund have been able to achieve despite the handicaps of this continuing uncertainty affords a glimpse of the potential of these institutions. I should like to highlight a few points which seem to be particularly relevant to our discussions.

When the Annual Reports of the World Bank Group are examined in the context of the entire development effort, one gains three quite distinct impressions. First, one is struck by the magnitude of the world's accomplishments in the last 15 years or so, and by the promise this holds for the future. Second, the record of the last few years reflects a remarkable intensification and broadening of the effort to come to grips with development in all its dimensions. Third, yet at the same time, one is impressed by the critical—even dangerous—nature of the debt service problem we confront at this moment, and by the inadequacy of development resources. I should like to speak on these three points.

Once again in its Annual Report, the Bank has made an important contribution to the assessment of development progress and prospects. It summarizes the varied growth experience of the developing countries against the background of world economic conditions, the inadequacy of development resources, the rising debt service burden, and obstacles to a satisfactory increase in export earnings. This is an extremely useful analysis, but I believe it deserves a footnote to make clear that today's aggregate rates of growth in agricultural, industrial and gross national production are not an adequate measure of the development effort already made. While they do reflect results so far obtained from earlier investments, the full benefit of a significant proportion of total postwar development expenditure will not swell the growth rate of Gross National Product for some time to come.

This point may have a bearing on the degree of public impatience with regard to the results of development assistance which can be witnessed in many industrial countries. Perhaps our own preoccupation with aggregate rates of growth has encouraged the public to look upon them as a kind of official index of development success. We should take pains to make it accepted that they alone cannot serve such a purpose in a satisfactory way at this stage in the development effort. In many developing countries, rapid economic growth can be generated only after far-reaching structural changes have been brought about. This is inevitably a long process, and in many parts of the world we have some distance to go before the investments necessary to these changes can be expected to pay off.

Although purposeful measures to create a more favorable basis for economic growth in underdeveloped parts of the world date further back, one may say that the international development effort as we think of it today really began to gather momentum only about 15 years ago. To illustrate, of the $8.6 billion the Bank and IDA had disbursed for development purposes through last June 30, less than four and a half per cent had been paid out by mid-1952. Of the remainder, more than three-quarters have been disbursed in the last decade, and, of this, more than 60 per cent in the last five years. I have not analyzed disbursements from all sources in the same way, but if high proportions of the total have been spent in such relatively short spans of time we can hardly expect to see the bulk of these investments fully reflected so soon in the growth of GNP.

A few examples should make this point clear. Education probably takes the longest time to pay off economically, but is a fundamental development necessity. The developing countries have made massive investments for this purpose. It must be relevant to any realistic assessment of development achievement that the number of children in school more than doubled between 1952 and 1963 in Latin America and South Asia, as reported by Unesco,

[1]Delivered at the Opening Joint Session, September 25, 1967. Mr. Kåre Willoch, Governor of the Bank, IFC and IDA for Norway, and Mr. Erik Brofoss, Governor of the Fund for Norway, acted as Chairmen of the Annual Meetings. Mr. Willoch presided at the Opening Joint Session on September 25, at the Second Joint Session on September 26, and at the Bank, IFC and IDA Session on September 27, 1967. Mr. Brofoss, Chairman of the Board of Governors of the Fund, presided at the Fund Session on September 28 and at the Closing Joint Session on September 29, 1967.

while it tripled in Africa. Surely this increase can be expected to add much more to future economic growth than has so far been reflected in the GNP of developing countries.

A lag between investment and realized benefits is inevitable in all development, though the time span involved varies widely. Water will begin to flow to the fields from a Bank-financed irrigation project, for example, only from three to five years after the loan is approved. Some increase in production may result during the following year, and afterwards output should rise gradually. Experience has shown, however, that an irrigation project's full contribution to growth cannot be expected until 10 or more years after the water becomes available. On this basis, less than 12 per cent of the approximately $660 million the Bank and IDA have committed for irrigation projects has had sufficient time to generate its full benefit; projects representing nearly 90 per cent of the Bank Group's investment for this purpose will reach their potential of productivity only gradually between now and 1982.

In the case of so-called infrastructure projects for electric power, transportation, telecommunications and urban water supply, these investments also are often made to anticipate and lead demand rather than respond to it. Thus, in these sectors as well, there is often a lag between project completion and full capacity utilization. Such projects have accounted for two-thirds of the $11.6 billion the Bank and IDA have committed for development, and a significant part of that amount has not yet been disbursed.

Investments for industry entail the shortest lag between construction and the realization of benefits, since they are normally made in more direct response to demand. Yet the infrastructure and skills resulting from the more slowly maturing investments are both a prerequisite and a powerful stimulus to most industrial growth. They also contribute greatly to the higher and more immediate returns on industrial investments. It is interesting to note that industrial production in the developing countries has been growing at an average annual rate of more than seven per cent during the last six years. Despite the fact that this growth starts from a very small base, it may be at least one happy augury for the future.

Agriculture is still the great laggard. Some of the crucial facts reported by the Bank are those concerning the failure of agricultural output, and especially of food production in the developing countries, to keep abreast of the increase in population. Total farm production in these countries actually declined last year, and in per capita terms it fell almost five per cent over the two years 1965 and 1966. In food production, the decline per capita has been even more severe.

These facts add a grim and powerful endorsement to the initiative, taken by Mr. Woods nearly five years ago, to engage the World Bank Group more fully in the basic, highly complex and difficult task of agricultural development. They argue strongly in favor of the emphasis which the Bank and IFC have been giving to the achievement of a massive, early increase in fertilizer production and use. While there was a disappointing drop in the amount of funds the Bank Group actually committed for agricultural development during the fiscal year ending June 30, 1967, one IDA credit and four Bank loans have been approved since then, bringing the total of funds committed for agricultural lending during the first nine months of calendar year 1967 to $194 million, a much higher rate than for any previous period. We are assured that the number and diversity of suitable projects are increasing. At the end of the fiscal year, 28 projects had either reached the stage of loan negotiation or were being appraised and an additional 35 projects were under preparation. This compares with 19 projects for which funds have been committed over the last two fiscal years.

There have been equally important developments during the past year in the Bank Group's assistance to industry. A first line of credit for IFC has been made available by the Bank, under the new authority recently approved by the members of the Bank and IFC. The Corporation's total commitments reached more than $220 million, well over twice the amount of its capital. The Bank made its first loan to a government-owned industrial enterprise—an enterprise with experienced and efficient management.

Education is another difficult field into which the Bank Group has been led by Mr. Woods. Here also, steady and encouraging progress is being made, although, as already described, investment in education probably takes the longest time to pay off. Bank and IDA lending for education is increasing at a rapid rate, but still totals only $142 million. It may probably never be significant in terms of money in relation to total lending, but looms substantial in terms of over-all assistance to education by external agencies. However, there is reason to believe that the Bank's interest and activity in this field may have considerable impact in helping countries obtain greater long-range development benefit from their education budgets.

Within the broad framework of technical assistance, the Bank has acquired much new experience with the manifold problems of aid coordination, both through the formal coordinating groups that it has organized for 11 recipient countries and through flexible, ad hoc arrangements to deal with special problems as they arise.

One important contribution the Bank has made in recent years has been through its studies of problems that are crucial to the growth of developing countries. Major efforts in this direction have been the staff studies carried out at the request of UNCTAD. Those concerning suppliers' credits and shortfalls in export earnings of developing countries are of particular interest. Many of us also share the interest of our hosts in the study, now under way in conjunction with FAO and the International Coffee Organization, concerning the world coffee problem and its impact on many developing countries. And we all join in commending the Bank and OECD on the new and expanded system of debt reporting which they have worked out, and which came into effect on the first of this year.

This leads me to a main point, the serious nature of the debt service problem and the inadequacy of resources. In some countries the debt service emergency might perhaps to some extent have been avoided by more skillful management. Much of the difficulty, however, results

from causes beyond the control of the developing countries concerned, but well within the control of those in a position to encourage and help economic development, if they could only concert their policies with that end in view.

The seriousness of this predicament has been summarized with stark clarity in the Bank's Annual Report, and has also been treated in the Fund's Report. The facts make it obvious that the inescapable arithmetic of debt service burdens will delay the development process in country after country unless the world community represented in this room finds it possible to agree on an acceptable solution. Cooperation between the Bank and Fund in coping with debt problems has been gratifying, but further steps are needed to assure a satisfactory development.

This situation underlines the necessity of giving the highest priority to the task of providing sufficient funds for the branch of the World Bank Group which has been created with the specific purpose to grant loans on lenient terms, viz., IDA. It is of paramount importance to enable this institution to fulfill its function. It is a most efficient instrument for long-term cheap and untied lending.

Mr. Woods will undoubtedly have something further to report on his efforts to obtain agreement on a new and larger replenishment of IDA's resources. We should feel it as a great encouragement if Governors of the principal industrialized countries could give us hope for further, broader and more closely harmonized policies for liberal aid in all its forms.

A new feature in the field of the World Bank Group activities, which I will take this opportunity to welcome, is the creation of the International Centre for Settlement of Investment Disputes, which has now come into operation. The first annual meeting of the Administrative Council of the Centre will be held here today. The creation of this facility for international conciliation and arbitration in investment disputes marks an important step in the cooperation between member countries for the promotion of economic development by private international investments.

Turning now more specifically to the activities of the Fund, I would like to note, as one measure of the Fund's accomplishments, certain aspects of its recent operations:

Drawings from the Fund in the past fiscal year again exceeded $1 billion, causing outstanding drawings to rise to over $5 billion. In this process the currencies of four member countries, namely those of Brazil—our host—and Malaysia, Venezuela and my own country, Norway, were used for the first time. Since our last Annual Meetings Bolivia, Denmark, Guyana—and I am pleased to note, also Norway, assumed the obligations of Sections 2, 3 and 4 of Article VIII.

The fiscal year saw Fund quotas rise by $1.5 billion as a result of the general quota increases which were authorized in 1965. Support of its resources continued under the General Arrangements to Borrow, which were renewed during the year. The Fund did not have recourse to these Arrangements during the year, but it is interesting to note that the Fund borrowed directly from Italy. This is the first such bilateral arrangement in Fund history. It seems to me that Italy has thereby set an example which, if adopted by other creditor countries, may prove to be of great importance for the adjustment process.

Another initiative — demonstrating once more the flexibility which has characterized the policies of the Fund—was the liberalization of the compensatory financing facility. Subsequent to this extension of policy have come the five compensatory drawings described in the Report, plus two later drawings, a total of four more than had occurred in the three years previously. This indicates that increased use of the facility may be anticipated particularly during the present economic pause in the industrial world, with its expected depressant effects on the export receipts of the developing countries.

Equally deserving of attention have been the strong and successful efforts of the Fund to provide assistance in technical fields relating to monetary and exchange policies, central banking, fiscal management and financial statistics. Much of this technical cooperation takes place within the framework of its regular annual consultations procedure or through similar staff discussions with members, but in a number of areas the Fund has developed specific technical services to assist members. Experts provided by the Fund, both from within the staff and recruited from outside, are actively engaged in counseling the newer central banks and in advising on budgetary and tax operations. Moreover, the Fund has continued to be active in trying to alleviate the excessive burden of indebtedness facing some of its less developed members and has actively collaborated with the Bank to help creditor countries consider the debt problem of particular countries. These technical assistance activities, including the training provided by the IMF Institute, reflect the Fund's efforts to help countries to increase the vital supply of skilled and experienced civil servants, especially in newer members which have joined the Fund since independence.

In view of the comprehensive account to be found in the Annual Report, I have merely touched upon some of the more notable financial operations and decisions of the Fund. I have also noted with deep interest the review of economic policies and trends in member countries which is given in the Report. This part of the Report depicts an economic slowdown in major industrial countries, with only few exceptions from mid-1966 to mid-1967. I shall not belabor the important economic and political questions which this part of the Report might evoke. I would like, however, to express the view that while in previous years most countries agreed in disapproving of economic policies which involved what might be called "export of inflation," the development in the last year seems to illustrate and underline the equal importance of avoiding economic policies which lead to "export of recession."

The question of pressures that may generate recession brings me to another general issue, to which I would now like to turn, and to which we all must give our careful attention during these next few days. I refer to the problems of liquidity, and the functioning of the international monetary system which are so important to the world's financial community and, indeed, to the world as a whole.

The Fund has given much time and attention to these questions over the years,

and Governors will recall that at our last Annual Meeting in Washington it was agreed that informal joint meetings between Executive Directors and the Deputies of the Group of Ten might be helpful. In the four such meetings that have taken place, and in the other contacts relating to them, there has been a most valuable exchange of views contributing to the clarification of many problems. A useful contact has also been established between the Fund and UNCTAD.

The result of these various activities seems to be that we are now closer to the end of the uncertainties of the past years. I am eagerly awaiting Mr. Schweitzer's comments on these events, and I wish to pay tribute to him, to the Executive Directors, to the Fund's staff and to the Deputies of the Group of Ten for the excellent work done during this period.

As a result of these various efforts, the Fund Governors have on their agenda the "Establishment of a Facility Based on Special Drawing Rights in the Fund and Modifications in the Rules and Practices of the Fund." Later this week, they will be asked to approve a Resolution which requests the Executive Directors to proceed with their work on these matters and submit to them appropriate amendments to the Articles of Agreement and the By-Laws. Our predecessors, the Founding Fathers, at Bretton Woods were wise in establishing an institution so organized that it could repeatedly respond to challenges then unforeseen, and we must aim to be as effective as they were. Reform, to be reform, should be directed toward the Fund's continuation as the vigorous and universally recognized center for international monetary collaboration.

In summing up, I believe that we have only started to see the full possibilities of the world-wide effort which began with the establishment of the Bank and the Fund at Bretton Woods. We have at our hands instruments that give us great opportunities to pave the way for still further and uninterrupted economic growth, and thereby lay the foundations for increased well-being and social justice all over the world. And we are all particularly aware that the struggle to realize national potentialities, and to facilitate economic self-determination touches every aspect of the hopes and expectations of the peoples of the developing countries. Despite the difficulties, I am confident that we shall proceed toward these goals, which affect the dignity and self-respect of a major proportion of mankind.

Annual Address by

GEORGE D. WOODS

President of the Bank and its Affiliates

I SHOULD LIKE first to join the Chairman in thanking His Excellency, the President of Brazil, for his words of welcome. His country comprises nearly half the area and population of South America. It is two and a half times as large as Western Europe, including the British Isles and Scandinavia, and has a fourth of the population—there are about 87 million Brazilians. It is rich in minerals and agricultural resources. It has a third of all known iron reserves and the world's fourth largest potential for hydroelectric power. In production, it ranks first in coffee, third in manganese, fourth in sugar, and eighth in iron ore. Despite a long history of recurring economic difficulties, Brazil has managed in the last 20 years to triple its Gross National Product and to more than double the real per capita production and income of its people. This is a vast and fascinating country which well mirrors the aspirations and the problems of the developing nations. We are happy to be here.

Mr. Chairman, you and the other Governors have the detailed record of the World Bank Group's activities of the past fiscal year in the Annual Reports of the Group—the World Bank itself, the International Finance Corporation (IFC) and the International Development Association (IDA). I will not take your time by repeating what you already have before you on the printed page. Suffice it to say that the operations of the Bank Group continue to grow. Once again commitments were more than a billion dollars and in more numerous and varied transactions than before. The growth of the operations of IFC, our private enterprise arm, now newly backed by a line of credit from the Bank itself, was especially marked. Disbursements of the Group exceeded a billion dollars. Technical services to members increased. Our activities in the coordination of aid continued, and we feel that we are slowly making headway in this complex and vital task. After several years of preparation, we brought into being the International Centre for Settlement of Investment Disputes to encourage the flow of private investment into the less developed countries.

For the second consecutive year, I must report to you that finding finance for the operations of the Bank and IDA is a dominant continuing problem. In the case of the Bank, the consequence of a high rate of disbursement plainly must be large borrowings. Since our last meeting we have arranged to borrow $700 million, of which $380 million was new money and $320 million was for refunding.

Over the past year, IDA has been able to make commitments and carry on its operations, due in large part to extraordinary support given to the Association from several sources. The Swedish Government, for the sixth consecutive year, made a welcome special contribution to IDA. The Swiss Government has started legislative machinery for authorizing a loan to IDA on the same highly concessionary terms IDA accords to its borrowers—a loan which will break new ground in IDA finance, being the initial borrowing by the Association. And the Bank, with the approval of the Governors at last year's Annual Meeting, made a transfer to IDA from its net earnings of the fiscal year 1965/66.

This year, the Governors are asked to approve Bank support for IDA again, but only in a token amount. The Governors will recall that Bank transfers to IDA have been considered each year in the light of the Bank's own financial position. The guiding policy, approved at Tokyo in 1964, has been that transfers are made only in amounts "not needed for allocation to reserves or otherwise required to be retained in the Bank's business and (which), accordingly, could prudently be distributed as dividends."

The transfer to IDA recommended this year is in a token amount for a simple reason: the volume of Bank disbursements, against commitments previously made, is rising; and the needs of the Bank for finance to carry on its operations, as I have said, will be correspondingly heavier. At the same time, the Bank has not been given the access to capital markets that its operations warrant. We have been disappointed, but I hope only temporarily, in our plans for offering long-term issues in several European member countries. It is highly desirable that we borrow substantial amounts in those markets in the current fiscal year, and there is good evidence that we will be able to do so.

In any event, Bank assistance for IDA can only be marginal; the chief supporters will always be the more prosperous member countries. Agreement among governments concerning the amount, the shares, and the conditions of the next replenishment of IDA's finances has not yet been reached. This past summer, however, discussions of these questions have become both more concrete and more intense, and I am encouraged to feel that they will now move forward to definite conclusions. In fact, I feel that here—in the atmosphere of this Meeting—solutions may begin to take form. I am sure all concerned recognize that it is essential that the IDA replenishment be agreed upon as rapidly as possible and that results be achieved which will permit IDA to respond, much more adequately than in the past, to the priority needs of the less developed countries.

Mr. Chairman, when we turn from our own operating preoccupations to look around us, we see a troubled world. Painful dislocations and adjustments are taking place in nations of Africa, Asia and the Middle East.

During the past year, conflicts, domestic and external, have pre-empted the energies, the concern and the resources of nations, both industrial and developing. The tragedy of armed conflict and preparations for it is more than the diversion of manpower and scarce funds from productive uses. The tragedy is also in the turning away from development it produces around the world. Conflicts, within and among the developing countries especially, feed the prophets of doom who claim that economic development does not work. They slow whatever momentum may have been achieved. They harm not only the countries directly involved; they harm the cause of development everywhere.

Deep-rooted social unrest short of outright conflict exists in many societies, and solutions are neither simple nor swift. Towering high over all the economic problems is the fact of rapid population growth—now proceeding fast enough to double the population of the less developed countries in a single generation. Here in Brazil, it is expected almost to double in twenty years. It is encouraging to see some countries beginning to make advances in the

field of population control, but present measures constitute only a beginning.

Experts say that at best, the rise of population curves will not begin any pronounced deceleration for another 15 or 20 years. In that time, the less developed countries must greatly increase both the output and the nutritional value of food: they must produce more, both to feed more people and to feed people more. The food requirements — to double the present output by 1980 and to triple it by the end of the century according to the Food and Agriculture Organization of the United Nations—seem staggering.

However, none of the formidable problems facing the developing countries can be attacked singly or by technical means alone. The world is not going to be saved simply by chemical fertilizers and "the pill." The changes needed by the less developed countries touch virtually all of society. They will come about as part of a larger transformation of social and economic organization—as part of the larger process we call economic development.

In that process, education must play a pervasive part, teaching new skills and cultivating new attitudes toward social and economic change. In too many of the less developed countries, however, educational systems are not yet adequate for this essential purpose. They have yet to strike a proper balance between various levels and kinds of education, and in too many cases, the curricula being followed were not designed for, and have not been adapted to, the country in which they are being taught. The schools and universities are not yet doing enough to develop farmers, engineers, administrators, teachers and the legion of other skilled workers geared to the development needs of the economy.

Development takes capital. Four-fifths of the investment being made today is being made out of the resources of the developing countries themselves, but the all-important leaven for the loaf must come from outside. With the rate of private international investment currently down, with parliamentary bodies in some of the largest aid-providing nations reluctant to augment bilateral programs, and with delays in enlarging the financing capability of multilateral agencies, there are reasons for discouragement.

On the other hand, this situation is not exceptional. There have been many years in which exactly these same observations could have been made at the Annual Meeting of this Board of Governors. Progress is always slow, always difficult. The way ahead always seems blocked by frustrations, postponements, errors of commission and, even more, of omission. But we must plough ahead. Responsible and dedicated ministers in developing countries should not lose heart. Harassed parliaments and men of broad vision in industrialized countries should take a second breath as we approach the close of the Development Decade of the Sixties and face the Seventies. Each must at intervals appraise the problems of the other. In the interest of the long-range well-being of both, there must be a constructive reconciliation between the natural impatience of the poorer, newer nations on the one hand, and the pressing problems facing the legislators and Cabinet ministers of the rich countries on the other.

The Chinese have a proverb that a journey of a thousand miles must begin with a single step. In the case of economic development, we have taken not only the single step but many, many steps beyond that. Over the years, all those steps add up to a journey for which there is no exact precedent in the history of man and from which, I believe, there is no turning back.

Remember that for most of history the lot of human beings has fluctuated only between varying degrees of poverty. For most of mankind, life has been nasty, brutish and short.

Something new is happening in today's world. Over the past 15 years, economic growth in less developed countries embracing not less than half of mankind has been proceeding as fast as in the industrialized countries. Over this span of 15 years, the Gross National Product in the developing countries has more than doubled, and per capita income—despite the rapid growth of population—has increased by 40 per cent.

Among the countries of the world, the fastest rate of growth, in fact, is now being experienced by those nations in the per capita income bracket of only $300 to $600 a year. There are at least 25 countries[1], many of them from this income group, in which Gross National Product grew during 1966 at a rate between five and ten per cent, and there are nine countries[2] in which recent average growth rates, if continued, will double Gross National Product within the 1960s.

The economies of many developing countries have been maturing. Progress in the industrial sector, as we all know, has been particularly rapid, and exports of manufactures, while still originating chiefly in a limited number of countries, have increased by 70 per cent in the 1960s. Institutions have also matured—evidenced by an encouraging flow of technical assistance among the less developed countries themselves. An impressive infrastructure of physical facilities, especially in the form of power installations and transportation services, representing billions of dollars, has been put in place. And—for the first time in history—the improvement of the fortunes of mankind has been accepted as an international objective and responsibility.

Those of us who are deeply involved with the problems of the developing countries necessarily think and talk a great deal about the difficulties we face. I would like to hear more talk about some of the success stories in development. It is time that we began to say to the taxpaying public and the legislatures of the industrial countries that the development effort they are and will be asked to support can be successful and has been successful in some important sections of the world. Among the countries which would currently be on my personal list for special mention for economic achievement would be Iran, Israel, Korea, Malaysia, Mexico, Pakistan, the Republic of China, Thailand, Tunisia, Venezuela and Yugoslavia.

The reasons why some countries have been more successful than others are different from case to case, but they are not

[1]Including Bolivia, Chile, Colombia, Costa Rica, Greece, Guatemala, Honduras, Jamaica, Kenya, Korea, Malaysia, Mexico, Nicaragua, Nigeria, Panama, Peru, Philippines, the Republic of China, El Salvador, Spain, Tanzania, Thailand, Trinidad & Tobago, Turkey and Venezuela.

[2]Greece, Israel, Jordan, Korea, Nicaragua, Panama, the Republic of China, Spain and Thailand.

mysterious or unidentifiable. The Bank is continually informed about both progress and setbacks in the development performance of its member countries. It is our business to know why things work well when they do and why things go badly in other cases. Our conclusions about the facts of economic growth and our judgments about the effects of various factors, including government policies, in promoting or impeding that growth are regularly communicated to member governments, through our Executive Directors, in our economic reports. I commend these reports to any Governor who may from time to time need evidence to substantiate the claim that economic development, where it is pursued with vigor and intelligence, is worthy on merit of the support of the industrialized nations.

That is not to say that progress has been fast enough, or that throughout the less developed world, the formidable barriers to self-supporting economic growth are about to fall. But forward movement is under way, and on an enormously wide front—forward movement that has tangibly affected the lives of present generations in the developing countries, and promises still more for the generations to come.

Mr. Chairman, I am increasingly impressed—and at times depressed—by the scope of the changes which traditional societies must make in order to modernize themselves. These changes have to reach to the very core of the lives of peoples in the less developed countries. By contrast, in the industrialized countries, only marginal changes in their relations with the underdeveloped countries would be of the greatest significance.

Take trade: as we know, exports—especially of primary products—are the chief source of foreign exchange for the less developed countries. They provide about four times as much as official development finance and international private investment. Export earnings, historically, and for most developing countries today, are the main fuel of development.

The total exports of the less developed countries, however, have not been growing sufficiently fast. For some countries, the lag in export growth has been caused, in part, by mistaken policies—among them, overvalued exchange rates and too much priority to import substitution, no matter how uneconomic. In part, it is due to neglect of quality and continuity of supply. But some part of the difficulty has been the lack of cooperation given by the industrialized countries through the removal of impediments to the exports of the developing countries.

Suppose that the exports of the less developed countries, instead of declining as a proportion of world trade, had been able last year to maintain the same modest position that they had occupied five years earlier. On that supposition, the less developed countries would have had a 1 per cent larger share of world exports—and that 1 per cent would have earned them well over $1 billion more of foreign exchange than their exports actually did earn in 1966.

If a 1 per cent adjustment in shares of world export trade would bring about a billion-dollar improvement in the fortunes of the poor countries, then surely the matter is worth consideration and action. Price stabilization for selected primary products is a closely related subject similarly entitled to consideration, even though it admittedly presents difficult problems. If the less developed countries are encouraged — and permitted — to improve their export earnings, many problems will become more manageable: external debt crises will be fewer, the need for aid will diminish, the attraction for private capital will grow.

On the volume of development finance, Mr. Chairman, my views are well enough known not to need—and perhaps not to bear—repetition today. Official transfers from the industrial countries to the less developed nations have only slightly increased over the last five years, while the output and the income of the industrial countries have been bounding vigorously to new highs.

The available amount of international development finance is falling farther and farther behind the economic capacity of high-income nations to provide it, and farther and farther behind the capacity of developing countries to use it productively. As a proportion of the Gross National Product of the industrial countries, the flow of public and private finance to the developing countries is one hundredth; but as a proportion of what the developing countries have available to invest in development, it is one-fifth. Here again, a change that would be marginal to the industrial countries would be greatly magnified in the finances of the poor.

Apart from the question of volume, which currently presents very real political and budgetary problems in certain industrialized countries, much can be done to enhance the value of such development finance as is available.

First, greater continuity of financing from one year to the next would lead to a steadier and more effective effort in the developing countries themselves. The steps that several countries are taking to formulate their annual development assistance budgets within the framework of multi-year targets is greatly to be welcomed.

Second, the long-debated question of the terms of aid has become acute. If the volume of development finance does not grow, and if there is no improvement in the terms, development aid will simply eat itself up. Service on past official debt, including both interest and amortization, already offsets two-fifths of the official flows of capital to the developing countries. For some aid-giving countries, the net transfer of official capital, on the basis of present policies, soon will be zero. Since 1962, as our Annual Report relates, payments on debt service have more than doubled in East Asia, have increased by 90 per cent in South Asia, and have risen by almost 75 per cent in Africa. Latin American debt continues to be heavy. Almost half of all current debt service is on suppliers' credits, often due to be repaid before the equipment they finance has begun to make a perceptible contribution to the productivity of the borrowing country. On average, the terms of development finance are little, if any, better than they were five years ago. The absolute essential, if development assistance is not to become an exercise in self-defeat, is for a decisive move toward much longer grace periods and repayment terms as well as toward lower initial interest rates.

Third, with my experience of the past five years—this is the fifth year that I have the privilege of addressing this Governors' meeting—I continue to believe that assistance provided through multilateral channels has advantages of objectivity, economy and suitability of which donor countries should take greater advantage. In this connection, even though the funds flowing multilaterally are not yet adequate, I am encouraged by the amount of development assistance now being designed within multilateral frameworks — through such devices as consortia and consultative groups.

Finally, let me observe that the effectiveness of development finance would be particularly enhanced if aid-providing countries were to evolve common strategies of assistance. Economic development would benefit greatly if the donor countries had consistent and mutually reinforcing views about the objectives they wish to achieve in their relationships with the developing world, about the importance of these objectives to their own national interests and about the level of resources, the mechanisms and the techniques which should be employed to achieve these objectives.

Mr. Chairman, you probably remember the story of Cassandra, the Trojan princess of 3,000 years ago who correctly foretold the perils that confronted her people, and who, for her pains, was thrown from the battlements of Troy. Let me quote today from a prophet who suffered a less disastrous fate. He said:

> "The urgent need for a great creative effort has become apparent in the affairs of mankind. It is manifest that unless some unity of purpose can be achieved in the world, unless the ever more violent and disastrous incidence of war can be averted, unless some control can be imposed on the headlong waste of man's limited inheritance of coal, oil, and moral energy that is now going on, the history of humanity must presently culminate in some sort of disaster, repeating and exaggerating the disaster of the Great War, producing chaotic social conditions, and going on thereafter in a degenerative process towards extinction."

This prophet was the British author, Mr. H. G. Wells, writing after the First World War. Mr. Wells was right: mankind did repeat and exaggerate the disaster of the First World War in World War II. Whether the rest of his prophecy will be fulfilled remains to be seen; but, certainly, creative acts are even more needed in our day than they were in his.

In the field of economic development and development assistance, policies and performance that were tolerable 20 or even 10 years ago are not good enough for today—they are not likely to survive tomorrow—and this is true with respect to both developing and industrialized countries.

The past is not a sufficient guide, for the situation of humanity today is unprecedented. Never in the past was so much of mankind caught up in a single issue. Never has technical change been so basic and so effective. Never has social change been so rapid. Never has the increase of population been so swift. Always before, the world's opportunities and problems increased by addition; now they are growing by multiplication.

What began tentatively as the development effort after World War II is now established as a planet-wide undertaking of some concern to every government on earth. When the story of our times is written, historians may mark as their outstanding contribution the idea that human progress can be deliberately planned, engineered and brought about—and further, that progress need not be confined to the minority of the world's population which lives in wealthy countries. I hope too that our times will be noted for the moral imperative that has caused the nations to organize and work together in the cause of development. Although sometimes obscured, that motive is always at the foundation of all our efforts. Indeed one of today's most hopeful signs is the clarion restatement of that imperative by those world leaders who concern themselves with morality and destiny—by Pope Paul in his encyclical of last spring, "On the Development of Peoples," and by the World Council of Churches, earlier this year, in the Report of the World Conference on Church and Society.

Mr. Chairman, it is the proud task of the Bank Group and its member governments to engage in a mission of noble purpose. There exist on this planet the knowledge and resources to create a future in which mankind can be decently fed, clothed, and housed, and beyond that, in which men—individual men and women—can devote their talents to improving the quality of life for all.

Now let us gather the resolve to work with all our force and ingenuity to make that future real.

Statements by Governors and Alternate Governors[1]

Algeria: The Hon. SEGHIR MOSTEFAI
Governor of the Fund

In joining with the Governors who have already spoken at this Meeting to express my pleasure at the opportunity we have been given to meet in this country, I do not feel that I am merely fulfilling the obligations of courtesy and gratitude toward our hosts, the Government and the people of Brazil.

The fact is that, speaking today as a member of this Meeting, true, but even more as a representative of a developing country, I feel that Brazil, because of its importance and its tremendous possibilities, forms an impressive backdrop that gives special interest to the opinions and preoccupations we are so eager to express.

While reconfirming here our support of the memorandum on the activities of the Bank and Fund prepared by the African Group, to which we belong, I am able to add a few brief comments which reflect my country's sentiments on the key problem of the present Meeting. . . .

. . . At a time when needs are becoming more pressing each day, the efforts undertaken by the different institutions concerned with development and international economic relations have not been able to overcome either the uncertainties of aid to the Third World countries or the resistance to a constructive examination of their problems: bilateral aid is decreasing; the resources of the Bank Group are dwindling or are increasingly difficult to obtain; the Kennedy Round has not given the least consideration to our preoccupations; the Outline[2] evades them.

In the face of these vicissitudes, the World Conference on Trade and Development at New Delhi, for which my country has the honor to receive a preparatory meeting bringing together representatives of the Third World, now represents the final authority before which all those who should, can, and are prepared to make their contribution to the progress of the developing countries will have the opportunity there to accept finally the necessary sacrifices required by world solidarity and equilibrium.

Australia: The Rt. Hon. WILLIAM McMAHON
Governor of the Bank and Fund

Mr. Chairman, few Delegates have traveled as far as we Delegates from Australia. From the moment we arrived in Central America—that is, in Mexico—through the United States, later on to Puerto Rico and Trinidad, and now into Brazil we have been treated with the greatest courtesy and consideration, and I am sure that if all the Delegates have been treated in the same way it must add to their capacity to make a contribution in these discussions.

In particular, I would like to convey to the Government of Brazil, the host country, our respects and also our thanks for the kindness they have showered upon us. They could not have done more to make our stay here both happy and informative.

Most of us, representing countries large or small, must have asked the question—what catalytic agents have drawn us together from all parts of the free world.

I believe there are two reasons why we are here—and they are both rational and practical. First, we are reviewing the work of the Fund and the International Bank, and their related institutions, during the year past. Second, we are considering what action may be necessary in the period ahead to ensure that the Fund and Bank will be better able to fulfill the functions for which they were created.

I shall not discuss the functions of the Fund and Bank in detail. I do believe I can aptly summarize the basic purposes of these institutions in this way. They are inspired by the need to achieve a healthy rate of growth of world production and trade and to maintain that growth with a minimum of checks and reversals. It is for them to help to ensure that world financial and economic conditions are favorable to such growth.

Let us first look at the picture which emerges from our review of the year just past. In important respects it was not a satisfactory one. There was what is now called, not inappropriately, a "deceleration" in world production and trade. To some extent this was avoidable. Initially there was a failure to employ sound economic and fiscal policies in some countries. Action subsequently taken to offset excess demand and correct external disequilibrium was belated. It was excessively concentrated in the monetary sector when fiscal restraints could have been more appropriately used. A slowdown in the rate of growth of trade and development occurred.

One important consequence was a hardening of world interest rates. Capital and aid flows were restrained with adverse effects on growth in the developing countries. World commodity prices and the export incomes of many primary producing countries fell and the terms of trade moved against the primary producing countries. World reserves showed a slower rate of increase and official gold holdings actually declined.

Clearly this series of events and these trends have implications for policies in the years ahead if needless slowing down in the growth of production and trade is to be avoided. There is for example a need for countries with high external reserves and weakness of effective demand internally to encourage domestic expansion and in that way stimulate growth domestically, and in the rest of the world as well. There is need for recognition of the desirability of a more appropriate mix of monetary and fiscal policies—relying

[1]Comprising statements relating to the work of the IBRD, IFC and IDA. Omitted passages are indicated by dots (. . .). Statements relating to the work of the International Monetary Fund are reproduced in the IMF Summary Proceedings.

[2]Outline Plan for a special drawing rights facility presented at the Fund's Annual Meeting.

rather more perhaps on fiscal policy than on monetary policy, high interest rates and direct restraint on capital transfers.

Nor have developments in the world capital markets been encouraging. Interest rates for long-term capital borrowings are discouragingly high. Even at those rates the most creditworthy borrowers have difficulty in gaining access to capital markets. Financial flows to developing countries have been falling and the international bodies which need funds to channel to those countries have difficulty in raising them. I believe capital should in principle be permitted to move as freely as possible. Such transfers can contribute much to our objective of a strong and steady increase in world production and trade. . . .

. . . Last year, some of us voiced misgivings regarding the outlook at that time for the international trade and payments system. What was said then was borne out to some extent by the check to the advance of the world economy which took place in the second half of 1966 and the first half of this year. For the year ahead, we can take comfort from the strong upturn now occurring in the United States economy and from the hopes that have been expressed regarding developments in other major industrial countries. Let us trust that these forecasts will be fulfilled, for these things are important to all of us, primary producers and industrial countries alike.

In conclusion, may I congratulate both the Fund and the World Bank for the help they have given countries like my own and the underdeveloped countries. Without their efforts, I am certain that world trade and development would not increase in the way we have known it to increase over the course of the last few years.

Austria: The Hon. HUGO ROTTKY
Alternate Governor of the Bank

At the outset of my statement I want to convey to you the best regards of the Austrian Governor, Minister Dr. Schmitz, who was prevented from attending this meeting by budget negotiations. I would also like to express my personal appreciation to the Government of Brazil for its very warm welcome and hospitality.

I take pleasure—on behalf of Mr. Schmitz as well as for myself—in paying tribute to the World Bank, well known as an outstanding international institution, which in spite of unfavorable over-all trends in development finance is making every effort to live up to its excellent reputation as a catalyst accelerating the process of economic development in this heterogeneous world. We especially appreciate the fact that this international institution of sovereign states performs its task guided only by economic considerations.

The present trend of both economic development and development finance can only be considered as disquieting indeed. Many factors causing this grave concern are interlocking and one cannot refer to them without repeating well-known facts which have been stated several times in recent years.

Among the various problems, however, are some which have a particular bearing upon the situation with respect to raising capital in the markets and it is of highest importance that they be given full attention in this institution.

To assist the less developed countries in their efforts to accelerate progress toward self-sustained economic development the more advanced countries are expected not only to provide real resources, but also to bridge the foreign exchange gap by advancing financial resources. In this connection I do not want to touch upon the monetary issues related to this problem. I would rather focus on the most pressing problem which concerns the Bank as well as the donor countries, namely, the discrepancy between requirements and availability of long-term funds necessary for economic growth. We are well aware that the burden of accumulated foreign debt service will severely reduce the net flow of assistance still necessary for some time ahead. Difficulties in servicing foreign debt have already caused serious problems for both lender and borrower countries. In this regard the Bank deserves our fullest appreciation for making every effort to overcome these problems.

The slowing down of foreign assistance vis-à-vis the increasing absorptive capacity of the developing countries is causing disappointment. There is also some doubt about the willingness of the contributing countries to expand aid, on the one side, and about the efforts and performance of the developing countries on the other side. But we should realize that financial aid to a certain extent involves some sacrifices. It means setting aside funds which could be profitably used by the donor countries, no matter how advanced, for their own economic and social growth. We would be mistaken, however, to attribute the slowing down of foreign assistance to a deliberate policy. There are several limiting factors adversely affecting the flow of financial resources which, in my opinion, can hardly be tackled successfully within the next few years.

In evaluating the assistance efforts of any country we should also bear in mind that there is not only a disparity among borrower countries as to the different stages of development but also a striking heterogeneity among the industrial countries as to their relative abilities to provide assistance.

A landlocked country like Austria with, for historical reasons, less established ties to the developing countries and a less competitive industry has first of all to increase its industrial capacity and efficiency by an appropriate investment policy. Strong pressure from competition and increasing pressure from wages, even anticipating higher productivity, compel important and incisive structural adjustments such as economic integration itself, formation of larger industrial enterprises, and improvement of capital equipment per labor unit, etc. In the long run, the developing countries would benefit from such measures, as they would provide the basis for an increase of imports from these countries as well as for a stimulation of the flow of assistance in the future.

As long as a labor surplus kept wages low in Europe, even the small domestic markets allowed for profits providing adequate self-financing while additionally required long-term capital could easily be raised in overseas markets. In recent years, however, investment financing had increasingly to resort to domestic capital markets and the Euro-dollar market. Most of the small domestic markets, however, have yet to adjust to the changed situation.

It should be mentioned in this connection that serious efforts have been made in Europe to improve the functioning of capital markets and that two studies have been completed by the OECD and the

EEC. The OECD study has been prepared in cooperation with the IMF. It is to be expected that the results of these studies will have favorable effects on the functioning of the capital markets and will stimulate saving in all forms, especially contractual saving so badly needed for accumulation of long-term capital. With only a few exceptions the mechanism of the capital markets has to be adjusted to changed conditions to bring about a more efficient and less expensive mobilization, collection and distribution of capital.

On the way to a closer economic integration of Europe one has to consider the deep-rooted historical, cultural and institutional diversities of the individual countries. This integration, however, seems to me a *sine qua non* to achieve a better balanced economic development to the advantage of the industrial countries and of the whole world. Only such progress can alleviate the pressure on these economies and their capital markets and bring about a better absorptive capacity for exports from less developed countries as well as larger means for development finance so badly needed in the third world.

In my country every effort is made to adjust the economy to the changing conditions of the world, to adapt the structure of industry, to facilitate the mobility of labor and to use fiscal and monetary policies to maintain an appropriate growth of the economy. It is inevitable that such an adjustment process puts a heavy strain on the economy especially of a small country like Austria. Nevertheless our efforts in the fields of foreign aid have been considerable. Austria has done its best by cooperating with the IMF, the World Bank and its Affiliates, the Asian Development Bank, and the OECD and in joining some consortia.

In view of the difficulties in providing the funds necessary for development assistance it seems indispensable for the Bank and IDA, as well as their member countries, to bear in mind the importance of an adequate distribution of the scarce funds available among recipient countries and of a meticulous selection of development projects.

Progress is always slow indeed and we have to be patient, but we also are quite confident that this institution will cope with these problems.

Burma: The Hon. U KYAW NYEIN
Governor of the Bank and Fund

. . . We endorse the work the World Bank has been doing in its eminently useful role of providing developing countries with long-term finance. We recognize that in recent years the situation has changed, making it too burdensome on some developing countries to sustain the weight of conventional development finance; and that in these circumstances IDA's role has taken on increased importance. I have heard it observed on this rostrum that to help developing countries, it is the demand of the developed countries for primary products for which an increase should be sought, I am afraid this is only one side of the picture; the demand of primary producers for capital and consumer goods needs also to be fulfilled; thus, the process should operate complementarily in both directions. For that, development finance will continue to be needed by developing countries, and this on softer terms. Until such time as an international central monetary institution endowed with sufficient international confidence to enable it to create its own assets for both short and long terms is evolved, I am afraid Mr. Woods will have to continue his rounds from door to door in search of long-term finance.

It now remains for me to render our sincerest thanks to the President, the Government and the people of Brazil for their deep and warmhearted hospitality shown to us during our stay in this charming city. My thanks also go to the Chair for its suavity and impartiality in the conduct of these deliberations.

Burundi: The Hon. ERIC MANIRAKIZA
Governor of the Bank

First of all, we should like to thank Brazil for its welcome. The beauty of Rio is famous throughout the world and this deserved renown is matched by so much graciousness and kindness on the part of all the people that to be here surprises and delights the visitor afresh every single day. We would like the Government and people of Brazil to know that we shall have lasting memories of our stay here.

Secondly, we would congratulate the World Bank for the efforts made and the results obtained in 1966. Our thanks go chiefly to the Bank's President, Mr. George Woods who, by his many negotiations, his intimate knowledge of international financial markets, and his extensive personal relations, has succeeded in obtaining the maximum resources for the operations of the World Bank and its Affiliates.

We trust that Mr. Woods will remain at the head of the World Bank and thus continue to place at the service of that institution the capital of confidence that he inspires in public and private banks.

The maintenance of monetary stability, the development of the economy, the raising of the standard of living — these are problems common to all countries; however, the means for solving them are often very different and some countries have but minimum means to meet immense needs. Burundi is a typical example. As a developing country that has only recently won political independence, with a currency unattached to any area, the sole guarantee of which is the labor of its population—98 per cent rural — its subsistence needs are covered almost entirely by exports of coffee and cotton, two products whose prices have constantly deteriorated.

Despite courageous and determined efforts, our Government cannot set aside out of its domestic resources the necessary funds to maintain, improve, and develop the national wealth. For us international institutions like the World Bank have represented, and continue to represent, a hope that our potential resources may be rapidly harnessed to enable us to come through our present difficulties. Since independence, that is to say, in five years, of all the projects submitted only one has come to maturity and is only now beginning to be implemented. This delay in carrying out our programs is more disquieting every year, because the future of our people is at stake.

We should like, therefore, to express three hopes.

The first is that the leaders of the World Bank will persuade the rich countries to make new and generous unconditional contributions to the International Development Association, to supplement the proceeds of international loans in helping the developing countries out of their present difficulties. This will be an excellent investment for all. Besides, small countries like

Burundi should not be too largely overlooked when the Association's new resources are distributed.

The second hope concerns the difficult but urgent problem of the stabilization of prices for raw materials. Each year, in spite of renewed efforts, the purchasing power of our population is lower because export of increased amounts of cotton and coffee is hardly sufficient to cover a constant volume of imports. The deterioration of the terms of trade is for us no mere theory but a menace that grows more serious and burdensome yearly. It is absolutely necessary that international arrangements put an end to this imbalance which brings all our peoples' efforts to naught and which amounts to a virtual plundering of all the primary producing countries. . . .

. . . These, Mr. Chairman and Governors, are the few considerations that we wished to submit to you during the closing session of this august assembly. I am confident that they reflect the thinking of many countries represented here. I hope they will be followed by results, for they seem to me to be the basis on which a harmonious development of the world economy can be established.

Canada: The Hon. MITCHELL SHARP
Governor of the Bank and Fund

I would like first to thank our Brazilian hosts for inviting us to hold this very important Annual Meeting in this beautiful city. I would like also to congratulate them on the excellent facilities which they have provided for us and for the kindness of their hospitality. Canadian businesses have long had close links with this country and as a private businessman I have had the pleasure of being closely associated with some aspects of the development of Brazil. Canada's economic and political ties with Latin America are developing rapidly. Individual Canadians are coming more and more to appreciate the importance of this area for the future of our own country. Our contacts are becoming more frequent. Earlier this year, the Central Bank Governors of the American Continent did us the honor of accepting the invitation of the Bank of Canada to hold their fourth reunion in Canada. Let me now turn to the agenda. . . .

. . . Let me now turn to matters related to the World Bank Group. The most important item is the replenishment of the resources of the International Development Association. Both the level and conditions of the replenishment must be settled.

The Canadian Government has not taken a final decision on the level of replenishment. I have no doubt that when it is asked to do so, it will be influenced primarily by the needs of the developing countries and their capacity to use aid effectively. As I indicated at last year's Meeting, we believe that IDA should be replenished at a figure substantially higher than the present one. Some time ago the President of the World Bank suggested a figure of $1 billion per year for three years; an alternative which has been discussed is an escalated increase ending in the third year at $1 billion and averaging $800 million over three years.

An increase in IDA's commitment authority to $1 billion per year would involve an additional transfer of resources from developed countries of $750 million per year or about $1.25 per head; an increase to $800 million would involve one of $550 million or about $0.90 per head. It would be difficult to argue that either one of these increases is excessive when contrasted with existing per capita incomes in developed countries of $2,000 and in developing countries of $160; or with the expected annual increase in these incomes of $70 or $3.00, respectively.

In the richer countries, which are able to afford to share their good fortune, budgetary problems and balance of payments difficulties do exist, will probably continue to exist and must be overcome. It is always tempting to go slow on aid as one of the easiest and quickest ways to help restore equilibrium. And yet, as I said at last year's Meeting, it should not be beyond our capacity to manage our affairs in such a way as to effect these transfers of aid without undue strain on our economies. There will be agreement, I am confident, that the war against starvation, sickness, ignorance and poverty in less fortunate parts of the world should be continuous and escalating. This will not be possible if the level of aid is to be treated as a residual item in national planning.

In the present circumstances, it may be necessary to build into IDA replenishment some balance of payments safeguards. We do not advocate such safeguards, but we are prepared to accept them if this means that IDA could be replenished at a higher level. The safeguards should not affect a country's obligation to give more aid but only enable it to postpone the effective date. Their establishment should be related to balance of payments difficulties only, not to other objectives. They should be temporary and they should be of such a character as not to undermine or weaken in any way the basic principles which have governed the operations of the World Bank Group and which have proven to be so successful in the past.

IDA replenishment also raises the choice between multilateral and bilateral aid. The relative advantages and disadvantages of these two forms of aid have been discussed at great length and I do not wish to renew the debate here. Although it is evident that in the immediate future at least most aid will continue to flow through bilateral channels, there is nevertheless an evident need for more multilateral aid and an important part for it to play. As Ministers of Finance and Governors, concerned as we are with the effective use of public funds, we can take some satisfaction from the soundness of investment in IDA and by IDA. The management and Board of Directors have rightly insisted that projects should be selected on their economic merits alone, that international competitive bidding should apply and that attention should be paid to the development policies of the borrowers. In addition, there is good reason to believe that the activities of the World Bank Group create a climate within developing countries which enhances the effectiveness of bilateral programs.

In conclusion, Canada attaches the highest importance to the early replenishment of IDA at a substantially higher level. This support is consistent with my Government's decision, made some time ago, to undertake steady increases in the Canadian aid program. This decision has only recently been reaffirmed despite the efforts which we shall be making by budgetary policies and otherwise to limit the upward pressures on costs and prices to which I have already referred. We rank aid among our highest priorities and we are determined to follow policies that will release the required resources.

Central African Republic:
The Hon. ALEXANDRE BANZA
Governor of the Fund

It is with legitimate pride that I speak today, in my capacity as present Chairman of the Committee of Management of the Customs and Economic Union of Central Africa (UDEAC) and on behalf of the five countries of which that Union consists, to this distinguished gathering. I am also, however, fully conscious of the formidable responsibility that is mine in setting forth our problems which are giving ever greater cause for concern from year to year.

I am indeed proud to give expression here to the hopes and aspirations of the 12 million people who live, or rather exist, in a territory the geographical extent of which approaches that of Western Europe, and who are distributed over five sovereign States, namely the Federal Republic of Cameroon, the Central African Republic, the Republic of the Congo, the Republic of Gabon and the Republic of Chad.

Following the achievement of our independence, which occurred so recently, there was a great temptation for each of us to live apart, within our own frontiers, and some countries have, quite legitimately, chosen this path, both in Africa and elsewhere. We ourselves decided otherwise, for we considered that the best means of consolidating our political independence, developing our economies in harmony with each other and meeting the difficulties of the modern world was to continue, on the economic plane, the fraternal and fruitful relationships that had been established among us in the course of more than half a century. This is how the UDEAC came into existence, having been set up by a treaty signed in Brazzaville between the five States I have just mentioned. Benefiting by the fact that active and close monetary cooperation already existed within one and the same area of issue, our organization is the culmination of painstaking study and patient and carefully-considered effort pursued jointly since 1961, for the purpose of forming a strong and well-designed community, affording access to a real Common Market; our institution is also distinguished by the solidarity of its member States. As its name indicates, the UDEAC forms the institutional framework of a Customs organization providing, inter alia, for a common external tariff and for economic cooperation for the purpose of achieving harmony in the systems of taxation and investment, as also in the matter of the projects undertaken in the interests of the industrial development of the five States.

"Each time we join forces in action we shall achieve success," declared the President of the Republic of Chad on the occasion of the signature of the treaty, and, in fact, ever since it was set up, our Union has given proof of astonishing vitality, thus giving a valuable example of understanding between nations which, in a spirit of mutual respect for national sovereignty, are combining their efforts in an attempt to obtain, in an extended geographical grouping, the means of achieving coordinated development and a more rapid rise in the standard of living of their populations. The initiative thus shown deserves to be encouraged by an appropriate measure of aid, for it represents an important and specific contribution to the attainment of African unity, as was emphasized by the President of the Federal Republic of Cameroon, on the occasion of the opening of the Port-Gentil oil refinery, which is shared by all our five States, when he said . . . "Here we have an example of sound and helpful cooperation . . . African unity will be attained through sub-regional organization . . .".

To summarize what I have already said, let me quote the senior member of our Heads of State, the President of the Republic of Gabon, when he said: "We are five, but in fact we are only one, the UDEAC." Let me also sincerely thank the authorities of the Fund and the Bank for having been good enough to invite our organization, represented here by its Secretary General, to attend the proceedings of this Annual Meeting, in the capacity of an observer.

Quite independently of the conclusions, with which we fully associate ourselves, that were set forth in the Resolution adopted at Dakar by 15 Ministers of Finance, and in the memorandum of the African Group, it remains for me to deal with UDEAC's relations with the Bank and its Affiliates, on the one hand, and with the Fund on the other. The concluding part of my speech will be devoted to an examination of our immediate problems, which I make no claim of revealing to you for the first time; my aim is more modest, and is an essentially practical one, being that of convincing you of the need for urgent action to solve these problems.

The orders of magnitude to which I have already referred—the area of Western Europe on the one hand and 12 million inhabitants on the other—reflect the extent of the needs to be met in the matter of infrastructure, transport, economic achievement and social development, in comparison with the weakness of our economies; these economies are weak because they remain, in large measure, dominated by the primary agricultural sector. We nevertheless entered the fight for development with the assistance, both bilateral and multilateral, of our traditional friends; this assistance, which sometimes lacked cohesion in the matter of its distribution, very soon proved to be insufficient. This is why we placed great hopes on the international financial institutions of which we became members five years ago. If we make an evaluation of the activities undertaken in our countries since that time by the World Bank Group, we shall find that, since a first operation decided upon three years ago—and now carried out—in favor of the Gabon highway system, the remaining UDEAC countries received no fresh assistance during the financial year 1965-66. The two loans granted by the Bank and the credit extended by the International Development Association (IDA), during the past financial year, and representing a total value of $48 million, have therefore been particularly appreciated by the recipient countries. They have made it possible for an enterprise established in the Republic of the Congo to start exploiting the large-scale Holle potash deposits, the anticipated output from which amounts to 500,000 tons a year, and have also enabled the Cameroon to undertake the task of putting back into cultivation certain palm-oil, rubber, tea and pepper plantations, and to extend the area of these latter. The benefits that will be derived from these operations—whether in the economic sphere, as the result of an increase in the output of these countries, and in their export earnings, or in the social field, since they will help to raise the standard of living of the populations concerned — are to be placed to the credit of the Bank and IDA.

The entire UDEAC is glad of this and, on its behalf, I wish to thank you.

I should, however, be failing in the task that has been entrusted to me, to appear as the spokesman for the countries of

which our Union is composed, if, after having expressed to you their thanks for past operations, I did not at the same time give utterance to our misgivings regarding the future. These misgivings are closely connected with the existence of the feeling of solidarity of which I have already spoken, and come to the fore when we see that two countries of the Union having, by virtue of their geographical location, the hardest task before them, namely the Central African Republic and the Republic of Chad, have not yet benefited by the assistance of the Bank, or of the International Development Association, in carrying out projects submitted to those institutions. We also experience concern at the prospect of a fresh rise, as contemplated by the Bank, in the rates of interest. Finally, it is with amazement that we have learned that the funds of the International Development Association are almost exhausted, and that the agonizing problem of their replenishment remains, for the present, entirely unsolved. We thank Mr. Woods for the tireless efforts he is continuing to make in this direction with the industrialized countries; these efforts constitute a valuable source of comfort to us, and we await, with confidence, the outcome of the negotiations that have been undertaken.

As regards the future, we can do no other than feel pleased at the new direction that has been given, in the interests of the development of human resources and the promotion of agriculture, to the operations of the World Bank Group. We have indeed always considered that the lack of education constituted a formidable handicap to development. Furthermore, we have no intention of sacrificing agriculture to industrialization. Even though this latter process is a necessary one, we do not regard it as a means of taking our revenge on the past, and this is why we are, save in exceptional, properly justified circumstances, taking only modest steps along this road, starting by valorizing agricultural, animal-breeding and fishery products, and by modernizing handicrafts. Our development banks have an important part to play in this sphere, and I should therefore like to recall, in this connection, the wish expressed last year, by the Head of the Central African Delegation, that the small-scale projects financed through our national development institutions should be brought within the sphere of action of the Bank. . . .

. . . "God helps those who help themselves" is an old saying that holds good in all latitudes, and we have made it our motto whenever possible. Thus, the member countries of the Common Organization of African and Malagasy States (OCAM), who are producers and consumers of sugar, have reached agreement on the terms and conditions governing the marketing of that product, since it had become apparent to us that, on the world plane, nothing was to be expected for a long time to come.

In the case of the other leading products, such as coffee, cocoa, cotton, bananas and oil-seeds, almost all of which are intended for export to the industrialized countries, it is unfortunately impossible to lay the foundations for a similar agreement. In point of fact, although our products are essential to our respective economies, their quantity is not sufficient, on the world market, to enable our points of view to be heard, either by the large producer countries or by the leading consumer countries. So far as the products I have mentioned are concerned, we are literally paralyzed. If I may be allowed a metaphor, we find ourselves, willy-nilly, in a galley that is at the mercy of the waves —as rowers of course—without knowing how long our painful voyage will last. Thus our producers and communities are severely exposed to the fluctuations of world trade, especially when these changes—as has been the case during the past few years—have been, more often than not, in a downward direction. At the same time—and this is a secret to no one—the prices of manufactured products are constantly increasing.

A few figures will suffice to fix our ideas in this matter. In 1957, the Chad or Central African producer received 2,600 francs for 100 kg. of cotton, sufficient for the purchase of four blankets and eight meters of cotton fabric; in 1967, the 100 kg. of cotton still command the same price, but this no longer suffices for the purchase of more than one blanket and three meters of fabric. The same argument applies to cocoa, coffee and other products, the prices for which have remained practically unchanged for ten years. I shall pass over in silence the consequences of the falls in price that have occurred in the interim.

Such has been the reward for the praiseworthy work done by our planters, who, during the same period, have not spared their efforts. With or without the assistance of the public authorities, they have achieved a notable increase in the tonnage produced, modernized their operating methods, improved the quality of their products, adapted these latter to the tastes of distant consumers by undertaking painful reconversion of their plantations, and diversified their crops in an attempt to improve their conditions of life.

In the technical jargon of economics, this situation is modestly called "a deterioration in the terms of exchange." So far as we are concerned, we prefer to use the more realistic expression of one of our Chiefs of State, the President of the Central African Republic, who has called the present state of affairs "a veritable scandal."

In this sphere, we regret to have to draw up this year, once more, a certificate of nullity. The meetings organized by the chief bodies concerned in this matter, FAO, UNCTAD, and GATT, in which the IMF has generally participated, have not, during the past financial year, contributed the slightest hope of a solution.

Faced with such a painful set of circumstances, the most disastrous course would be for us to give way to discouragement, and for the developed countries to confine themselves to giving routine, token aid, thus sparing themselves a bad conscience.

So far as we are concerned, we have multiplied our contacts, with a view to reinforcing the cohesion of the developing countries in the fight to ensure their survival, and in order to achieve the "balanced prosperity" that the President of the Republic of the Congo wished to see. We are also expecting a great deal from the forthcoming World Conference at New Delhi, for which we shall be making careful preparations next month in Algiers, as part of the "Group of 77," in order to consolidate and, if possible, expand the results recently achieved in Geneva, on the occasion of the last meeting of the Conference on Trade.

Among the solutions that we have adopted, those relating to the prefinancing of buffer stocks of raw materials presuppose that a substantial contribution will be forthcoming from international financing institutions and from the industrialized countries of the world, who are at present in control of the situation. . . .

. . . I must apologize for having stated my case at such length. By comparison with the heights of eloquence that have been reached in this assembly, and with the noble titles that have been attached to certain subjects of reflection, my remarks may have produced a shock, because they were too robust, too incisive and doubtless also too "terre à terre"; it was, however, my duty to express my views in this form, for they correspond to our immediate anxieties and to our deep-felt aspirations.

I cannot conclude my statement without associating myself with the welcome that has been extended to the new members of the Fund and Bank, and, on behalf of the five countries of the UDEAC, to express our warm thanks to our Brazilian hosts for their cordiality in receiving us.

Ceylon: The Hon. U. B. WANNINAYAKE
Governor of the Bank and Fund

May I add my voice to the others raised here in expressing to the Government of Brazil my warm appreciation of their generous hospitality. I am truly glad to have had this opportunity of visiting this exciting and beautiful city.

May I also convey my thanks and congratulations to Mr. Woods and Mr. Schweitzer and to the staff of the Fund and of the Bank and its Affiliates, for yet another year of valuable service. The Annual Reports of these institutions are excellent and helpful documents which contribute so much to an understanding of the problems before us. For us, in Ceylon, our ties with the Bank and the Fund have grown even stronger in the past twelve months. We have used the Fund's facilities for compensatory financing and have benefited from its guidance in the field of monetary and fiscal policy. We have had the benefit of the Aid Group of donor countries convened by the Bank and we have profited from the advice of the Bank staff on a wide range of development problems. We have negotiated a loan from the Bank for our Development Finance Corporation and we have also become a signatory to the Convention for the Settlement of Investment Disputes.

I must say, however, that despite the assistance we have received from various sources, we in Ceylon have suffered severely from the adverse developments in the world economic scene. Two years ago, we initiated a program of economic recovery and adopted several measures on the domestic front—some of them politically difficult. Yet, our hopes have been frustrated by a sharp downturn in commodity prices. Last year, our export earnings declined by as much as 15 per cent, while our terms of trade worsened by 13 per cent. This was the biggest drop in export earnings we have experienced in the whole postwar period with the exception of 1952 following the collapse of the Korean boom. Depressed prices for tea and, more recently, for rubber played a major part in this short-fall. It is true that we have made some notable gains in the domestic sector, particularly in the field of agriculture, but these did not, and could not, suffice to offset the impact of adverse external forces.

Our problems were undoubtedly — in large part at least — a reflection of the slowing down in the tempo of overall activity in the industrial world. In particular, the restrictive measures adopted by the industrialized countries in the monetary field have affected adversely the level of commodity stocks in consumer countries. I hope that the recovery of activity in industrial countries now predicted will reverse these trends and lead to an upturn in commodity prices. But I am frankly doubtful as to whether this alone will suffice. It is my view that direct measures to deal with this problem are also needed as a supplement to any general recovery in the industrialized countries. I feel that such measures are needed, for example, for tea as well as for rubber. The crisis in the field of development assistance lends a new importance and urgency to the problem of primary commodities. In this connection, I must welcome the Resolution before us calling for a special study of the commodity problem by the Bank and the Fund. A solution to this problem is intimately related to the effectiveness of the work of these institutions and it is fitting that they should contribute, together with other bodies, toward the search for such a solution.

I come now to some of the more general matters before us. I hope that the world at large will take heed of the note of urgency underlying Mr. Woods' analysis of the problems of development. As far as the work of the Bank Group is concerned, the outstanding question is that of IDA replenishment. Ceylon has not so far been a beneficiary of IDA funds, but like other developing countries in our position we expect to have recourse to this source of finance in the future. The problem of IDA replenishment is closely linked to the growing debt service problem of developing countries. IDA has been an outstanding example of the combination of easy debt service conditions with sound investment decisions. . . .

China: The Hon. CHING-YU CHEN
Governor of the Bank

I wish to join other Governors in expressing our thanks to you and to the management and staff of the Bank and Fund for the efficient handling of these Meetings. On behalf of my Delegation, I also wish to thank the host country, the Republic of Brazil, for its most generous hospitality and the excellent facilities placed at our disposal during the 1967 Annual Meetings. Brazil is indeed a great country and Rio is one of the most beautiful cities in the world. My Delegation wishes to extend our compliments to Mr. Woods, Mr. Schweitzer and their colleagues for the remarkable achievements of both the Bank and the Fund in the fiscal year 1966/1967, and our best wishes for continued success in the years to come.

It is gratifying to note from the Bank's Annual Report that, during the past fiscal year, the Bank and IDA provided over $1,200 million for economic development projects in 40 countries, which is the highest on record and, for the first time, the total loans made by the Bank since its inception in 1946 have exceeded the $10 billion mark. It is particularly noteworthy that the financing of educational and agricultural projects has increased, both in amount and in the number of the member countries. My Delegation firmly believes that both education and agriculture should be given more weight in our development finance because these are the foundations for building efficient manpower as well as for raising the standard of living for the poor. On the other hand, it is regrettable that, according to the estimate made by

the Bank's staff, the average growth rate of developing countries in the 1960s has been only slightly higher than in the previous decade, and because of higher birth rates, their average per capita growth in the 1960s, which is known as "the Development Decade" has been only 2.3 per cent. This fact alone proves beyond doubt that population control has to be rigorously pursued by the governments of the developing countries; otherwise their per capita income and standard of living will forever remain very low.

Since 1963, the Chinese Delegation has been consistently advocating softer Bank loan terms and the gradual hardening of IDA credit terms. We have also advocated more extensive application of blending of Bank loans and IDA credits. It is gratifying to note that during the past year the Bank has made a few loans on much more liberal terms, extending the grace period to 10 years and the amortization to as long as 35 years. This liberalization policy, in my opinion, is a move in the right direction. But for the interest charge, it is almost as soft as IDA credits, and therefore such terms of easy payments should enable the developing member countries to reduce their debt servicing burden.

Now turning to the sister institution, the International Development Association, my Delegation is disappointed that, in spite of Mr. Woods' eloquent plea at the last Annual Meeting for the replenishment of IDA resources by $1 billion each year, it has not yet received the wholehearted support of the rich member countries. As the external debt service capability has reached its saturation point in many of the poor member countries, the need for development finance on concessional terms is all the more urgent and it should be resolved in the very near future. The urgency of the problem is borne out by the fact that only three weeks ago, on September 7th, the members of the United Nations Trade and Development Board *unanimously* adopted a resolution to express their concern over the urgent need for replenishing IDA resources without further delay. My Delegation fervently hopes the donor countries will soon come forward with very generous contributions, such as so well exemplified by Sweden, for the benefit of developing countries.

In his address (in the opening Joint Session), Mr. Woods said that if only the producing countries could increase their exports by one per cent, this would yield over $1 billion in foreign exchange earnings, and he urged all developing member countries to redouble their efforts in the promotion of export trade. In this connection, I am happy to report to my fellow Governors that in my country, the volume of trade in 1966 increased by 12 per cent over 1965, showing a total of approximately $570 million for exports and $603 million for imports. The increase in our exports is due primarily to diversification of our products and also shifting from agricultural products to industrial commodities. For the year 1966, industrial products accounted for 49 per cent of our total exports, while agricultural and processed agricultural products were reduced to 20 per cent and 26 per cent respectively. Mr. Woods has done a great honor to my country by including the Republic of China in the list of member countries which have made "economic achievement with fastest rate of growth". However, my Government is not fully satisfied with whatever success we may have achieved and we are certainly not complacent. We shall continue to exert our efforts to further increase our industrial production and broaden our export markets. In doing so, we still need continued external assistance and capital inflow, particularly for infrastructure projects which have comparatively slower return but which are very necessary for healthy economic growth.

Lastly, my Delegation notes with great interest the statement in the Annual Report that the Bank continued, during the past year, to provide technical assistance to its developing member countries. As I reported at the last Annual Meetings in Washington, the Republic of China has been extending technical assistance, since 1954, to an increasing number of countries in a variety of enterprises, including some 30 countries in Africa, the Middle East, Southeast Asia and Latin America. My Government is willing and forever ready to coordinate this program with the Bank's efforts in the same direction. . . .

Democratic Republic of the Congo:
The Hon. J. J. LITHO
Governor of the Bank

First of all, let me join the speakers who have preceded me and with them thank the Brazilian Government for its warm and friendly welcome.

Brazil, with its great territory and valuable resources, is not entirely unlike the Congo, and I hope that this Meeting, which has its seat in the magnificent city of Rio, will have the same successful results as the Summit Conference of the OAU, which has just finished its work in Kinshasa.

The Bank's Report, which Mr. Woods has presented to us, is as always clear and precise. It gives a realistic analysis of the position of the developing countries.

I shall not reiterate the need to give these countries the aid they should receive, since this is something of which all the countries here represented are aware; but it is clear to me, from reading the list of loans and credits granted by the Bank, IDA and IFC, that there is a need to seek from these institutions more suitable conditions for loans and credits, better adapted to the economic circumstances of these countries.

Since 1947 the Bank has made loans to the African countries totalling US$1,403,600,000 and IDA has made credits amounting to US$235,800,000.

I think it may be concluded from this that the Bank has up to now pursued a development policy more favorable to the African countries than that of IDA. It is nevertheless necessary that the latter hereafter obtain from these countries whose prosperity is beyond question a greater amount of help, without restrictions, in order to strengthen its means to act and to support it, and also that urgent study be made of the institution of mechanisms designed to achieve an effective stabilization of the prices of primary products.

We have in fact all witnessed the relative weakness of net private capital flows to the developing countries, as well as the unfavorable trend of development of those inflows.

What other solution have we, then, except to see public capital temporarily take the place of the shrinking private capital, which produces pressure on budgets already precariously in balance and at the mercy of a drop in the world prices for raw materials, themselves influenced by the disequilibrium in the balance of payments of the industrial countries or by the measures to which these countries resort in order to protect the stability of their currencies.

It is therefore desirable, first, that the Bank Group closely study their activities in specifically economic fields — taking care to avoid loss of effectiveness by undue dispersion and proliferation and, therefore, their eventual diminution—and, second, that the Group's expansion policy go hand in hand with the activation of the new international liquidity.

Denmark: The Hon. IVAR NORGAARD
Governor of the Bank

First of all I want to associate myself with my fellow Governors in expressing my profound thankfulness to the Brazilian Government and people for the arrangement of this Meeting.

I find it encouraging that the extremely tight position in the international capital markets, which prevailed for a large part of the past year, has not necessitated any limitation upon the lending operations of the World Bank. I have noted with particular satisfaction that the trend towards increased emphasis on lending for agricultural projects and for educational purposes has been continued in 1966-67. Provided that investment in these fields is followed up by the necessary initiative at the local level, I feel that the financing of such projects will prove very productive from a long-term point of view.

In spite of the high costs of borrowing prevailing in 1966 the Bank has been able to increase its net earnings. Although the Bank may also in the future find it difficult at times to raise the necessary funds for lending at rates which are compatible with the Bank's present lending rates, we hope that it will prove possible to maintain the practice which was introduced in 1964 of allocating a substantial part of the World Bank's net income as a grant to IDA. In my opinion, it is a matter of regret that for 1966-67 a transfer of only a token amount of $10 million has been proposed. I sincerely hope, that in the years to come, we would again be able to allocate amounts from the Bank to IDA which could serve the interests of the developing countries in a more constructive manner.

Although I feel that we can look back upon the recent development in the Bank and IDA's loan policy with satisfaction I am very concerned about the prospects for the future lending activity of IDA. The fact that IDA today for all practical purposes is in a position in which it is not able to make any new commitments does underline the urgency of finding a solution to the replenishment of IDA's funds for the years following 1967. During its seven years of operations IDA has placed itself as the most important multilateral source of development finance on lenient terms. To be realistic I think we have to expect that the need for financing on IDA terms will not be reduced for a long time to come. For the near future it seems more likely that the need for resources on IDA terms will be increasing. In order to make it possible for the management of IDA to administer the available funds in the most efficient way, I feel that it would be desirable to have a commitment plan from Part I countries covering at least a three-year period.

In recognition of the shortage of available funds for IDA, Denmark welcomed the proposals put forward by the President of the Bank in July 1966. In my statement at the Annual Meeting in 1966 I pointed out that the Danish Government has a very high regard for IDA, and although we —like many other Part I countries—are faced both with balance of payments and budgetary problems we find it very important that an early solution be found to IDA's replenishment problem for 1968 and the following years.

For our part we will be perfectly willing to accept a replenishment which is substantially larger than the one we have had over the period from 1965 to 1967. As we see it, a new replenishment of IDA should be based on contributions from the individual Part I countries in the same proportions—although not necessarily exactly identical—as those used during the present replenishment period.

One prominent feature of IDA has been its truly multilateral character. The fact that the proceeds of the IDA credits are freely available to the borrowing countries means that the borrowers have a wide choice for the use of these funds. I am convinced that this system does lead to a more efficient use of the resources of IDA than any other system of procurement.

Most of the industrialized countries base their bilateral assistance to the developing countries upon tied loans or grants. As far as Denmark is concerned, procurement under our bilateral loan agreements has to take place in Denmark, while the recipient countries are free to choose the projects which they wish to finance under these agreements. In my opinion the extensive use of tying in connection with bilateral development loans makes it even more important that IDA can maintain its truly multilateral character.

In conclusion, may I say that I sincerely hope it will prove possible before the next Annual Meeting to reach agreement on a new replenishment for IDA, which will make it possible for this institution to continue the growth in its lending operations in the same way as we have seen during the past seven years.

Ethiopia: The Hon. YILMA DERESSA
Governor of the Bank

Permit me, first of all, to request the Governor of the Bank for Brazil to convey to his Government and his people my Delegation's profound appreciation of the excellent arrangements Brazil has made for our Meetings and the delightful hospitality and welcome extended to each of us upon our arrival in this beautiful city.

May I join my colleagues, Mr. Chairman, in congratulating you upon your assumption of the difficult but rewarding task of chairing our meetings this year.

I would, also, like to welcome our new members, Singapore and Guyana, as well as welcome back our old member, Indonesia.

Members of the Bank staff are to be commended for their enlightening report. Mr. Woods, the President of our Bank and its Affiliates, is to be particularly thanked for his usual clear, precise, farsighted and broad-visioned annual address. I believe I am expressing the feelings of quite a few of us here, when I say, that his contributions to the evolution and development of the Bank and its Affiliates were not only significant but have also been positive and timely.

When we turn our attention to the Bank's finances and activities, during the year under review, we note that its efforts have been satisfactory: Bank/IDA commitments showed an increase of about 9 per cent and disbursements about 21 per cent over those of the previous year; it is also en-

couraging to note that 10 agricultural projects have been approved for the year 1966/67 and another 28 are in the final stages of processing, with a further 40 in various stages of preparation. Although much needs to be done in this crucial sector of the predominantly agricultural economies of developing countries and the small amount of $87 million would be nowhere near the actual annual needs of the agricultural sector of developing countries, the effort the Bank and IDA are making in this direction gives one the hope that with increasing and widening experience, they will assist borrowing countries to tackle this intractable problem. Investment in agriculture does not constitute entirely the financing of agricultural projects —that is, "project" in the strict and narrow sense of that term. Indeed, as the Bank/IDA Report notes, although in passing, but quite correctly, agricultural projects cannot stand in themselves, but require the building of the infrastructure base on which they can stand. In other words, the investment in infrastructural projects can be rightly regarded as indirect investments in agriculture. All this would appear to be too obvious to need stating but it has been discovered not to be so.

When we consider education, the attention that has been given to projects in education by the Bank and IDA in recent years has also been timely. Here again one must point out that what remains to be done, particularly in technical, vocational and teacher training and the financial requirements for the projects are quite immense.

Bearing this in mind and in spite of other considerations, my Delegation would have liked for our Executive Directors to recommend the transfer, in the form of a grant to IDA, of an amount of the order of magnitude of that of the previous year; the net income of the Bank has increased by $26 million over that of the previous year when we allocated the $75 million to IDA. Moreover, it appears now, that the much discussed second replenishment of IDA shall not be forthcoming in the immediate future and IDA is without funds. We believe, therefore, that a mere $10 million would not go very far in meeting IDA's most pressing needs for funds.

As the Bank/IDA Report clearly shows, the amortization and interest payments of the developing world are growing at a faster rate than the growth of their exports of goods and services. Debt service obligations grew at a more rapid rate to a cumulative total, for the developing countries as a whole, of $41 billion by June 1966. The predicament of the developing countries is complicated further by the fact that, on the one hand, sluggish exports and increasing costs of development finance have increased the debt burden on them, and, on the other, the flow of capital on appropriate terms has been nowhere near the minimum requirements of these countries. It is quite evident that this situation cannot be allowed to continue for long without it disrupting world economic relations.

Understanding of the problem is no substitute for its solution. What is lacking is not the identification of the problem, but taking the appropriate steps to solve it.

It is in this light that the second replenishment of IDA's funds must be viewed. Although the prospects of IDA's replenishment have not been very encouraging in the last two years, the report that some progress has been recently made is welcome news. Nevertheless, my Delegation feels that no overriding reason exists to justify a change in the procurement policy for the use of IDA credits, in order to secure IDA's second replenishment. As the Bank/IDA Report states:

"Borrowers from the Bank and IDA are free, and indeed are required to spend the proceeds of loans or credits in whichever member country (or Switzerland) they can obtain the best value. The difference to the borrowing country in purchasing power between tied and untied assistance can be considerable."

To change this state of affairs in order to proffer or obtain IDA's second replenishment will undermine the basic character of the Bank and its Affiliates. The President of our Bank in one of his speeches during the course of the current year, has clearly and convincingly stated the advantages obtained by borrowers from the Bank Group and the disadvantages they sustain when they obtain tied loans. Both the debt burden and the loan wastage are greater in a tied loan than Bank Group loans. Therefore, although I do not go as far as advocating the abolition of bilateral aid, I believe its characteristics should not be allowed to tarnish those of IDA or those of any other existing multilateral institutions.

Not being at the giving end, perhaps, it is not in my line to determine the magnitude of the contributions. However, I would like to observe that if donor countries are willing to contribute in the end it better not be "too little and too late."

In conclusion, I would like to observe that it is ironical that development finance should diminish at a time when the project preparation capabilities of aid recipient countries have improved considerably, and the absorptive capacity of developing countries increased greatly.

It should not be surprising, therefore, that the increase in the volume of suppliers' credits—a situation that has begun to create concern in the World Bank—should continue to grow even further, in the near future, due to the unabated hunger for development finance of developing countries and the intensified obsession of developed countries to increase their exports.

France: The Hon. MICHEL DEBRE
Governor of the Bank

It is a great pleasure for us to be enjoying the hospitality of the Republic of Brazil in this famed city. May we tender our thanks and our compliments to the leaders of this great nation. . . .

. . . However, the fundamental difficulties that affect the economy of the present-day world call for other remedies.

What are these difficulties?

There are two with which we are quite familiar. First, the slowing down of the economic expansion throughout the world, and second, the widening growth-rate gap between the industrial countries and the young developing countries.

One frequently hears it said that both these difficulties could be remedied by creating new monetary liquidity *ex nihilo* and claiming for this liquidity the status of a new currency independent of and replacing gold. But can this be taken seriously? A currency is not created out of nothing, any more than political institutions are created out of nothing. Much more is needed at the start than abstract statements or noble pronouncements. A currency is both an expression of an economy and an assertion of confidence in a higher authority capable of imposing a

discipline which, in a free world, is a discipline equal for all. The time has not come for an international currency because the time has not come for such a freely accepted, impartial and universally respected authority. Any currency other than gold is an expression of sovereignty, and if certain currencies, through the power of the economy they represent and the authority of the government that creates them, enjoy great prestige and a great power of attraction and accordingly play a useful role in trade, the national policy that is—and is alone—at the basis of their management decrees that they cannot be equivalent to gold. Any claim to the contrary may for a time deceive some people, but the truth will very quickly become evident. The longer the deception has lasted, the more tragic will be the consequences of this error.

Let us look at things realistically and wisely. What is at the root of the slowdown in world economic growth?

Political strife and military conflict have their share of responsibility. There can be no growth without confidence, and there can be no confidence in a world divided by sectarianism and strife. But there are also the measures that many industrial countries should have taken to avoid overheating their economy. In the face of nothing short of an explosion of demand, especially for public investment, many industrial countries should cut expenditures and curb inflationary trends when they have been compelled to yield. These countries are not suffering from a shortage of international liquidity but from an imbalance between their production capacity and their economic and social development aspirations. Although monetary factors have been involved and have aggravated these difficulties, it is really inflation that has resulted during recent years from the excess liquidity arising in its turn from the persistent balance of payments deficit of the United States.

Thus, the gold exchange standard, an empirical structure that served well in the past so long as holdings of reserve currencies did not exceed the normal volume of working capital, has become an instrument of instability. It could be otherwise only if the countries whose currencies are responsible for the smooth functioning of the gold exchange standard were to subject themselves to a stricter economic and financial discipline than that required of the non-reserve currency countries.

We note that this is not the case. In other words, the gold exchange standard has had its day, and the more quickly we return to the gold standard supplemented by a good organization of international credit, the more quickly we shall provide the world economy with the conditions for recovery.

The special problem of the developing countries does not affect these conclusions.

It is true that no credit mechanism can fully satisfy the aspirations of the young countries and, in general, of the countries whose rapid development is an essential social priority.

Yet how can it be thought that the artificial creation of paper money can provide a solution? Nothing is solved by distributing small quantities of money, and to distribute large quantities of money would very speedily generate unprecedented disturbances of which the developing countries would be the first victims.

To some extent, the problem of cooperation between industrial and developing countries falls within the framework partly of conventional long-term infrastructure loans.

On this point, I wish to convey to the International Bank and to the International Development Association the support of the French Government. Their past action merits praise, even if their action must take new directions in the future. It will then be possible to place additional resources at their disposal, not excluding the contribution that might be made by the IMF, out of the income from interest that it is at present hoarding.

But the effort to be made is greater than the means, even the augmented means, of the existing international organizations, just as it surpasses the special efforts that have been made by certain countries, particularly my own.

What I am going to say here is what I have had occasion to say before other international assemblies, especially the Organization for Economic Cooperation and Development, and I have expressed myself in the same terms to the French Parliament. Aid will be given to developing countries only through a clearly accepted sacrifice of part of their national income by the developed countries.

It is not possible simultaneously to preach about aid to poor countries and selfishly to pursue the welfare of the wealthy countries. We cannot at the same time preach about massive aid to the poor countries and lead the rich countries to believe in the possibility of a rapid reduction in their work effort.

It is true that to bring about a better distribution of income is one of the most difficult tasks before us. We shall not make any serious start on this task except by giving priority to an international organization of the market for certain raw materials and certain products, notably tropical products. By stabilizing prices and by organizing stocks of such items we can bring about an improvement in income having its origin in the prices paid by consumers in the wealthy countries. As a counterpart, the producing countries are required to accept certain disciplines, chief among which is that of production. This is the subsidiary difficulty of the problem.

However, to repeat my conclusion, there is no other way. This is the meaning of the draft resolution submitted by the 15 Ministers of Finance who met in Dakar last week. It is for the members of the Fund and Bank to study the problem and the possible solutions to it, including the possible setting up of a special agency. I am convinced that a well-conducted experiment will permit subsequent developments the value of which will surprise the most skeptical. France, I need hardly say, is ready to take its rightful share in this effort. . . .

The Gambia: The Hon. S. S. SISAY
Governor of the Fund[1]

. . . The Fund represents also for us the door through which we may enter both the Bank and IDA. I hope that our applications for membership of these institutions will be accepted in the next few days. We make no bones about our desire for the means to speed development. We have already received valuable help from abroad but an important gap remains. We are seeking to strengthen our economic base, to diversify our activities and to achieve better agricultural output. Finally, we hope

[1]Delivered at the Annual Discussion of the Board of Governors of the Fund.

to develop those assets, notably connected with our great river, which hold out promise in the longer term.

We venture therefore to hope for support from the Bank and from IDA in two important directions. The first is in the launching of constructive projects within The Gambia itself. Some of these projects, notably in connection with the harbor at Bathurst, are already under active preparation. The second direction is in exploring and ultimately in bringing to fruition larger schemes which can only be carried out on an international scale and by international effort.

I must emphasize the word "international" here because we are always mindful that some of the long-term plans for development do not affect us alone but also our friends and neighbors in the Republic of Senegal.

Collaboration on an international scale has one special aspect. The Gambia may yet be an important testing ground for the growth of what we in Africa call the horizontal links, that is, the ties between different countries within the continent. It is a fact of history that most of us have risen to nationhood deeply influenced in economic structure and habits by what may be called the vertical links, that is, with other and larger economic systems overseas. This is not a matter for regret since the vertical links have great and continuing value. But undoubtedly they tend to make difficult the extension of practical collaboration between African countries which historically belong to different systems. In this respect The Gambia occupies a position of strategic importance and one which, I hope, will command the sympathy and interest of you all.

The currency of The Gambia is free and convertible. It is our intention to maintain these characteristics. The currency is allied to the pound sterling and we have found the connection a satisfactory and valuable one, which we shall continue. Our trade system is straightforward and on classical lines. We seek to sell our produce in the best markets—though these admittedly produce poor returns at the present time—and we aim to buy in the cheapest markets. In short, we conduct a liberal trade policy, and behind it we have a currency amply backed by external assets and at a par value which reflects its true purchasing power.

I make no apology for referring to our aims and our circumstances. This is, after all, a special occasion for us and one where it may be helpful to some of our friends that we comment on our own affairs rather than presume to comment as newcomers on your larger preoccupations. For the rest, we salute the efforts which the Fund is making to improve international liquidity and thereby to bring about an expansion of world trade free from the upsets that have characterized it in the past decade. We align ourselves fully with our African colleagues in expressing the hope that it will be possible to increase the volume of development aid and to make it available on terms which take great account of the immense difficulties which face all of us not only in Africa but also in many other developing countries.

Finally, while recognizing the vast problems involved, we support all efforts to achieve greater stability in the prices of primary products. It is for this reason that my country wishes to be associated with the Resolution on the subject which is before the Meeting; and I congratulate the countries which submitted it on their timely initiative.

We are confident of your interest and proud to participate in your affairs.

Germany: The Hon. KARL SCHILLER
Governor of the Bank

I am very happy and honored to address this distinguished assembly. I should like to say how very much impressed I am by the hospitality of this great country of Brazil. I am overwhelmed by the vast economic possibilities and by the social needs of this continent. I am deeply impressed by the efforts made for growth and stability. My greatest wish for this country is that it may be able to make further progress on the road toward a higher standard of living. You may be sure you are not alone in your struggle for economic and social development. The fate of the developing countries is also our own fate. The developing countries and the old industrialized countries are living in one world. We all —for instance, Brazil and Germany—are in this sense united in an Alliance for Progress.

The Bank and the Fund have again this year been doing excellent work and have submitted impressive reports. I should like to thank them for this and to express our congratulations to President Woods and Managing Director Schweitzer. . . .

. . . The World Bank Group has continued and, in fact, has increased its important work. Nevertheless, there are indications that it is becoming more difficult for the institutions of the World Bank Group to carry out their tasks. For the World Bank itself finds it less easy to satisfy its very large capital requirements on reasonable terms and conditions. Despite a great supply of savings the volume of available capital is insufficient to meet fully the heavy demand. Thus, the World Bank has recently had to raise funds at rates of interest higher than ever before in its history. But it is an encouraging sign of the continuing confidence placed by capital investors in the Bank's sound business policy that its most recent issues have been so successful.

The position of IDA is more critical. Balance of payments difficulties in some countries and budgetary problems in others have rendered negotiations on capital replenishment more difficult. Perhaps consideration should be given to avoid too ambitious capital targets. The possibilities of the Federal Republic of Germany are at the moment particularly strained as a result of budgetary problems. But my Government is prepared to help so that IDA will be able to continue its work. I welcome the recommendation by the Bank's Executive Directors that at least a modest amount of the Bank's earnings be transferred to IDA.

Conditions in the developing countries as a whole have not yet improved decisively even though the Annual Report shows practical progress. In many of these countries economic growth is still insufficient, especially on a per capita basis. Also armed conflicts and similar conditions of unrest are not favoring development. The inflow of private capital is hampered. And private capital is also indispensable to the development of national economies. It flows only if there is an atmosphere of confidence. Furthermore, the general public in the industrialized countries is influenced by unfortunate events. Without broad support by public opinion, however, it will become increasingly difficult for governments to provide major funds for development aid. I should like

to mention that in my country, nevertheless, development assistance is regarded as having particular priority within medium-term financial planning. While medium-term financial planning provides for an average increase of total public expenditure by 6 per cent, the average increase of development assistance during the years 1967 to 1971 is planned to be about 11 per cent.

To summarize, I should like to say that the work done by the World Bank under its active management and with its qualified staff sets a remarkable example for all our own efforts.

I would now like to make some comments in respect to the economic position of my own country:

Last year our country ran into a significant recession. This has been reflected in our foreign trade balance development. During the first eight months of 1967 German imports were 6 per cent lower than in the year before; exports, however, continued to rise vigorously, by 9 per cent, during the same period.

This development in our balance of trade is an "import deficit" rather than an "export surplus." It has given rise to concern in some of our partner countries. But you may be assured that we do not want to pursue any beggar-my-neighbor policy by exporting recession. We are aware of our responsibility for international trade. Also for that reason we have—since the beginning of the year—taken decisive measures to revive economic activity. The Federal Government has carried out a first public investment program involving about DM 2.5 billion, and now, in September we have started a second public investment program comprising DM 5.3 billion. We also stimulated private investment by special depreciation allowances. The Bundesbank has lowered its discount rate by stages from 5 to 3 per cent and has reduced the minimum reserve requirements seven times altogether. The measures since the beginning of the year have meanwhile brought the recession to a standstill. The level of production, however, is still low and upward forces are still weak. But I am firmly convinced that the rapid and straightforward decisions on the second investment program will strengthen the forces of the market and initiate a revival on a broad front of economic activity without any danger to our stability.

Unlike several other countries, our conflicting aims are not tensions between the development of domestic demand and the balance of payments equilibrium. On the contrary, only by strengthening our domestic demand can the foreign trade balance be brought back to a better equilibrium. Sometimes in our country there seemed to be another set of conflicting aims, i.e., between a policy of expansion and the necessities of the medium-term financial planning. We are trying now to overcome this conflict by a "twin program," by consolidating our budget on the one side and by mobilizing an investment budget on the other side. Thus the so-called "German double talk policy" in fact makes good sense.

Along the same line we have contributed to the international leveling of interest rates. In this way our surplus in the balance of trade has been compensated by short-term money exports and by long-term capital exports out of Germany. Today, the Bundesbank's currency reserves of a little over $7 billion are no higher than they were at the end of 1966 and at the end of 1965.

In order to create the instruments of a modern policy of balanced growth, the German Parliament has passed an "Act to Promote Economic Stability and Growth," which is—in my eyes—a modern version of the old "Employment Act" of the U.S.A. Our new law provides the legal basis for a global monetary and financial guidance to our market economy, to vary income tax rates by 10 per cent upwards or downwards, to facilitate investment by tax bonuses and so on. And now we possess the legal background for a "concerted action" between trade unions, employers' federations, and the Government to work out "orientation data" for an adequate economic behavior of the important groups of society.

As a member of the European Economic Community and as one of the important world trading nations, the Federal Republic of Germany is aware of its overall responsibility for world trade and for the world monetary system. As in the past we are also in the future ready to mediate differences of opinion in the international field. For us the activity of the World Bank and the new developments within the Fund are milestones on the road to a better world, milestones on the road to a common progress for all people.

Ghana: BRIGADIER A. A. AFRIFA
Governor of the Bank

Mr. Chairman, we have been most impressed by the hospitality of the Brazilian Government and I would like to offer our sincere thanks and best wishes to the President and his people.

When I addressed the Annual Meeting last year, the present Ghana Government had been in office for only a few months and I could speak only of the first steps taken toward economic recovery and our program for the future. This year, happily, I can speak of a modest but concrete progress.

The real rate of economic growth in calendar year 1966 was of the order of 1.6 per cent and this was a modest improvement on the 0.7 per cent growth rate recorded for the previous year. For the first time in many years balance was achieved in the financial accounts of the public sector. For the current financial year also, the Government has been able to introduce a budget which shows a small surplus on current account.

In spite of these improvements, our balance of payments has continued to be under pressure, and to reinforce the stabilization measures which were introduced last year, the Government announced in early July this year, a number of far-reaching financial and economic measures, the most important of which was the devaluation of the currency by 30 per cent. This last measure was, among other things, designed to give the cedi a more realistic exchange rate.

It is our view that these measures will lead to an expansion of domestic production and exports and will enable us to further liberalize our imports, current payments and transfers.

It seems appropriate on this occasion to recall the wide extent of overseas assistance which we have received during the past year. The Fund itself made its facilities available to us in the form of a compensatory financing drawing of $17 million and of a further stand-by arrangement amounting to $25 million. Negotiations between Ghana and its principal creditor countries have also taken place during the

year and these culminated in an agreement last December to stretch out the servicing of our very substantial debts on suppliers' credits. This was followed in April by a meeting organized at the request of the Ghana Government by the Fund in collaboration with the Bank at which Ghana's balance of payments gap and external aid requirements for 1967 were discussed. This Aid Meeting resulted in encouraging offers of balance of payments support from a number of donor countries for which we are very thankful.

The provision of this and other forms of relief enabled us during the past year to meet nearly all kinds of current foreign exchange commitments as they arose and also to continue paying off accumulated arrears on short-term debts. . . .

. . . Mr. Chairman, Ghana fully supports the President of the World Bank in his efforts to get the developed nations to replenish their funds to IDA. IDA has played a major role in the strengthening of the economies of the developing countries, and we hope that the developed nations will replenish its funds substantially to enable it to continue and expand its present program of assistance.

I have just returned from a meeting of a smaller gathering at which consideration is being given to putting the provision of technical assistance and pre-investment studies on a more formal basis. As I indicated in my address before the Annual Meeting last year, I believe that this kind of service which the Bank has in the past made available informally is of such importance and benefit that it ought to become a formal part of the Bank's functions. I have here in mind the creation of another affiliate by the Bank which would support and guide the developing countries in their research for well-based projects.

Both the Fund and the Bank have continued to provide technical assistance to Ghana in various ways and I would like to take this opportunity, and again more formally, to acknowledge these invaluable services given so freely and so competently to my Government and the people of Ghana.

In conclusion, may I extend my delegation's congratulations to the Managing Director of the IMF and the President of the IBRD for completing yet another year of successful operations by these institutions.

Greece: The Hon.
J. P. PARASKEVOPOULOS
Governor of the Bank

I wish to associate myself with other Governors in expressing my thanks to you, Mr. Chairman, and the management and staff of the World Bank Group for the efficient handling of this conference. On behalf of my Delegation I wish also to thank our host country, Brazil, for its generous hospitality.

Reading the Annual Reports of the three institutions and listening to Mr. Woods' address, one is impressed by the growing activities of our institutions and, at the same time, by the increasing difficulties in obtaining ample funds at a reasonable rate of interest for the needs of member countries.

We are aware of the fact that the rapidly growing needs for investment capital in most of the less developed countries cannot be met by the financial contribution of the World Bank Group only; their over-all development effort has to be supplemented by the affluent countries, as the world's richer nations' contribution to the world's poorer nations.

As the World Bank Group is encountering money-raising problems and the cost of its borrowing becomes higher it is rumored that the interest rate the Bank charges on development credits may be raised from 6 to 6½ per cent. Such a move would intensify the strain on developing countries, already hard-pressed to meet fast-rising debt burdens, and one wonders if it is advisable for the Bank to make large borrowings at the prevailing high rates.

On the other hand, the International Development Association is now left without funds; let us hope that Mr. Woods' optimism with regard to the replenishment of its resources is justified.

These difficulties come at a time when bilateral financing is stagnant and the indebtedness of developing countries — in particular their mounting debt service obligations—is a matter of serious concern.

The flow of financial resources from industrial countries in support of the developing countries' efforts has failed in recent years to keep pace with the growth of their national income, even though most of the less developed countries could immediately put into effective use a greater volume of external assistance.

A recent World Bank staff review, which re-examined on a country-by-country basis previous calculations of the Bank, that the developing countries could use effectively $3 to $4 billion more per year in external capital during the next five years, has now confirmed these conclusions.

The countries that are members of the Development Assistance Committee of the OECD produce together more than 80 per cent of the world output for less than 20 per cent of its population and they can certainly afford to give greater assistance to the less developed countries.

Several smaller countries are stepping up their aid programs, while the main industrial countries with one or two exceptions are dragging their feet, so to speak, in the field of development assistance.

We had been told that, as multilateral institutions with a broad mandate from member governments, the World Bank Group has certain advantages in the administration of development finance. Last Monday Mr. Woods reiterated his belief that "assistance provided through multilateral channels has advantages of objectivity, economy and suitability." We fully agree with this affirmation.

Continuing and intensified efforts should be made by both developing and developed countries working together to increase the size and the effectiveness of aid. The practice, for example, of many aid-giving countries of tying aid to their own exports has cut into its real volume, and it is well known that most aid-receiving countries cannot always buy the goods they need at the most competitive price.

The overall terms of aid on development loans generally remain too hard and the trend toward the softening of terms has recently suffered certain setbacks. Further endeavors are required to soften the terms of aid generally, and also to harmonize the terms of assistance given by various developed countries to individual developing countries.

I should not like to conclude this short statement without paying tribute to the International Finance Corporation and its very able Executive Vice President, Mr. Martin Rosen. The increased activities of IFC for 1966-67 reflect the greater diversification of its operations and its increasing partnership with private investors. A substantial amount of capital has been provided by them for projects which IFC financed.

Although equity financing is an area of vital concern to the Corporation—its objective being, of course, the development of capital markets — we expect that the Corporation's commitments will continue to be made on a mixed loan and equity basis. As we noted in the IFC Annual Report, the year's operations brought the cumulative total of IFC's gross commitments to $22.4 million. The capital cost of projects undertaken in 1966-67 totaled approximately $313 million. Net of participation by other investors, IFC's capital risk amounted to about $44 million which means that for every dollar committed by IFC more than six dollars were provided by other investors.

This is most satisfactory and it is to be hoped that during the next year IFC's activities will continue to expand and diversify for the benefit of its members.

Haiti: The Hon. CLOVIS DESINOR
Governor of the Bank

Permit me, on behalf of the Haitian Delegation, to join with all the previous speakers at this Meeting by expressing to His Excellency the President of the Republic of Brazil, and to its noble people, our sincere and hearty thanks for the warm and enthusiastic welcome extended to us. I should like to convey to them fraternal greetings and to assure them of the firm friendship of the Government and people of Haiti.

I should also like to thank more especially Brazil and Honduras who are part of the Latin American bloc to whom we are fully linked. And the reason I say this is that they have expressed our difficulties and our aspirations.

I should also like to thank the Chairman and Delegates in advance for their kind attention to the statement that I have to make today.

In the present stage of world history, when so many vital problems have to be faced, involving the demise or survival of concepts, interests and hegemonies, as well as the bringing into existence of new scales of values for the building of a better world and the satisfaction, at least to the extent of the vital minimum, of the immense and manifold needs of its peoples, may the small black republic in the Caribbean add its voice to that of the other nations, not in order to join in the Aeschylean choir chanting the plaints of the countries of Latin America, of the Third World, of all the developing countries and evoking all the heart-rending images of hunger and death—these images of the "Mocambos crabs" described by Don Helder Camara, Archbishop of Recife—or to swell the volume of the cries directed by the poor countries to the wealthy ones—these cries that rise from every conference hall, even to the most recent meetings at Punta del Este and Viña del Mar, in our own America —permit the voice of our little free and sovereign black republic—faced with the same situation that it has been confronting for years past—to make itself heard in this assembly, as a member of the institutions now met together for the purpose of reporting to all of us on the results of their activities and the measures they have taken throughout the world, merely to proclaim the need for change both in the structure and in the attitude of these institutions, and of all the international institutions, in order to permit the bringing about of a transformation in the life of the developing countries and their peoples, who represent a little over half the human race. Like President de Gaulle, President Duvalier has never ceased to declare that this has been and continues to be essential. Haiti wishes to say so here, even if it is not telling you anything new. . . .

. . . The fact is, that Haiti, exemplifying the Third-World countries, needs external resources for the financing of the necessary investment expenditures for the acceleration of its economic and social development. President Duvalier put it this way on May 22, 1963: "However jealous the nations of this hemisphere may be of their independence and their sovereignty, they have all discovered and realized that the pursuit of growth within a framework of order and peace is impossible without the cooperation and assistance of the nations that are better-off and better organized and that possess effective means of action to contribute to that growth. . . ." "The wealthy nations," he wrote in 1966, "must understand that they cannot and must not, if they are to avoid crises and folly, remain deaf to these cries of the poor nations and continue to adhere to outdated positions incompatible either with historic and geographic realities or with the universal expectations of humanity."

"Under-development is a crucial reality," he said on September 22, 1967. "We earnestly hope that in the development battle during the new decade, the cries of the poor peoples of the world will be heeded by the wealthy peoples" . . . "for the decade from 1957 to 1967 has been for us a decade of frustration and disappointment of hopes founded on and sustained by some form of financing by the international financing agencies, the World Bank and its Affiliates or others. Haiti has not received financing for its wharf; it has not received financing for the establishment of electricity plants based on a dam that has existed for more than 10 years; it has not received financing for its roads . . . it has built its modern airport by itself."

These paradoxes, these bizarre situations, which demonstrate or denounce the mental state of men, being reflected in the institutions that they create, found and direct, are directly reflected in the daily lives of our peoples.

We sincerely regret our inability to express a few words of high appreciation toward the World Bank, which appears to have eliminated Haiti from its list of clients, under the pretext, according to one of its officers, that by reason of the economic "deflation" that prevails in Haiti the Bank cannot grant it credit or loans for the financing of its infrastructure projects (such as national roads).

It is our wish, our equally sincere desire, that the World Bank and its Affiliates, as well as all the other international and inter-American financing institutions, review their policy of loans for infrastructure financing of the developing countries. At a time when such an attitude is being adopted toward Haiti, we are paying, down to the last penny, and in dollars, to all our creditors and the World Bank itself, what is due to them according to our public debt maturities schedule. Haiti does not worry about its non-payment of civil service salaries, and of pensions to the aged and the sick, but it does pay international institutions and its private creditors.

Our country has been visited by more than twenty technical missions and commissions from the financing agencies. All of them have reached the conclusion that there is an immediate need for an injection of capital for the execution of the country's infrastructure projects. All the missions and commissions have reached this conclusion; nevertheless, Haiti and its

people, Haiti and its Government have run up against the indifference, the passivity and the ultra-conservatism of the lending institutions, an attitude to which the World Bank has not been immune.

Haiti has undergone and continues to undergo a series of trials from which it emerges better tempered for all the battles necessary to secure the generalized well-being of its generous people. It cherishes no illusions. . . .

Honduras: The Hon.
MANUEL ACOSTA BONILLA
Governor of the Bank

I consider it a great honor to my country and a singular honor to me personally that I have been appointed to speak in the name 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.

A brief analysis of the figures indicates that the past year has been one of the most active for the Bank, since by June 30 it reached the highest level of operations since its creation. Bank loans to member countries rose to US$877 million, the credits granted by IDA to US$354 million and the investments made by IFC to US$49 million, thus placing at the disposal of the member countries a total sum of US$1,280 million for the purpose of financing their plans for economic development. The countries in whose names I speak have received 17 loans from the Bank (15 for Latin America and 2 for the Philippines) amounting to a total of US$285 million. I should observe, however, that of the credits granted by IDA, Latin America received only US$2 million, or less than one per cent of the total, a figure markedly out of proportion for an area that includes one-fifth of the members of the Bank.

The Bank's rate of disbursements has increased notably, reaching US$790 million. Sales of its own bonds and of those from its portfolio produced US$623 million. The net profits of the Bank amounted to US$170 million and its reserves rose to US$1,023 million, both these figures representing the highest amounts reached since the creation of the Bank. They are the best evidence of the soundness of the Bank's position. The member countries in whose names I speak congratulate the President, Mr. George Woods, the Executive Directors and all their staff and express their particular appreciation of the fact that these levels have been achieved without raising the interest rate so far as the member countries are concerned.

If we analyze briefly the position of the developing countries, we find that these figures, taken together, indicate a rise in their gross domestic product in the order of 4.8 per cent in the period 1960-1965. This shows that the productivity of these countries has continued to grow, but not at a satisfactory rate, since on a *per capita* basis, in the aforesaid period, their rate of development was less, due to the rate of growth of their population, which was 2.4 per cent. Within this general picture, the area included within the Latin American countries showed a decrease in the growth of *per capita* income from 1.9 per cent in 1955-1960 to 1.7 per cent in 1960-1965, which reflects in part the deterioration of the terms of trade between the industrialized countries and those of Latin America.

The reduction in the rate of increase in the productivity of the industrialized countries, which can be observed from the middle of 1966, has had an unfavorable impact on the exports of the developing countries. With concern we note that unless there is a rise in the rate of productivity in the industrial countries, the export revenues of our countries during the rest of the present decade would increase at a rate less than that achieved in the 1955-1960 period and consequently, this would impede even further the growth of our countries.

This dependence of the growth of the developing countries on the rate of increase of their exports accentuates the urgent need to introduce changes in the trade policies of the industrial countries in order to facilitate the movement in world markets of the primary and manufactured products exported by the developing countries. For this reason, the situation of their basic products in the international market causes deep concern to the countries of Latin America; especially as concerns the problems linked to overproduction, the absence of regulation of the market and the discrimination practiced by some industrial countries in regard to imports coming from the developing countries. The solution of the problems indicated would give our countries a greater capacity to avoid greater imbalances in their balance of payments and, in the case of Latin America, would permit an increase in their imports more in keeping with their development needs.

It is for this reason that we welcome with great interest the reference made by President Woods in his brilliant opening address to the fact that, if instead of declining as a proportion of world trade, the exports of the less developed countries last year had been able to maintain the same modest position that they had occupied during the previous five years, in that case, the share of the less developed countries in world exports would have been one per cent larger, which "would have earned them well over a billion dollars more of foreign exchange than their exports actually did earn in 1966. If a one per cent adjustment in shares of world export trade would bring about a billion-dollar improvement in the fortunes of the poor, then surely the matter is worth consideration and action." We believe that while the one per cent referred to would have little significance for the industrial countries, it would be of vital importance to the developing nations.

Concerned by the gravity of these problems, the Latin American countries have already taken the first steps toward regional integration, certain that this will hasten the growth of their economic progress. The Presidents of the Latin American countries recently agreed, at Punta del Este, to fix goals for the formation of a regional common market which would embrace an area with 200 million inhabitants. In this huge task, the aid of the industrial countries and of the international institutions, especially those concerned with financial matters, would be of the greatest importance.

Having made these general comments, I shall pass on to some problems which in the opinion of the countries of Latin America and of the Philippines merit urgent consideration.

It is of the greatest importance that the industrialized countries should facilitate the placing of World Bank bond issues in their money markets; if this is not done or is done in an inadequate manner, the Bank's task will be either impossible or very difficult. We give equal importance to the facilitation of the placing of Bank

bond issues in the markets of the developing countries.

Our countries have viewed with pleasure the support that the Bank is giving to the obtaining of new resources through the so-called parallel financing, which is in addition to Bank loans.

An essential factor for the development of countries with a low standard of living is their inflow and outflow of foreign exchange, because they must import the capital goods which they cannot produce. Serious basic obstacles exist, furthermore, to the transformation of domestic resources into exchange in the present condition of the world market. It is for this reason that they must seek aid from the flow of public and private capital from the more advanced countries. We can cite the case of Mexico, which has joined with the World Bank in obtaining additional resources through the procedure of so-called parallel loans — loans parallel to those granted by the Bank itself. Thus, a loan of US$110 million granted by the Bank for the development of electrical power in Mexico has been complemented by parallel loans granted by Canada, France, Italy and Japan in a total amount equivalent to US$35 million and similar negotiations are continuing with Belgium and Switzerland.

In a friendly spirit we call upon the countries that are exporters of capital goods to participate more vigorously in this effort, which means that their exports for projects approved by the World Bank should be accompanied by complementary financing that would permit an increase in the flow of foreign capital destined for the development of our countries.

In this respect, it is interesting to observe that the World Bank believes that the less developed countries could productively absorb, in the next five years, no less than three to four thousand millions of additional dollars. Thus, we have on the one hand countries that need to import capital for the acquisition of the goods and services required for economic development, and on the other, countries that are the owners of capital, desirous of exporting such goods and services. Consequently, formulae should be established which would make possible and viable the attainment of both these objectives through the means of parallel loans.

The countries of Latin America and the Philippines believe that there is an urgent need for action to replenish the funds of IDA, now already exhausted, a step which the industrialized countries have not yet decided to take in the immediate future, in spite of the repeated and dramatic appeals publicly made by the President of the World Bank. Nevertheless, we hope that in its new phase of operations IDA will be able to achieve a wider and more equitable distribution of its credits among the member countries, as we have repeatedly emphasized.

We also hope that the negotiations being carried on concerning the replenishment of IDA's funds will make it possible for this institution to continue its policy of granting untied credits. We have already pointed out that tied credits increase the cost of the goods required to carry out the projects financed by the international organizations.

We believe that the fact that the World Bank has financed the acquisition of goods and services with the currency of the borrowing countries constitutes an important step in the financial techniques in aid of development, a step which fosters international cooperation undertaken to promote the growth of our countries. As a consequence, we believe it indispensable that this policy should be continued and strengthened.

There are several important grounds upon which we base our support for the expansion of this policy. The use of credit to finance local costs will stimulate efficiency in domestic industries, so that they will be able to obtain international bids solely on the basis of the advantage to themselves. Likewise, the stabilization programs adopted by many of our countries will be strengthened by World Bank financing of local costs, avoiding the inflationary pressures resulting from the need to provide local resources in order to use foreign credits. In the case of agricultural and educational projects — in which the participation of the Bank has been welcomed with general approval—a reduction in the financing of local costs would as a practical matter make their execution very difficult. Finally, we believe that treating as local costs the purchases made by a member country within the integrated economic area of which it is a part would give larger scope to this policy.

It is also important, within this same concept of the financing of local costs, that in the case of loans already approved, part of the resources granted for purchases made abroad could be diverted to make purchases within the country, to the extent that domestic industries were able to compete with the aid of the special treatment established in their favor as regards customs duties.

Besides the reasons already set forth in support of this general theory, it should be pointed out that once a project is approved and the respective loan made by the Bank, domestic industries continue to evolve and in many cases reach a standard of excellence which results in the creation of discriminatory situations, in which they cannot compete. These situations, besides having a negative effect on domestic development, create an atmosphere unfavorable both to the national authorities and to the Bank.

On the other hand, once a project and the corresponding loan are approved, the internal financing complementary to the project is jointly accepted. Consequently, as a general thing, in not being able to obtain the flexibility intended for Bank loans, a borrower cannot resort to the corresponding internal support without producing difficulties in financing. This would also imply the deferring, sometimes in a manner decisively detrimental to economic development, of the execution of the project or the expansion of national industries which are in a position to compete with foreign industry.

In the Annual Meetings of previous years the Latin American countries have put forth the idea, which we wish to re-emphasize on this occasion, that the Bank should take part in and cooperate with the stabilization policies of its member countries. I speak of the advisability of coordinating the carrying out of stabilization programs with the development programs aided by long-term loans. Although the initiative and responsibility belongs to the national authorities, we believe that the IMF and the World Bank are in a position to provide more adequate international cooperation through effective coordination between themselves.

The Governors of the Latin American countries and the Philippines wish to express, through me, to Mr. George D. Woods, their warm thanks for the timely suggestions that he has formulated for closer economic cooperation between the industrialized countries and the developing countries.

Finally, the Governors of the Latin American countries and the Philippines are proud that Brazil has been chosen as the seat for this twenty-second Meeting of Governors of the World Bank and IMF, whose achievements, we are sure, will mark a new epoch in the strengthening of financial cooperation among the member States.

India: The Hon. MORARJI R. DESAI
Governor of the Bank and Fund

Mr. Chairman, may I first of all congratulate you, Sir, on the very discerning address with which you summoned us to our task yesterday at this annual gathering. To our hosts, the Government of Brazil, all of us owe a heavy debt of gratitude for the excellent arrangements made for us and for the gracious words of welcome with which our present session was inaugurated by the President of this great country. This is my first visit to Brazil and indeed to Latin America. India and Latin America are separated by thousands of miles. But we are drawn together by our common endeavors for the fulfillment of the hopes and aspirations of our people. I have no doubt that the present meeting will mark yet another stage in the coming together of Asia, Africa and Latin America, a coming together which is directed solely against the poverty, hunger and want among our people. I would also like to take this opportunity to welcome in our midst the new members of the Fund/Bank community. We are particularly happy that representatives of Indonesia are fortunately with us again after a brief interruption.

This year the Bank and the Fund have completed 21 years of existence. Beset as we are with problems of one kind or another from year to year, we are naturally inclined to focus at these gatherings on the difficulties and disappointments of the day. But a year in which our two cherished institutions have come of age is perhaps also an appropriate time to look back at the entire balance sheet of our efforts and endeavors. As Mr. Woods reminded us, it is during these two postwar decades that the improvement of the well-being of human beings everywhere has been accepted for the first time in history as an international objective and responsibility. At no other time in the past has the concern for one's fellow men extended so nobly beyond national or racial or religious frontiers. What is more, what has happened in the social, economic and political fields during the past 20 years in both the industrialized and the developing countries has surpassed the expectations of even the most optimistic among us. In the international league tables which have become fashionable in some quarters, we see from time to time different countries going up or down in respect of the record of economic progress or political stability or social consciousness and individual freedom. But the more remarkable fact is that behind these vagaries of fortune, there lies everywhere an unprecedented struggle and striving for the betterment of the human condition. We have not all followed the same path; nor have many of us followed the same path consistently. But whatever the course of action that we may have adopted from time to time in the light of our circumstances and in keeping with the traditions of our people, there are not many countries in the world, and hardly any in the membership of our two institutions, where the past 20 years have not witnessed a remarkable progress in social, economic or political fields.

I consider it particularly appropriate to recall this at the present stage when so many people hitherto committed to the cause of world economic development are beginning to be daunted and even disenchanted by the magnitude of the task that lies ahead. Throughout the developing world there is at present a sense of disappointment about the progress made, whether in achieving satisfactory rates of growth or in mobilizing adequate amounts of foreign aid on reasonable terms or in securing greater access to the markets of the affluent societies or ensuring greater stability in regard to the major primary exports. It is not uncommon to hear nowadays that the promise of the Development Decade has not been fulfilled, that the resolutions of the first UNCTAD conference have remained mainly on paper, that the Kennedy Round has not sufficiently taken into account the interests of the less developed countries — and now to this series of disappointments is added the fact that it has not been possible so far for the richer countries to come to an agreement regarding the replenishment of IDA funds on a substantially larger scale than before.

Among the richer countries also, one senses some impatience with the fact that foreign aid continues to be needed on as large a scale as before, that the poorer countries are not able to pay off their debts with interest in a reasonably short time, that the record of political stability has not been as enduring as one might have hoped for, and that many of the problems, such as control of population or increases in exports or avoidance of inflation, are proving more intractable than what all of us had hoped for. Undoubtedly, there is substance in all these complaints. But if we allow the present mood of mutual disenchantment to settle, there is every danger of our dissipating the considerable gains of the past two decades. By all means, let us discuss our problems as freely and frankly as possible and learn from the experience of each of us. But let us not lose our sense of proportion out of impatience. I was, therefore, particularly happy to note, Mr. Chairman, that you tried to put this question in a proper perspective. . . .

. . . It is a matter of great regret for us that at this meeting we are not able to record any definitive progress towards the replenishment of IDA funds for which Mr. Woods and his associates have worked so hard and with such deep conviction and dedication for the past so many months. I am happy to note that Mr. Woods is now encouraged to feel that the discussion concerning the amount, the shares and the conditions of the next replenishment of IDA's finances will now move forward to definite conclusions and that solutions may begin to take form at this very meeting. I earnestly hope that this question will be resolved soon and that at this meeting definite decisions will be taken by major Part I countries together so that Mr. Woods is enabled to chalk out a specific timetable for new IDA credits without which development programs in many countries would be severely interrupted.

Our interest in IDA replenishment is clear. While we are naturally anxious to meet our own needs, we recognize that IDA operations should become more broad-based and should take into account the urgent needs of all its members among the developing countries. The best way of achieving this would be to replenish IDA funds on a substantially increased scale and indeed in a manner whereby the availability of funds for IDA increases progressively from year to year. We are equally

interested in IDA's operations being as unfettered as possible while being not unmindful of the concerns of countries in temporary balance of payments difficulties. I earnestly hope that the question of IDA replenishment would be well behind us by the time we all meet in New Delhi for the second UNCTAD Conference.

Finally, a word about the International Finance Corporation. The IFC has served well its basic purpose of being a catalyst for private investment. The line of credit of $100 million provided to IFC by the Bank should provide the basis for further useful expansion of IFC's operations. I am happy to say that the IFC is playing a valuable role in enabling us to secure financial and technical collaboration for the development of our industries, particularly the fertilizer industry.

Sir, I do not wish to take any more of your time by referring to many other aspects of international economic cooperation which are uppermost in our minds today as I have no doubt that some of my colleagues will undoubtedly do so. I would, therefore, conclude by expressing once again our deep sense of gratitude to the Government and the people of Brazil for receiving us so warmly in these beautiful surroundings.

Indonesia: The Hon. FRANS SEDA
Governor of the Bank

It is with singular pleasure that I avail myself of the opportunity to address this distinguished meeting, for this is the first Annual Meeting since Indonesia again became a full member of the International Bank for Reconstruction and Development and of the International Monetary Fund. We are also hopeful of becoming shortly reassociated with the Bank's affiliated institutions, the International Finance Corporation and the International Development Association. The warm words of welcome extended by you, Mr. Chairman, and by others, are greatly appreciated by us.

On this first occasion since our re-entry, permit me to thank you and, through you, the Boards and the managements of both the Bank and the Fund for their understanding and cooperation during our negotiations regarding the renewal of our membership.

Before commencing the few observations which I have to offer, I would like to congratulate you, Mr. Woods, and Mr. Schweitzer for the excellent, illuminating statements, made on the first day of our Meeting, parts of which I will reflect upon in the course of my intervention.

Our relations with the international financial and economic community will be based on the new situation in Indonesia and her new economic policy. My country has re-established its state ideology and its 1945 Constitution, the spirit of both of which was violated by a previous regime. We are now using the relevant provisions of our Constitution as guidelines for our new economic policy which is geared toward achieving economic growth and social justice. Taking into consideration our ideal to promote growth simultaneously with a fair distribution of the acquired wealth among our people, we have restored the functioning of the market system which we now consider a more adequate medium for the smooth operation of our economy than controls and regulations. Whereas no modern state can forego guidance, planning and supervision, our position is that such should be of a general, supplementary and corrective nature.

Since October 3, 1966, we have started implementing our economic policy. Our first objective is to put order in a disordered house. That effort implies the achievement of monetary stability simultaneously with the rehabilitation of our existing industries, both as a prerequisite for and a first start toward economic development.

Our exchange system was reformed, giving room to the interplay of supply and demand, instead of, as in the past, resorting to allocations and licenses. We also unfroze our price system by reintroducing the market system and abandoning subsidies which, together with price ceilings, distorted the real picture of our economy. While we are reaping some harvest from our efforts to the extent that we managed to reduce the rate of inflation considerably, we have not completely achieved our objectives. Money supply and prices still tend to rise, albeit at a slower rate. We are determined to pursue our course; we are gratified that, so far, we have been given both understanding and support from friendly countries.

In this connection I would like to commend the IMF and its staff members for their tireless, patient, very able and dedicated work in assisting us. I believe that the Fund's attitude greatly contributed to the confidence shown by many nations in both bilateral and multilateral talks and meetings such as held in Tokyo, Paris and the Netherlands.

If to govern is to foresee, my Government, while still engaged in overcoming one of the worst postwar inflations, is already thinking of and making other preparations for a start, at some future date, of economic development proper. We intend to draft a plan of which the tentative operational date would be the year 1969. Anticipating the future, more massive and systematic action in the field of development proper, my country adopted, at the beginning of this year, a foreign investment law, among others, for replacing a former ill-advised policy that economic development should be financed mainly by attracting supplier's credits. Years ago the IBRD gave a warning against such one-sided method of financing. I believe that the Bank has been proven right. First of all we realize that economic development has to rely on our own resources. We further realize that additional means ought to be balanced and varied, coming from different sources, international, national and private, so that the burden of repayment and reimbursement could be more adequately spread and adjusted to needs. We are now exploring the possibility of attracting foreign investment, a source of financing hardly touched upon by us. We are gratified that foreign entrepreneurs are showing interest in the possibility of operating in Indonesia to their and our benefit. Their confidence in our economic future enhances our own conviction.

I do not need to explain to this gathering of the world's highest qualified persons that private capital alone cannot adequately meet the financial requirements of developing countries. Loan capital will still be needed both bilaterally and multilaterally. In this connection, I express the hope that the highly developed countries would meet the call of the United Nations to apportion the expected one per cent of their GNP for development purposes.

For various reasons my country has made little use of international financial

resources. For instance, we have never received any loans from the IBRD or from any of its affiliates. This is not a complaint but a statement of fact. However, in due course, our economic development would need the assistance of such bodies as the IBRD and IDA. In this respect I sincerely hope that the International Development Association would receive eventually the support it so highly deserves. Somewhat alarming information is circulating regarding the future position of IDA which we hope could be dispelled forthwith by those who are able to do so on the basis of their economic position. IDA is necessary for developing nations. If I am not mistaken, there is a growing awareness of the heavy burden shouldered by many developing countries in connection with loans. It is for this reason that some highly developed countries have softened their terms of bilateral credits; in some cases, even grants were given. For the same reason, countries in Asia are pleading for so-called "Special Funds" to be entrusted to and administered by the Asian Development Bank which, as we know, has itself the possibility, to a certain degree, of extending soft loans.

IDA has been a useful complementary institution to the normal operations of the IBRD and it would be deplorable if it had to curtail its activities due to the lack of funds. Moreover, balance of payments problems encountered by some highly developed countries are expected to be alleviated by the newly conceived device of special drawing rights. They should therefore not weigh too heavily in considerations for continuing support to IDA in its original, untied form. My Government strongly supports the procedure proposed by the Governor from the Netherlands with respect to the best manner for solving the problem of contributions to IDA.

Now allow me to dwell for a few more moments on the problem of the need of development capital.

As both the excellent Annual Reports of the Bank and the Fund show, economic growth in some large industrialized countries slackened in the past year and with it their need for raw materials of which my country is one of the suppliers; hence, we are deeply interested in a reversal of that hopefully temporary trend. If, in a way, the development of the business cycle in the major developed countries has a momentum of its own, such is far less the case with certain steps and measures undertaken by some of them. Economic development and the state of our economy in general are mainly, but not entirely, our own responsibility and in this respect we would wish that developed countries could and would be more conscious of the repercussions of events generated by or through them on the weaker economies of others. We are grateful for the understanding shown vis-à-vis the need of additional capital and know-how of developing countries. However, international economic cooperation is not confined to providing capital and know-how.

I have already cited the effect of the decline of the business cycle on our economy. The control of this business cycle is a matter that concerns the relevant countries, but it is also a matter of international concern. I would also like to mention steps recently taken by the Common Market, namely, among others, the imposition of an import duty of 9 per cent on palm oil, one of our important export products. If no alleviation could be provided, for instance, by way of a quota based on our traditional export to our client countries in the Common Market, we are afraid of losing many millions of dollars of exports which we can hardly afford to forego under our circumstances.

I do not want to be misinterpreted. The Common Market is a great endeavor, which is one of the shining examples of successful regional cooperation, but we cannot remain indifferent to some of its negative aspects for such developing countries as mine, and I believe for a few others also. It is not my intention to take stock of all steps undertaken by some highly developed countries with harmful effects for weaker economies. The release of stockpiles, the decline of exports due both to the business cycle and to certain arrangements at a time that my country is desperately trying to expand its earnings, the short-run fluctuation of the prices of commodities which has been discussed so many times in the United Nations and UNCTAD but, so far, without tangible results, the matter of the worsening terms of trade of developing countries and so forth, are affecting the development of the economy of my country and of others in similar conditions. All of them tend to nullify or reduce the domestic efforts as well as those internationally or bilaterally undertaken. I am of the opinion that efforts to provide assistance to developing countries, however welcome and needed, should be matched by as vigorous or even more vigorous efforts to enable their exports to grow, because exports are their main source of development capital.

Permit me now, Mr. Chairman, to end my intervention by expressing our satisfaction and gratitude that our reparticipation in the work of the Bank and the Fund happens to take place in this beautiful city of Rio de Janeiro. Brazil and Indonesia are on opposite sides of the world but we have at least three things in common: the great wealth of our natural resources, the less developed state of our economy, the desire and determination to grow and to let our peoples benefit from the wealth of our lands. May I most warmly thank the Government of Brazil, through you, Mr. Chairman, for the opportunity given to us to be here and for the very cordial hospitality extended to and enjoyed by us.

Iraq: The Hon.
ABDUL RAHMAN AL HABEEB
Governor of the Bank

The Annual Meetings of the Fund and the Bank are always an important event because they give us an opportunity to review the working of the world monetary system and the efforts made to raise the living standards of the majority of world population. This year's meetings are specially important because they are being held under circumstances which require serious thought and urgent action. . . .

. . . In addition to the question of international liquidity we should give urgent thought to measures which may promote the flow of capital from the developed to the developing countries. It is a sober fact that in 1966—almost the mid-year of the Development Decade—the net flow of long-term financial resources to the less developed countries registered a decline. The terms at which capital can be obtained have also tended to be harder. Hence the growing problem of debt servicing would continue to be serious for developing countries in the years to come. The difficulties of poorer countries are likely to be accentuated because of the continuance

of restrictions imposed on the imports of products of these countries by industrialized countries. The long-term trend of prices of primary products is also showing a gradual decline, and exports of these countries are highly unstable. In this situation it is becoming extremely difficult for the developing countries to continue to make a successful effort to develop their economies. We fully endorse the view expressed in last year's Annual Report of the Executive Directors of the Fund that "participation, to an appropriate extent, in the supply of financial resources to the less developed countries should have a high priority in all countries with a relatively high per capita income and should, as far as possible, be shielded from any action needed from time to time to deal with balance of payments problems." May I add that the supply of these resources should also be shielded from political influences and political differences, if any, between the developed and developing countries.

In this connection the World Bank can give useful guidance. Its lending policies should not be allowed to be affected by political considerations. The Bank which is no doubt aware of the problems facing low-income countries, should adopt a more imaginative approach in assisting the process of economic development. Not only should the quantum of capital flow be increased but the terms at which it is made available should be made easy. Judged by the criterion of ability to pay, the interest rates charged by the World Bank on loans made to the developing countries are rather high. These rates should not necessarily be related to those which the Bank has to pay on its own borrowings. It is not difficult for human imagination to find ways and means to bridge the difference between the two rates. Also, it is important that requests for loans or for studying projects should be dealt with promptly. Iraq's experience suggests that the World Bank's procedures connected with such requests are very time-consuming. It is axiomatic in banking that loans delayed can be tantamount to loans denied. The Bank should, therefore, review its lending policies and procedures.

I am offering these suggestions in the hope that they will help in promoting the objectives of the Bretton Woods Agreements. We wish the Fund and the Bank well and hope that they would continue to show a spirit of tailoring their approaches, procedures, and policies to the social and economic needs and aspirations of the people of the world.

Israel: The Hon. DAVID HOROWITZ
Governor of the Bank

I would like first of all to associate myself with the expressions of gratitude to the Brazilian Government and its people for the very kind and warm hospitality which they were so kind to extend to us and also to extend my greetings to the new members of our associations of the Bank and of the International Monetary Fund.

It is with great diffidence that one tries to draw a balance sheet of performance in development by economic aid as viewed against the magnitude of the task.

It is a sad and sorry tale of decline of aid, with the trends in the '50s of a more abundant flow of capital to the underdeveloped nations reversed in the '60s. The sum of capital transferred from the developed to the underdeveloped two-thirds of humanity is being eroded by the deterioration in terms of trade, and—if calculated, as it should be, per head of population—by the population explosion. Relatively, the decline is even more pronounced, for the net flow of capital is hardly more than one-half of one per cent of the Gross National Product of $1,500 billion from a rapidly growing volume of production in the developed nations.

Moreover, the more than tenfold gap in investment per head of population between the two parts of the world—the privileged and the underprivileged—foreshadows an even more gloomy and deplorable future.

At the present rate of the flow of capital, as a dwindling share of the swiftly rising Gross National Product in the developed nations, any approach to a more acceptable economic relationship between the two divisions of mankind would take centuries. Mr. Schweitzer defined this situation in his speech as follows: "It is a matter for deep concern that the flow of long-term financial resources to the less developed countries in recent years has lagged behind the growth of output in the industrial world."

Nor is the qualitative composition of that flow any more comforting: less grants and more loans, and on stiffer conditions.

The Report of the Bank to this meeting says: "The share of grants in official bilateral aid has declined from 76 per cent in 1961 to 65 per cent in 1965 and to 63 per cent in 1966."

Nearly four-fifths of the investment in underdeveloped nations is financed from local resources that are squeezed out of populations living on or below subsistence levels, and even this apparently positive development is not an unmixed blessing. It implies a reduction in consumption of local products, as capital goods are as a rule imported. Paradoxical as it may seem, in the underdeveloped world it is not less important to finance the primary consumption than it is to finance development there. The driving force for any stepping-up of production is first and foremost a larger market. In the first stage of development, higher consumption stimulates demand and allows for the establishment of many enterprises whose possibility is predicated on economies of scale. The experience of countries which are presented as "success stories" in development shows that the development was based, above all else, on effective demand, which served as a basis for the economies of scale in numerous industries.

Not by narrow infiltration, but by a break-through, have some countries achieved spectacular development and progress.

What happened in my own country, which is particularly unendowed with natural resources, was a break-through by way of increase of population and import of capital: these created effective demand and a domestic market conducive to growth. Thanks to this, the Gross National Product could go up by an average of 10 per cent per annum for 16 years, and the national product could be quadrupled, the population more than trebled, exports multiply 20 times and the standard of life per head of population rise by 250 per cent within 18 years.

Similar if less spectacular statistics can be quoted for other countries which are considered as "success stories" in development.

Of course, capital alone is not sufficient, but it is indispensable. Without a flow of capital, other means will be of no avail.

As the situation now is, the Report of the IMF mentions that the growth in the flow of capital to developing nations in the years 1960-65 was smaller than in the five previous years and that "the growth of per capita output was distinctly lower than in the second half of the 1950s."

Thus, the two gaps, the one in standards and consumption between the developed and underdeveloped worlds, and the second—even more perilous and ominous—in investment, linked with the steady mounting of debt payments, for which the zero hour of equilibrium between capital flow and redemption should strike at some time in the '70s, may bring us to the brink of despair and to an imminence of failure if the scope and conditions of aid alike should be perpetuated in their present dimensions.

The terms and conditions of loans are certainly not less important than the scope of assistance. The Report of the Bank says: "Between 1962 and 1966, payments of amortization and interest on external public debt grew at an average annual rate of 10 per cent, considerably faster than the increase in exports of goods and services by developing countries as a group." The cumulative onus of debts is a sort of time-bomb which may explode at any moment in the '70s, when debt repayments will amount to as much as the financial assistance itself. Priority for IDA is conspicuous by its absence; what there is of it has been whittled down this year more than ever by reduction of the Bank's allocation to IDA.

To make matters worse, even the food situation is becoming sinister: the FAO estimates that per capita food production has fallen by from 4 to 5 per cent in the developing regions of Africa, Latin America and Asia. "These estimates indicated that per capita food production in the developing regions had dropped back to the 1957-58 level, the same as the inadequate level before World War II." Again, the Bank Report says: "On a per capita basis, growth in Gross Domestic Product has been slower, while agricultural output in many countries has actually declined."

My own dark predictions at our previous Meetings are, I grieve to say, more than vindicated. This applies especially to the evaluation of conventional but unrealistic, instead of concessionary, terms of lending. The developed world is deluding itself by the new expedient of rescheduling of debts. This is no more than make-believe. The loans are contracted on conventional terms and the fiction of respectability is duly acknowledged. Instead of concessionary terms at the outset, the less desirable device is used of changing the conditions *post factum.*

Our contention is that economic growth is primarily the function of investment. However, a new kind of escapism is now the fashion. The thesis is that growth is overwhelmingly the function of skill, knowledge and technological level, and that there is no point in pouring capital into countries which do not possess these prerequisites. The facts are that technical assistance is more readly available than capital. UN technical assistance, the OECD and bilateral technical aid are at disposal, and even more of these can be purchased in the free market. There is a tremendous margin of possibilities. My own country can claim to have done not a little in this field. Our technical assistance to developing nations, if calculated per head of population, is twice that which is extended by the OECD, the club of the wealthiest nations in the world, and additional facilities in this sphere are forthcoming from a variety of sources.

The second road of escapism is the emphatic contention that the developing nations do not make any effort on their own behalf. No one will argue that the endeavors of the developing nations are always adequate. But the very fact that four-fifths of investment there come from internal sources contradicts this other form of shirking the real issue.

It is also a fact that, wherever capital was available, the results were gratifying. To quote a report on research carried out for the office of Program Co-ordination of AID:

"The possibilities of securing rapid and sustained development by effective use of foreign assistance have been strikingly demonstrated in the past decade by such countries as Greece, Israel, Taiwan and the Philippines. In each case, a substantial increase in investment financed largely by foreign loans and grants has led to rapid growth of GNP followed by a steady decline in the dependence on external financing. Not only was growth accelerated by foreign assistance, but the ability of each economy to sustain further development from its own resources was very substantially increased."

But the flow of capital today is taking a direction opposite to global needs, and the most specious plea advanced to justify this contrary trend is that money markets are tight. Money markets will always be tight as long as there is no stagnation in economic activity and demand, and the market can be tightened by raising internal demand and investment effectively in highly developed countries. Over $30 billion of bonds are floated every year on the financial markets of the developed countries, and only a negligible proportion of that flotation enters the developing ones. This is a problem of priorities: the tightness of the market is, to a very great extent, the function of policy, and it can be escalated.

The Economic and Social Council of the United Nations comments thus on the problem:

"The developing countries have relatively little access to the world's capital markets. This is in part a problem of regulations and procedures but at root it reflects the inadequacy of their credit standing when judged by market criteria. In recent years, moreover, conditions have been particularly tight in most markets, and interest rates appreciably higher than those at which the developing countries have in fact borrowed from governments and from international institutions. If, in order to avoid the budgetary constraint and to take advantage of favorable balance of payments positions in particular countries, more use is to be made of the capital market, it will thus have to be done through a mechanism which has both an appropriate credit ranking and the ability to re-lend at less than market rates."

Here is a clear allusion to the plan which I had the honor to submit to the World Bank of some kind of a device which by subsidization of the interest rate and the guarantee on bonds would supply and provide the necessary means and funds for the expansion of IDA credits.

Here is the crux: access of developing countries to the free capital market.

The fears and apprehensions aired in this respect are illusory and unrealistic. The same Cassandra warnings were uttered when the proposal to allocate a part of the profits of the World Bank to IDA was first deliberated. Experience has shown that this had not the slightest effect on the creditworthiness of the Bank. Bonds are bought on the strength of the united

resources of more than a hundred nations, and not on a purely bookkeeping basis. The Representative of the Bank declared at the meeting of the United Nations Conference on Trade and Development: "If Bank lending depended only on its ability to borrow, the Bank would have no difficulty in raising money, because the Bank's creditworthiness is considered everywhere as first class." It is difficult to comprehend what the apprehensions can be. Do they stem from the fear of world inflation because another $1 billion is added to the financing of underdeveloped nations from a bloc representing $1500 billion of GNP? The current share of the underdeveloped nations in the world capital market is negligible. It must be made bigger. The idea that this will affect the creditworthiness of the World Bank is based on an erroneous conception. The World Bank is not a commercial institution, but rather similar to a central bank, which can never fail financially. No central bank apprehends failure, and the same applies to the World Bank. And, as far as monetary policy is concerned, the view can hardly be that an extra $1 billion a year, injected into the underdeveloped world, would generate inflationary pressures.

The path to peace and to good neighborliness is through a universally affluent society in a single and undivided world.

Keynes has already shown that what is decisive in influencing the shape of things to come is the mind of Man, his ideas, and that what must be overcome is the stubbornness of routine and obsolete thinking.

There is a gateway out of the impasse, but it can be unlocked only if there is the political will for a new departure.

Italy: The Hon. EMILIO COLOMBO
Governor of the Fund

. . . Both in the world economy as a whole and in the so-called dual economies it is still proving a hard task not only to narrow down existing disparities in income levels but even to prevent those disparities from widening further. Nevertheless, it should be recognized that it is essential to stimulate the development of backward areas without at the same time restraining the autonomous expansionary force of the developed areas, if we are to achieve a state of affairs in the world inspired by modern political and economic concepts regarding the advancement of peoples. Such advancement, which today constitutes not only a moral obligation as affirmed in the encyclical, "Populorum Progressio," to which President Woods referred in his opening address, but also a political necessity, should be sought through the judicious management of productive resources. Nothing is more vexing than to observe the uneconomic way in which resources are being depleted without regard to essential needs, such as food, housing, health and education.

The organized cooperation that finds expression in the World Bank and its Affiliates is not based on false optimism but on the constant and steadfast pursuit of realistic aims. I should like, on behalf of Governor Carli and myself, to express our warm appreciation of the work carried out by these institutions over the past year, including the valuable work performed by the members of the staff.

President Woods is well aware that we in Italy follow the problems facing the World Bank and its Affiliates with a readiness to give careful and sympathetic consideration to anything that may facilitate their solution. The problems of underdeveloped economies are followed in Italy with an interest that reflects its own direct experience with some of these problems and its awareness of the difficulties involved.

The purchase of IBRD bonds, which has been one of the means by which Italy has given support to development assistance organizations, has substantially increased and has more than doubled over the past two years. The fact that in 1966, according to statistics compiled by the DAC, Italy was the largest subscriber of such bonds is clear proof of the favor with which Italy views the granting of increased assistance to developing countries through the intermediary of multilateral agencies. It is consistent with this trend that we are in principle opposed to "tied loans" and would regret to see a recourse to such loans in connection with the second replenishment of IDA. We wish to assure you that we shall consider this matter in the same spirit of cooperation that we showed at the time of the first replenishment.

The disparity between the initial subscription to IDA of certain countries and the financial resources supplied by them through the replenishment procedure is a significant indication of a need to update the rules of all the Bretton Woods institutions, not only IDA, in view of the evolution in the positions of their members. We feel that it would be unwise to go on evading this problem simply because it presents understandable difficulties.

Since development problems are, as you are aware, interrelated, we may perhaps be allowed in this connection to recall the two bond issues made on the Italian capital market by the Inter-American Development Bank for an amount that clearly shows the importance we attach to that Bank's activity in furthering development. Our support is merely a reflection of the warm relations which, by virtue of a long uninterrupted and flourishing tradition, link us to Latin American countries. We are particularly pleased to reaffirm the strength of these ties, hoping that in the future, as in the past, they may lead to a fruitful partnership in the interests of economic development and also of the preservation of the cultural and social values which we have in common. As this Conference takes place in the heart of South America—and we are grateful to our great host—our attention is drawn to the development problems of this vast part of the American continent, full of potentiality and hopes, and a worthy depository of high standards of civilization. It is, therefore, legitimate to express the hope that the European countries, especially the members of the European Economic Community, will intensify their present efforts at financial cooperation with Latin American countries, possibly leading to a new institutional framework to ensure a continuity of greater contributions.

My country has always tried to help solve the problems of international liquidity and development assistance that I have just outlined through material contributions and actions in keeping with its responsibilities. It may be pointed out, for example, that at the present time, thanks to its strong reserve position and the absence of conflict between internal and external objectives—a state of affairs to which the Fund has duly called attention in its excellent Annual Report—Italy is making a significant contribution to the expansion of income and trade in the world. This has been achieved through

balance of payments and reserve policies which entail the assumption of calculated risks.

Thus, I think it may be useful for me to dwell briefly on the most recent economic developments in my country. In general, an optimistic view may be taken of the current economic situation in Italy, although, as is always the case in a phase of upsurge, constant care must be exercised by the authorities in order to control its course.

Industrial production, continuing a trend that has been going on for some time, is at present expanding at an annual rate of 10 per cent, which is certainly one of the highest in the Western world; what is particularly encouraging is that the most dynamic sector is the capital goods industry. The growth rate I have just given is, of course, an average; in some sectors advances are more rapid than in others. But even building activity, which had slowed down for various reasons, has recently accelerated.

Economic recovery, which has been continuing now for more than two years after a standstill in 1964, is taking place against the background of a satisfactory degree of monetary stability. Wholesale prices have for some time remained substantially unchanged, while the cost of living has shown increases, which—however moderate in comparison with those taking place in other countries—raises some apprehensions.

These developments in the price field, on the whole gratifying, have been accompanied by a reasonable stability of both short- and long-term interest rates, which have settled down at levels that are considered likely, in view of the particular circumstances prevailing in Italy, to encourage a balanced growth of productive activity.

For the current year it may reasonably be expected that the rate of increase in national income will be not less than 5.5 per cent in real terms and 8 per cent in money terms. Similar gains are expected to be shown next year.

Naturally, the high level of productive activity has had repercussions on the balance of payments, repercussions that are becoming all the more noticeable as Italy's dependence on trade with foreign countries increases. Consequently, the large balance of payments surplus of the last few years has been gradually diminishing and may turn into a deficit, albeit a small one, for 1967 as a whole.

On the current account side, a trade deficit is the result of an increase in the rate of growth of imports, especially raw materials and semi-manufactures, and at the same time of a reduction in the growth of exports, due not only to the recovery of domestic demand but also to the less favorable economic conditions prevailing in some of the countries with which Italy has particularly strong commercial ties. The latter factor may also be held responsible for the slowing-down in certain receipts from services (tourism and emigrants' remittances).

Coupled with the deterioration in the current balance, a comparable deficit has taken place on capital account. The imbalance here is partly due to the liberalization policy that enables holders of liquid funds to invest them in the most profitable way, either in Italy or abroad; in this connection it is interesting to note that the deficit recorded in respect to capital movements is the net result of larger flows in both directions. This deficit represents, in fact, a shift of foreign exchange assets —i.e., of credits to foreign countries—from the public sector, that is to say, the monetary authorities, to the private sector, and from short term to long term. Among other things, this has made it easier to cope with the problem of administering the official reserves.

The Italian banking system is also playing an active—and increasingly important —role in financial transactions in foreign markets.

If the present favorable economic situation is to continue, it is necessary, inter alia, to prevent tensions from emerging as a result of factors already present or arising in the Italian economy. On the domestic front there is already a potential element of tension in the growing requirements announced by the public sector; an additional stimulant could be supplied by the foreign sector when economic activity will revive in certain countries. Hence, the need exists for liquidity to be carefully controlled to ensure an adequate flow of funds to the various sectors of the economy and at the same time guarantee conditions of financial equilibrium.

Application of the methods of economic planning recently introduced in Italy, which lay down the guidelines to be followed by each sector of the economy in order to achieve orderly economic growth at a rate compatible with the country's current potential, may work effectively to that end.

Jamaica: The Hon. EDWARD SEAGA
Governor of the Bank and Fund

Most developing countries will support the observation of the President of the World Bank, made in his annual address delivered at the opening session, to the effect that there is an increasing momentum of development taking place among developing countries. It is an observation to which a great deal of weight and importance should be given.

The business of development for four-fifths of the world's population, who live in the less developed countries, is wrapped in a mystique which almost defies definition. In contrast with sophisticated economies, which have geared their structures to a uniform standard and perfected the machinery for recording indices of measurement, the concept of development in developing societies begins with a lack of agreement on what it constitutes for what people. To help reduce differences for purposes of measurement, the concept of development is sometimes even misinterpreted in order to fit it into existing statistical moulds: the rate of growth of a developed economy expressed in terms of percentage increase of GNP, for instance, is full of much more meaning in advanced economies than in its application to a developing economy where it speaks only of vertical growth, minimizing the distribution of the fruits of growth, and even ignoring the score-sheet of social pressures. How does one, for instance, reflect in the GNP the number of school places needed for education, the jobs required for full employment, or water for irrigation?

But from all this has been distilled the somewhat undefinable mystique of the concept of development—to a degree understood, to a degree intuitively known—and it is from this combined experience of sense and sensation that we have begun to realize within this decade that this complex scheme has started to gain momentum.

But nothing spurs momentum like momentum. The Annual Report of the Bank for this year notes that 80 per cent of the

capital resources used for their development is supplied by the developing countries themselves; to this, in the words of the President of the Bank, the developed countries add the 20 per cent "leaven for the loaf."

With the build-up of new skills in these traditional societies, the establishment of institutions to mobilize and plan the use of resources, and the growth of awareness of the standards of living which are the new goals, the race is now on, and it will require a new dimension of resources to maintain the lead of development over discontent.

With the end of the Development Decade in sight, this is an opportune time to consider what "new dimension of resources" can be provided to save the spark of momentum from being put out.

It has been noted that the aggregate of aid provided by donor countries has failed to increase over the past five years and at this particular time the resources of that most accommodating aid institution, IDA, have been expended. Indeed, very few donor countries have actually contributed the targeted one per cent GNP in economic assistance.

An integral part of the reluctance of donors to expand economic assistance programs is the need to justify such assistance to their taxpayers and electorates who must consider such assistance as against competing domestic needs.

The answer to all this may be considered in two aspects:

Firstly, the point at which aid stops and investment begins is a shadowy area which defies definition. In a world in which closer ties of trade and investment are daily crystallizing, there is an interdigitation of mutual interests which cannot be separated. Indeed, to reverse the point made by the Governor for the United Kingdom yesterday, not only do we need to strengthen developed countries so that they might assist us, but they need to strengthen us so that we might buy their goods.

Secondly, beyond the efforts to maximize public assistance, the private sector is capable of providing increased investment. Here, two new mechanisms are needed to more fully mobilize private capital.

Longer-term private money at commercial rates, which could provide a substantial base for mortgages and investment in housing, hotel development, agricultural credit and basic industries, requires reasonable returns and a safe investment climate. Several countries, like Jamaica, have all the necessary prerequisites to attract investments of this type from huge external mutual funds and life insurance deposits, except for the fact that because of the period of life of the investment (10-20 years) the lack of safeguards against devaluation of currency creates a real fear in the mind of the investor.

Obviously, no single country or small group of countries can carry the weight of full conversion against devaluation, which sometimes results from external actions beyond our control, and so it becomes a proper matter for international arrangement.

At present, the Bank is considering a report from the staff on multilateral investment insurance against various types of investor risks. It is understood that devaluation risks are not among these proposals and we make an urgent plea to the Bank to look into this. It should be understood that what is expected is a scheme which would involve supporting contributions from developing and developed countries to provide a cushion fund.

Jamaica in putting forward these proposals for a system of guarantees would be willing to cooperate with any select committee created for special study.

It should be noted that this problem results from the psychological fears of investors and is present regardless of the inherent strength of a currency. In effect, a guarantee against devaluation for countries in the same position as Jamaica would not be a major risk, but it would have tremendous possibilities for expanding investments which could replace some of the budgetary items set aside in public resources to finance other areas for which aid is traditionally sought.

Special machinery is also needed to increase the activity of the private sector in trade. A special Resolution has been introduced on the Agenda of this Conference to discuss the deterioration of terms of trade as it affects developing countries and to maintain price stabilization for primary products. That this matter, which has been discussed internationally for several years, is to be specifically presented at this level is very welcome news. The point has been made repeatedly that better terms of trade mean less aid, and that aid and trade are twin problems, which comprise two faces of the same coin.

Jamaica supports the Resolution for special consideration of this problem. But realizing that success or failure may well depend on the machinery for study, we suggest that concurrent with the investigations of a study group, a number of interested member nations should meet to outline their interests and tackle at that level problems raised by the study group. This would provide machinery to resolve problems as they appear and thereby shorten the time for conclusions to be reached. . . .

. . . It must definitely be noted that within the past couple of years the major problems which have been placed on the agenda of international discussions for study and decision have been the trade and financial difficulties of the industrialized countries. The agreements flowing from the Kennedy Round have little effect on the real problems of the developing world; nor is it likely that the proposals for increasing liquidity will have any real direct impact on the major problems of most primary producing countries.

The point must be made, therefore, that the time has come to bring the full focus of world attention on matters of major importance to the developing world.

No problems better commend themselves for this intensive treatment than the proposals for price stabilization and examination of the means of increasing aid.

The plight of IDA as a major source for increased aid must be considered together with an examination of the criteria for IDA assistance. In the absence of real understanding of the concept of development in less developed societies, the use of per capita income figures as a criterion for assistance has proven unjustifiable.

Countries like Jamaica, which practice orthodox financing and are denied the use of IDA funds, must break the ground rules of good financing when short-term or medium-term money at commercial rates has to be used to finance infrastructural projects, which can only be sensibly financed by IDA-type soft credits. Yet these financial indiscretions are precisely the practices to which Finance Ministers of several countries have to resort again and again in the absence of IDA-type funds. In the final analysis, this builds up pressures on public debt charges, which

detract from a country's ability to finance public projects.

We wish to suggest that in the replenishment of IDA funds, new criteria be considered for making IDA credits available for projects which require by their very nature soft untied aid regardless of the specific country in the developing world which is involved, and that a portion of IDA funds be set aside to implement such proposals, leaving the remaining funds for application to the projects of countries which qualify by virtue of their levels of development and income.

In summary, let us:

1. Take note that development activity is beginning to settle into a pattern with some results and firm expectations for the future;

2. Accept the need for increased investment and aid to accelerate the momentum of economic growth towards self-sufficiency;

3. Explore the realm of the private sector for the "new dimension of aid and investment" needed to supplement the limitation placed on budgeted aid from the public purse;

4. Study the possibilities for organizing international support schemes for:

(a) guarantees against deflation of currency values, and

(b) stabilization of world prices for specific primary commodities, both of which can open doors of private investment and trade to overcome the stagnation of aid;

5. Make available a portion of IDA funds to all developing countries for schemes which essentially require soft money so as to avoid a build-up of debt repayment pressures which imperil development;

6. Focus international attention now on selected major problems of the developing world, this being the effective machinery to produce real results, which are urgently needed.

Mr. Chairman, I feel it is my duty not to close my comments without paying a very special and warm tribute to our host country, Brazil, for providing what must be one of the most beautiful settings in the world for this particular conference and for measuring up to what we in the developing world would expect of them in doing a man-sized job in providing all the facilities and comforts necessary for this conference. It always pleases us when the developing world can measure up to its own responsibility.

Japan: The Hon. MIKIO MIZUTA
Governor of the Bank and Fund

I should like to begin by expressing my warm appreciation of the hospitality accorded to us and the excellent arrangements made for this Annual Meeting by the Government and people of Brazil and the City and citizens of Rio de Janeiro. I should also like to pay high tribute to the excellent Annual Reports made by the Fund and the World Bank Group, and to the most lucid and penetrating presentations made at the beginning of this meeting by Messrs. Schweitzer and Woods. . . .

. . . Turning to the domestic economic situation, the Japanese economy entered a course of recovery in the autumn of 1965 and has since been in a new phase of rapid economic expansion. Plant and equipment investment continued on a steady upward course and consumption remained high. Indications were evident of a strong trend of expansion in every field of economic activity. Although prices have been relatively stable for these several months, the increase of exports lagged behind the continued increase of imports. As to the long-term capital account, the inflow of foreign capital was relatively small while aid to developing countries and export credits showed a marked increase, resulting in a very large net outflow of capital. The balance on nonmonetary transactions thus turned to a deficit since the beginning of this year. The increase of imports reflected the strong demand of domestic economy, and the slump of exports was also caused chiefly by the strong domestic demand and partly by the economic situations prevailing in the United States and Europe. Under these circumstances, we took a combination of fiscal and monetary measures, at the beginning of this month, including deferment of a substantial amount of government expenditures and an increase in the official discount rate, in order to insure that our economic growth would be sustainable.

I think it is important for us to maintain a sustainable growth of our economy on a long-term basis also. I believe that flexible and effective management of a fiscal and monetary policy mix is necessary to attain this objective.

Next, I wish to speak on another important problem facing us, that of promoting economic development in the developing countries.

Looking at the progress of aid to the developing countries from the developed countries, one is struck by the fact that the total volume of aid has recently been decreasing rather than increasing. For example, the total for the DAC countries in 1966 amounted to the equivalent of $9.9 billion, about 4 per cent less than the equivalent of $10.3 billion given in the previous year.

In the meantime, Japan's aid to developing nations has increased considerably. It is my great pleasure to be able to note here that in 1966 it increased by more than 10 per cent over the previous year. This means the amount of our aid has doubled since 1963. We have made strenuous efforts in this field, and we expect to continue our efforts to the extent circumstances permit.

As for replenishment of IDA resources, which is one of the most important and urgent problems in the field of aid to the developing countries, many discussions have taken place since Mr. Woods first made a proposal in this respect. It was made known that a number of contributing countries were faced with various budgetary and balance of payments difficulties. Japan also is now faced with such problems. However, I believe all countries are well aware of the urgency of the IDA replenishment as the available funds are running short. I expect deliberations on this problem will produce a program which is sound and feasible from the viewpoints of both the industrialized and the developing countries. I also think it necessary to give due consideration to let IDA funds be utilized by as broad a scope of developing countries as possible.

We all realize the importance of the United Nations Conference on Trade and Development which will be held in February 1968. The proposal for a scheme of supplementary financing, which is expected to be on the agenda of the Conference, will, I think, require very careful study from all angles since it involves many problems, including its relationship to the Fund scheme for compensatory financing.

I would now like to refer to the Asian Development Bank, which is a crystallization of the spirit of self-reliance and solidarity among Asian countries. It is really gratifying to note that, since commencing

operations in December last year, this regional bank of Asia has worked hard to finish all the necessary preparations and is about ready to begin its lending operations in the near future. It is also noteworthy that a Special Fund in the Asian Development Bank is now proposed to be established to strengthen the Bank's functions, with a view to promoting Asian economic development in various fields, and, in particular, to improving the agricultural sector of the region. The Government of Japan intends to make a contribution amounting to $100 million to the Special Fund of the Asian Development Bank to be used mainly for agricultural development, providing countries other than Japan and the United States make contributions on a matching basis with Japan; and for the fiscal year 1968, my Government is ready to contribute $20 million for agricultural development. At this juncture I sincerely hope that other industrial countries will join in contributing to this Special Fund to help strengthen further Asian unity and the close ties now existing between Asia and industrial countries in the rest of the world.

The improvement of the standards of living in developing countries is not only the problem of the developing countries themselves but also is a most essential and urgent task for the economy of the entire world, and in order to accomplish this purpose both the efforts of self-help by the developing countries and aid efforts by the developed countries should be made vigorously and in harmony with each other. In this connection, it is often pointed out that one of the obstacles preventing the increase in the global flow of economic aid to developing countries lies in the fact that the capital-absorbing capacity of those countries is not necessarily sufficient to make effective use of the assistance extended by the developed countries. It is also emphasized that the efforts of self-help should be directed toward the improvement on the economic front in the form, for example, of mobilization of domestic resources and augmentation of import capacity through fostering export-related and import-substitute industries as well as toward the improvement on the social front in the form of improved education and advancement of social reforms in the developing countries. On the side of developed countries, their governments should continue their efforts to explain fully to their people and convince them of the need and urgency to increase their assistance to the developing countries. At the same time, as has often been pointed out by Mr. Woods, those governments should be in a position, if their aid efforts are to be further intensified, to be able to give full and satisfactory explanation to their people on the use of their aid, its effect or contribution to the progress of the developing economy.

From this point of view, I would like to suggest that a study be made in the Bank to clarify what sort of conditions on the part of the developing countries enabled them in the past to obtain positive assistance from abroad and to utilize it efficiently, and what sort of conditions are required in the future to enable them to draw more positive assistance and to utilize it in a more efficient manner. I am of the view that, in order to maximize aid efforts of the developed countries in the long run, careful consideration should be paid to the respective budgetary and balance of payments problems of those countries, and more reasonable and equitable ways of sharing the aid efforts should be found. I hope that some international study will be made on this question, to clarify and elaborate the issues.

I would like to conclude my statement by expressing my confidence that the International Monetary Fund, the International Bank for Reconstruction and Development and its Affiliates will exert continued efforts for the improvement of the international financial system and for the promotion of economic assistance to the developing countries and will thus make full contribution to the stability and growth of the world economy.

Kenya: The Hon. J. S. GICHURU
Governor of the Bank and Fund

I must first compliment and express my thanks to the Government of Brazil for the excellent arrangements that have been made for the 1967 Joint Annual Meetings of the Bank and Fund in this wonderful city of Rio de Janeiro. The striking evidence of spectacular economic development in a country not so long ago regarded as backward and undeveloped, provides perhaps the best backdrop to these Annual Meetings. It also underlines the remark of the President of the Bank, Mr. George Woods, in his inspiring statement on Monday when he said that he would like to hear more about the success stories of development. The evidence here before our eyes in Rio is inspiration to all of the poor countries in the world.

Like other Governors before me, I must congratulate the Bank and the Fund on achieving once again such a high standard of excellence in their Annual Reports. These two reports are now regarded as amongst the most authoritative commentaries each year on the state of the world economy. The depth of their analysis and the lucidity of their exposition attain a standard of which the two institutions can be justly proud. I wish, however, that it were possible for us to be as proud of all events disclosed in these reports. . . .

. . . A downturn in the economies of nearly all of the major industrial countries has not only interrupted their own prosperity but seriously affected the economic progress of the developing world. I shall, however, later in this statement return to the ridiculous contradiction of industrial countries giving aid when their trade policies defeat the objects for which the aid is given. At this point, I merely want to . . . repeat what I said in my statement in Washington last year, that countries maintaining persistent balance of payments surpluses have a responsibility to the economic community just as great as those countries in persistent deficit, and as I said then: "this responsibility should be discharged to the rest of the world either by those countries following an expansionary policy in their economies or by their giving much greater financial support to the international agencies and/or direct development aid to the poorer countries."

My own country enjoyed a very prosperous year in 1966. Gross National Product increased by over 10 per cent, capital formation by 40 per cent, agricultural output by 15 per cent, exports by 11 per cent and imports by 14 per cent. In addition, we achieved a small balance of payments surplus. Since the country achieved independence at the end of 1963, Gross Domestic Product in the monetary economy has moved ahead at an average rate of 7½ per cent. I am confident that if a buoyant world economy can be maintained, we shall be able to advance the economy in real terms at an average rate of more than 6 per cent in spite of the in-

evitable bad harvests that are bound to occur. Once we have been able to provide the Kenya economy with a more substantial infrastructure, we shall be able to consider accelerating this rate further. Our sucess is, however, heavily dependent on the maintenance of an expanding level of world trade and all our efforts and also the efforts of countries providing us with valuable development assistance will be nullified if, to use your own expression, Mr. Chairman, countries start to "export recession." On a more optimistic note we have in the last year signed an East African Treaty for mutual economic cooperation with our neighbors Tanzania and Uganda.

In the current year, we have seen a serious downturn in the prices of a number of our more important export commodities, reflecting a lower level of demand. Earlier in the year we forecast the growth of our economy in 1967 at a little more than 6 per cent; we have recently had to reduce that forecast to 4 or 5 per cent, in large measure due to the downturn of the world economy in the first half of the year.

. . . Broad agreement on the new arrangements for international liquidity leads me to suggest that if so much thought and imagination can be brought into the monetary sphere, it is now time for as much thought, work and imagination to be devoted to the equally important twin problems of trade and aid. Mr. George Woods in his statement on Monday emphasized the important relationship between trade and aid, and rightly stressed that what was needed was not only more aid but aid on more favorable terms, in particular low-interest, long-term loans. IDA was designed to provide just such aid. Ambitious in concept and flexible in implementation, IDA at the outset seemed to those of us desperately short of development finance to be the type of assistance necessary to meet the fundamental development needs of the poorer countries. Many countries have been generous in contributing to IDA over and above their existing aid commitments, and I am aware that the developing countries' plea for more and more money on increasingly favorable terms must seem to the industrial countries like the persistent and irritating importuning of the professional beggar. But I believe the world is becoming too small for the richer countries to be able to live side by side on this planet with the poorer ones. It is not enough—valuable though it is—to make provision for the international institutions to provide compensatory financing, nor for using them to provide financial aid to poorer countries hit by natural disasters or by equally costly movements in the terms of trade. It is not enough to talk in terms of providing loans for viable schemes at the going rate of interest, particularly when, as far as the Bank is concerned, it is having to pay a market rate of interest higher than ever before.

All Governors at this meeting who are also Ministers in their Governments at home would not be able to maintain their political position if they did not pay regard to the particular problems of the poorer members of their national community. In the same way that long accepted national principles are about to be applied to world monetary problems so now must national policies with regard to social justice and the redistribution of income from the rich to the poor be taken out into the international sphere. Social and economic thinking on a national level has moved far in the last 100 years, and policies which would at the beginning of this period have been regarded as unthinkably radical are now generally accepted as normal in most of the industrial countries of the world. Why is it then, when such policies are considered normal on a national level, that the suggestion that they should be applied on an international level cannot also be generally accepted?

The provision of aid from the economic resources of the rich would in this way be regarded less an instrument of political purpose and more a just redistribution of income from the rich to the poor. In this way aid should not always be regarded as a residual in the national budget; it should in large measure be a prior charge in the budget in the same way that an individual's personal income tax is normally a prior charge on his personal budget. Clearly, aid contributions mean a lower level of personal consumption in the donor countries unless there are unemployed resources available for use. This must always be so; but when the industrial countries as a group are moving ahead at a growth rate of three or four per cent per annum, is it so very much to ask that one or two per cent of their total national product should be put aside to raise the living standards of the poor to a world level?

I realize that there is probably not one industrial country that does not have its own social problems to which it would like to devote more of its national resources. I know that charity begins at home—at home with a home electorate—but how many people in the industrial countries would be affected significantly if the benefits of a part of one year's growth were devoted to the principle of social justice in the world as a whole.

It is clear from the analysis presented to us by both the Bank and the Fund, that, given the activation of the new scheme of international liquidity and rather greater expansionist policies on the part of those countries in a fortunate position of persistent balance of payments surpluses, the prospect for the world economy and world trade should be brighter. It is, however, important to realize that by itself such prosperity will still, in large measure, be enjoyed by the richer industrial countries, and although the developing countries themselves look for a higher level of trade from prosperity in the industrial countries, unless there is a reversal of the trends we have seen in recent years, we can expect that the principal benefits will still accrue disproportionately to the rich. The developing world has suppressed its doubts about the new liquidity arrangements because it feels that the important thing is first to have a prosperous world economy. We do, however, also feel that the time has come for much greater imagination, and indeed sacrifice, to be applied to the problems of the developing countries. In essence, this means a much more substantial replenishment of IDA. I would naturally hope that the Bank's imaginative proposal for the setting aside of $1,000 million a year would be accepted and I regret that there has been no mention of this proposal by the Managing Director. It is unfortunate that a proposal, which would tie a substantial part of IDA money to the procurement of a particular country's imports has been made. Such a suggestion goes to the very root of the conception of IDA. It is not now the time to fall back on the resolution and imagination by which IDA was formed. The principle of free and open procurement is vital to the efficient utilization of IDA resources, and the benefits of the scheme would be dissipated if the money is not spent in the cheapest market.

Although I have suggested that contributions for development aid in general and for the replenishment of IDA in particular should be an essential part of the national budget of the richer industrial countries and not necessarily depend on a country's particular balance of payments position, I must, in part at least, accept that so long as persistent balance of payments deficit exists in the industrial world, some countries will find it difficult to play the expanding part they might otherwise seek. There is, therefore, a greater onus on those countries in a fortunate surplus position to contribute a relatively greater proportion of their national income to the replenishment of IDA. It is interesting to speculate on the possibilities of a world tax on balance of payments surpluses. It is, however, possibly not practical politics to pursue this idea at the present time.

The developing world must hope that Mr. George Woods is able to bring his discussions with the industrial countries on the replenishment of IDA to a successful conclusion, so that once again it can play its necessary role in meeting the crucial needs of those countries whose average per capita income tends to stagnate at the bottom of the world order. I am, however, pleased that the Bank is able to continue and indeed accelerate the level of its activities. One of the most remarkable statistics I have heard in the last week is that mentioned by Mr. George Woods when he said that 60 per cent of the Bank's funds have been disbursed in the last five years. I am also most impressed by the Annual Report of the junior partner in the Bank triumvirate, the International Finance Corporation. Perhaps the most interesting statistic in that report is that when IFC undertakes commitments with other private investors, those other investors contribute 12 dollars for every dollar disbursed by IFC.

It is clear that IFC has an important role to play in economic development, acting as a catalyst for reluctant private investment. I hope the Corporation will not be afraid to expand its staff in order to undertake the important task of the identification and the assessment of viability of projects. The expertise required to identify private investment projects is perhaps one of a particular shortage. In this connection I should perhaps mention, as a general point, that it is not always particularly helpful for economic missions from the Bank to arrive asking to be given lists of projects, for if such projects had already been brought to a final stage of preparation, they would invariably have been suggested to one or more of the available financing agencies. In large measure, therefore, we need assistance to help identify and analyze viable projects and I feel that the Bank and its Affiliates may need to do more in this sphere if its financing activities are to expand at the rate of recent years.

I have spoken at length because these are issues of greatest importance to the developing world. The industrial countries have already shown great understanding of our problems and if they would bear with us for just a few more years, I am sure that we can look forward to the day when development will have reached the stage in which an increasing number of countries now classed as underdeveloped will be able to stand on their own feet and exist as viable economic communities with rates of growth sustainable and comparable with those in the more advanced countries of the world. The problem can, however, not be put off for very much longer. The imaginative initiative in the financial field with regard to liquidity must now be directed toward new policies for aid and trade. It is to these problems in the next twelve months that both the Bank and Fund must give particular attention.

Korea: The Hon. BONG KYUN SUH
Governor of the Bank and Fund

It is a great honor and a distinct privilege for me to participate in this 22nd Annual Meeting and to commend, on behalf of the Government of the Republic of Korea, the Fund and the Bank Group for their worthy achievements in promoting further international economic cooperation during the past years. Before talking, however, on subjects of common interest, I would first like to join with my fellow Governors in welcoming The Gambia to our fraternity of membership in the Fund and the Bank Group and to the Governor for Indonesia in honor of Indonesia's resumption of membership in this fraternity. Also, I am very happy to join with the honorable delegates who have paid such well-deserved tributes to our Brazilian hosts for their great hospitality and for making such excellent arrangements for this Conference in this beautiful city, and to the staff of the Fund and the Bank Group for their usual superb competence in ensuring the success of our deliberations.

I do not believe that there have been many times before when as much mutual understanding and cooperation among countries, not only in political affairs but also in economic matters, have been required as in the world today. In meeting this need, the Fund and the Bank Group are indeed playing an increasingly useful role. In this connection, I wish to express my Government's sincere appreciation for the assistance given to us by these two institutions since Korea joined them in August 1955. . . .

. . . The Bank has helped materially through technical advice in executing our First Five-Year Economic Development Plan and drafting the Second Plan, while IFC has been largely instrumental in setting up the Korean Development Finance Company which recently started operations, and IDA has established a credit line of $14 million for railway development.

Fellow Governors, may I now take a few minutes of your precious time to narrate to you some of our major economic achievements during the last few years about which we in Korea feel very proud indeed. Last year, we successfully completed the First Five-Year Development Plan, and in the current year we launched the Second Plan. During the First Plan period, the Korean economy recorded an unprecedentedly high annual average GNP growth rate of 8.3 per cent, and in 1966—the last year of the Plan—at 13.4 per cent, the growth rate was indeed epoch-making.

The rapid progress of our economy in recent years has been perhaps most dramatically demonstrated in a substantial increase in the degree of industrialization, with the share of the secondary industries in the fast-growing GNP rising from 18 per cent in 1961 to 25 per cent in 1966. In the external sector, too, we have achieved remarkable results. Our merchandise exports which amounted to only $41 million as recently as in 1961, rose to $250 million in 1966, the increase in 1966 alone being 43 per cent. Encouraged by this result, and also as an important element in our economic stabilization pro-

gram, my Government has been pursuing a bold policy of increasingly opening our doors for imports from all friendly countries. Especially rapid strides have been taken in this connection during the current year as evidenced by the recent trade liberalization measures through the adoption on July 25 of a new negative list system under which only a relatively limited number of import and export items still remain prohibited or restricted. Furthermore, Korea has actively sought to implement an increasingly rigorous financial stabilization program in close collaboration with the Fund, which, along with the rapid increase in our export earnings and steadily enlarging net inflow of foreign capital, has imparted to our exchange rate a remarkable degree of stability since 1965.

We in Korea, however, fully recognize that all our economic progress hitherto and plans for development hereafter will be largely nullified unless we are able to control our population growth rate. This growth rate is still high, but thanks to a vigorous family planning program that we launched some years ago to coincide with the inauguration of our First Five-Year Plan, the growth rate has already registered a noticeable decline from 2.9 per cent in 1961 to 2.5 per cent in 1966. But we realize fully that this is only the beginning and are convinced of the need for a further sharp decrease in this rate. Consequently, our new Second Five-Year Plan, which commenced this year, calls for a sustained further drive in this respect with a view to bringing down the population growth rate to even below 2 per cent by the end of the Plan. We are confident that we shall attain this goal with the adoption of all the necessary measures on our part and with appropriate technical and other assistance from the concerned international organizations in this field.

Although Korea has made such good progress in both the internal and external sectors in the past few years, we are still in great need of further sizable external development assistance. In this connection, please permit me to draw your attention to the pressing problem that is currently facing the world, namely, the widening gap in economic prosperity between the developed and the developing countries, even during this so-called "Development Decade." It is regrettable, therefore, that in recent years, the scale of aid from the developed countries to the developing countries has been decreasing relative to the growth rate of their national incomes. Hence, it would not be inappropriate for me to recall here a UN Resolution passed in 1960 that requested the developed countries to allocate at least one per cent of their annual national income for giving aid to the developing countries.

Of particular interest in this context to all of us in the developing countries are the activities of the international financial institutions which, I sincerely believe, can provide us perhaps the most suitable forms of both short-term and long-term development assistance. . . .

. . . Also, in view of the shortage of resources that is now increasingly being experienced by the Bank Group, especially IDA, an appropriate formula should be speedily evolved to increase their resources. I have followed with keen interest the recent discussions among the Part I countries about the replenishment of IDA's meager resources and hope that this would soon be followed by concrete proposals that are acceptable to both the industrialized and the developing countries. In this regard, may I suggest that the Governors should consider the advisability of calling for a general increase in the subscriptions to IDA by all its members.

Finally, I take this opportunity to extend my Government's sincere gratitude to our fellow Governors for approving the increase in Korea's Fund quota, and to convey our thanks to the member countries that are now participating in the Bank Consultative Group for Korea.

In concluding my remarks, may I add that in meeting the challenge of attaining a self-sustaining and satisfactory rate of economic growth in all the countries, millions of the people must, during the years ahead, undergo such changes in our ways of thinking and modes of living as men in former times have never known. In this task, we as Governors of these Bretton Woods Institutions have a continuing obligation to help focus the world's attention on the need for the pursuit of sound national and international monetary and external payments policies, and I am confident that we shall discharge this obligation honorably at this historic meeting.

Liberia: The Hon. J. MILTON WEEKS
Governor of the Bank and Fund

Mr. Chairman, as we approach the end of our deliberations permit me on behalf of my Delegation to join all those who bestrode this rostrum before me to express our sincere appreciation to the President, Government and people of Brazil for the privilege of holding our Annual Meetings in this great and historic city.

We are now approaching the end of our deliberations. The words addressed to us by His Excellency the President of Brazil at the beginning of our Meeting have remained a constant source of inspiration and wisdom. I join those who have preceded me on this rostrum to thank the President not only for his timely encouragement to us but also for the splendid arrangements made by the Brazilian Government to facilitate our meetings and ensure our comfort.

For me, coming from Liberia which looks directly across the ocean to Brazil, I have been tremendously impressed with the level of development in this country.

This city and its people have received us with open arms and a warm heart. No effort has been spared to make our stay here enjoyable and memorable. We shall leave Rio full of praise of the warm hospitality of its people and eager to return to continue to discover more of its charm and beauty.

It is also a pleasure for me to extend a warm word of welcome to The Gambia which is meeting with us for the first time, and we look forward to an early admission date when Lesotho and Botswana will have completed their membership in the Fund and Bank Group. We are also glad that Indonesia has resumed its seat among us.

The more universal our institutions become the more strengthened they will be in achieving their objectives.

It is also my privilege to extend congratulations to the President of the Bank Group and the Managing Director of the Fund and their respective staffs for the comprehensive reports which they have submitted for the consideration of the Boards of Governors. We are certainly encouraged by the deep awareness on the part of the Fund and Bank Group of the basic problems of the world economy.

Speaking as the representative of a developing country, I am particularly gratified by the increasing emphasis in the Reports of our institutions on the interrelationship, indeed the very close interrelationship, between the developed and the less developed countries. It cannot be emphasized too strongly that the only hope for success of the universal development effort will be through the exercise of a full and satisfactory partnership in fact as well as in name based on mutual appreciation of the problems of all parties.

In both the Fund and the Bank Reports, one notes the cyclical trend in economic activity in the industrialized countries in the period 1965 to 1967, and the policies which have been adopted by most of these countries to offset inflationary and deflationary forces, and correct the resulting imbalance in their external payments. The unmistakable lesson gathered from these experiences is that there has been a greater reliance by the industrialized countries on monetary policy rather than fiscal policy to solve their internal economic problems. A direct consequence of this policy bias has been a regime of high interest rates which prevailed, more or less, throughout 1966 and into 1967.

The Bank Report records that: "By mid-1966 interest rates in major financial markets had reached their highest levels since the 1920s despite continued high levels of savings in the industrial countries. . . . As economic activity slackened in the second half of 1966, monetary policy became less restrictive. Interest rates declined by the end of the year in most capital markets, but by mid-1967 they had risen again to well above the level prevailing since the 1920s. The higher interest rates considerably increased the cost of capital for international development institutions and for the few developing countries which borrowed in external capital markets." I might add that this phenomenon increased the cost of capital also to the developing countries, which did not borrow directly in external capital markets. It can readily be seen that the high cost of borrowing imposes a tremendous strain on developing countries, such as mine, which are already saddled with heavy debt service burdens. In our case, debt service presently represents more than 20 per cent of total revenues.

The Fund and Bank Reports reveal, moreover, that the oscillations between acceleration and deceleration in the momentum of economic activity in the industrialized countries have had serious effects on the flow of public and private capital from the developed to the developing countries in addition to the hardening of the terms of development loans in recent years. Actually, the flow of private capital to developing countries declined considerably from 1965 to 1966.

Probably the most significant effects of economic fluctuations in the industrialized countries on the developing countries have been the drastic fall in primary commodity prices. The Bank Report observes that: "The deceleration of growth of the world economy since the middle of 1966 has adversely affected demand for most primary commodities." In Liberia we have been seriously hurt as a result of the fall in prices of our two major export commodities—iron ore and rubber—resulting in a disturbing aggravation of our budgetary and balance of payments problems. . . .

. . . The President of the Bank, Mr. George Woods, said in an article in the January 1966 issue of *Foreign Affairs:* ". . . one is bound to wonder when the fine sentiments so eloquently and often expressed by leaders in all industrial nations will give way to positive action to help raise the living standards of developing countries at a much faster rate. For how long can the industrial nations justify the relatively low place that development finance has hitherto been accorded in their list of priorities?" Elsewhere in the same article he stated that "unless the Development Decade . . . receives greater sustenance, it may, in fact, recede into history as a decade of disappointment." In a world where economic nationalism is re-emerging strongly and, in consequence, is persuading some political leaders to look increasingly inward, it appears that these truths are being pushed aside. . . .

. . . Now a word about the very pertinent remarks contained in the preface of the Annual Report of the Bank. Of the three faculties mentioned in the preface with which the Bank was endowed by its founders, it is stated that one was the command to the Bank to base its operations on economic factors and to stay out of politics. While I agree that these endowments are "priceless gifts" of the Bank's Charter and have indeed provided the basis for its successful operations over the past twenty-two years, I find myself faced with a measure of uneasiness in respect of this faculty of the Bank—that is to say, its mandate to stay out of politics.

If the command to the Bank to stay out of politics is interpreted as meaning that it should not interfere in the internal affairs of its members, or that its financing decisions should not be based solely, or even principally, upon political considerations, then my uneasiness is allayed.

The Bank is, and must of necessity remain, an international financial institution of the highest standing and repute. Indeed, it is the obligation of the Bank's management and of its member countries to ensure that this characteristic of the Bank remains untarnished, since this is a precondition of this ability to acquire the massive financial resources required for development. Economic considerations must, therefore, be the keystone of the evaluation of projects eligible for Bank financing.

On the other hand, the Bank's clients are its member governments which are also its shareholders. While we agree that, in making decisions on development priorities, economic considerations must be heavily weighted, I should observe that it is not unusual for Governments to take political considerations as well into account in making such decisions. In the few years of my experience with the practical operations of the Bank, I have been impressed with the emphasis on economic justification for projects eligible for Bank financing; this is indeed a healthy emphasis. But, I have also been disturbed at times by the apparent lack of appreciation of the political element in economic decision making.

Another aspect of the problem is that too often development projects are unduly delayed because of the overemphasis on economic justification based upon precise statistical data which in developing countries are often inadequate and sometimes even nonexistent. Such delays very often have repercussions on political stability. In my experience, I am convinced that there is a kind of local educated instinct which even in the absence of statistics suggests certain lines of action which the professional expert from outside can never understand. I could cite numerous examples where our instinct has proved correct as against the evaluation of the

outside professional expert. The pace of technological and political change has, in both worlds—the developed and the developing—brought with it problems that cannot be solved by conventional or outmoded tools.

Returning to the problem of international liquidity, it is only human to take the attitude that charity begins at home. However, if such an attitude prevails in the developed world, the problems of the developing world will not only become more intransigent but may well compound the problems of the developed world. In the absence of adequate foreign financial assistance and in the face of deteriorating terms of trade and heavy debt service burdens, we cannot solve our problems alone. We consider that the developed world must also have a vested interest in the health of the developing world.

The situation that confronts my country is probably similar to that of most other developing countries. In the absence of more acceptable forms of development financing, we were obliged to accept large debt obligations on very onerous terms. We have, however, learned a painful lesson. As the upward investment spurt petered out and world market prices for our main export commodities turned sharply downward, we were faced with great difficulties and were forced to seek some alleviation of our debt obligations. At the same time we drastically trimmed our development efforts and imposed harsh tax measures on our people. We undertook, furthermore, to foreswear less desirable forms of financing. We do not complain at having done these things even though it has entailed greater hardship than would be tolerated, or even dreamed of, in industrialized countries, e.g., a lower level of domestic activity and higher consumer prices combined with a virtual freeze on wages and salaries in the public sector. If one is realistic, one should ask oneself for how long can one convince one's people of the merits of financial orthodoxy when one's only prospect, in the absence of increased primary commodity prices or increased foreign assistance, is a further drastic tightening of the belt.

The developed countries advocate the pursuit of financial orthodoxy for developing countries. We have a measure of faith in the virtues of financial orthodoxy, but faith alone without good works will not suffice. If the developed world is to demonstrate to the millions of impoverished people all the world over, the correctness of its basic approach to the solution of the problems of underdevelopment, then the developed world will have to ensure that the flow of finance to the developing world regains its momentum. In this context, we join in the appeal to the industrialized countries for their favorable consideration of the proposal of the President of the World Bank Group for appropriate replenishment of IDA resources. We are pleased to note that there is general consensus on the need for such replenishment, and we hope that the level proposed by Mr. Woods will be realized.

We heartily welcome the initiative taken by the Bank in promoting the establishment of the International Centre for Settlement of Investment Disputes as we are persuaded that this machinery will facilitate the flow of private capital to developing countries. Although Liberia has signed the Convention, it has not yet been ratified by Legislature but we expect that ratification will take place in the near future.

In closing, Mr. Chairman, I want to say that we have been satisfied with the manner in which our meetings have been conducted and on behalf of myself and my Delegation, I wish to congratulate you on your able leadership.

Malawi: The Hon. J. Z. U. TEMBO
Governor of the Bank and Fund

I wish to join my friends in expressing our gratitude to the President, the Government and the people of the Republic of Brazil for the warm welcome which they have accorded us. For the first time, we are meeting in the Southern Hemisphere, and in a country which, like my own, falls under the category of underdeveloped. For this reason, this particular session assumes greater significance. It helps us to focus our attention, even more vividly, on the many serious economic problems now facing the world at large.

I have also noted with great satisfaction the Annual Reports presented by Mr. Woods, President of the World Bank, and Mr. Schweitzer, the Managing Director of the Fund. I welcome these Reports. We are indeed fortunate in having the services of these two dedicated men and their staffs, whose efficiency and diligence has impressed most of us.

I would also wish to welcome the representatives of Indonesia, who have rejoined the Bank and the representative of The Gambia, who have recently joined us. I also welcome the indications of Botswana and Lesotho to join this world body.

Many speakers have touched on all the important monetary and economic problems confronting this meeting. Without wasting much of your time, I would like to dwell on a few of these, if only to underline and endorse those views which affect my country more. . . .

. . . Now I would like to refer briefly to the question of the replenishment of IDA. As one of the developing countries that can least afford loans on conventional terms, Malawi is deeply concerned at the possibility that the replenishment of IDA will be either inadequate or tied to procurement or delayed. It is regrettable that the normal functioning of the Association may be interrupted by these delays. Malawi welcomes the views of those developed countries which have indicated readiness to support such replenishment.

In conclusion, I would like to say one or two words regarding the operations of the Bank and the Fund. My country has benefited greatly from the advice given by missions sent to it under the auspices of these two organizations from time to time. These visits have proved useful. However, I would like to suggest that, in future, an attempt should be made by both the Bank and the Fund to coordinate general economic missions by sending joint teams and joint questionnaires. It would also be of great help if questionnaires could be sent well in advance and could follow a standard form, the answers to which could be updated from year to year. In this way, there could be a very considerable saving in time of our own officials.

Malaysia: The Hon. TAN SIEW SIN
Governor of the Bank and Fund

In the first place, I would like, on behalf of our Delegation, to express our appreciation to the Government of Brazil for the cordial welcome and generous hospitality extended to us. We meet today in this beautiful city of not only a very large

country, but a country with a wonderful future, and we hope that that future will be as good as what its people wish it to be.

I would also like, if I may, to congratulate Mr. George Woods, the President of the Bank, for his inspiring and illuminating address. The statement which we were privileged to hear from him on the opening day of this session is typical of his farsighted and imaginative but practical outlook. Although he will be leaving us in the not too distant future we hope that the policies which he has initiated and maintained will be continued by his successor, whoever he may be. . . .

. . . At past meetings, I have constantly referred to a basic problem of the developing world, viz., the need to secure fair terms of trade, our chief disability being that we are paid less and less for what we largely export, i.e., primary commodities, while having to pay more and more for what we largely import, i.e., manufactured goods. Secondly, freight rates of the shipping companies, and the overwhelming bulk of such ships is owned and controlled by the industrial countries, are heavily loaded against both the exports and imports of the developing world, though some are discriminated against more heavily than others. Thirdly, the manufactured goods of the developing world are all too often denied reasonable terms of access into the industrial countries. It is becoming increasingly clear that the principles of GATT are being implemented in such a way that GATT has become a club run by the rich for the benefit of the rich.

Although GATT rules permit the establishment of free trade areas and customs unions, such as the European Economic Community, such arrangements are, by their very nature, more suited to conditions in developed countries. On the other hand, any proposal to introduce new preferential duties in favor of the less developed nations, such as those adopted by the Australian Government with effect from April 12, 1966, requires a specific waiver of the provisions of GATT forbidding the creation of new preferences. While it is not suggested that there was any undue delay in the granting of the waiver by the Contracting Parties on that occasion, we in the developing world urge that the GATT rules should be modified in such a way as to facilitate such arrangements.

It may be asked if it is relevant for this gathering to refer to the questions of freight rates and GATT rules, but I submit that both these questions are only other facets of the general problem of assisting the economic growth of the developing countries, the primary purpose for which the World Bank itself has been established, and these matters are, therefore, entirely relevant to our present discussion. They are relevant, because if fair terms of trade could be extended to the developing countries, we could probably wind up the World Bank in the foreseeable future.

I shall now take the case of my own country, viz., Malaysia, as an example to illustrate my point. Between 1960 and 1966, the unit value of Malaysia's natural rubber exports, our most important export commodity, fell by about 38 per cent from an average of US 35 cents a pound to an average of US 21 cents a pound. Since then, the price has fallen further and only a little while ago, touched a level of US 15 cents per pound, its lowest price in 18 years. Although the volume of rubber exports expected for 1967 is estimated to be about 26 per cent higher than that exported in 1960, estimated export earnings for this year will probably amount to only about two-thirds of the sum received in 1960. I need hardly add that the prices of manufactured goods which have to be imported by us have steadily risen, or that the terms of trade have equally, steadily and correspondingly deteriorated. Since 1960, the foreign exchange loss incurred by Malaysia as a result of falling commodity prices has been of the order of US$1,807 million which represents more than 57 per cent of our estimated gross national product for 1967, or nearly 1½ times the country's gross estimated export receipts for 1967, or 6¾ times the amount of official net loans and grants received during the period 1961-1966, or more than 3½ times the inflow of both private and official long-term capital during this same period.

To illustrate my point further, I might add that a drop of one Malaysian cent in the price of natural rubber over a period of one year results in an annual loss of nearly US$7 million in export earnings. One can come to the valid conclusion from the figures which I have given that if Malaysia had been given fair terms of trade, we would not need any aid from anybody, because the difference between what we actually received and what we should have received, was 6¾ times the amount of official net loans and grants or more than 3½ times the inflow of both private and official long-term capital during this period. In fact, not only would we not require any aid from anybody, we would be in a position to give aid to others, and this brings me to the main theme of my statement.

Before I deal with it, I would, however, like to go back a little into the history of the World Bank, or to give it its full name, the International Bank for Reconstruction and Development. It will be remembered that this institution was founded after the end of the Second World War for the primary purpose of helping in the reconstruction of the shattered economies of a Europe ravaged by war. When this task was completed, the Bank turned its attention to the developing countries. Its task in this field grew with the years as the number of such countries which became independent also grew steadily as a result of the retreat of Western colonialism from Asia and Africa. It is, therefore, clear that the primary objective of the World Bank should be to do its work in such a way that it is eventually no longer required. In other words, its success will be judged by its ability to render itself no longer necessary. In order to achieve this, however, it should lay greater emphasis than it has hitherto done on the basic problems of the developing world. At the moment, it is fair to say that the bulk of its energies is concentrated on the giving of financial aid for economic projects, though recently such aid has been extended to include educational projects which were not regarded as economic projects in the strict technical sense until a few years ago.

The Bank should, therefore, bear in mind that mere project financing is only a palliative and at the moment it is treating only the symptoms rather than the causes of the disease. The basic causes are, as I have stated already, three in number, viz., (a) uneconomic prices for primary commodities, (b) excessive freight rates for the goods of the developing world, both exports and imports, and (c) difficult terms of entry into the industrial countries for the manufactured products of the developing world. I am, of course,

aware that at least two of these subjects are being studied by bodies sponsored by the United Nations, but one cannot help feeling that the Bank and Fund would be the most appropriate institutions not only for the study of these subjects but for the implementation of schemes which such studies could well produce.

Though the United Nations was asked to take over these tricky subjects, it is clear that this body does not possess the financial resources to implement any scheme, however soundly conceived, which could tackle the root of the problem. On the other hand, the Bank and Fund are the only two institutions in the world which have the resources to implement sound and viable schemes, however vast such schemes might be, so long as the will to help is there. These two institutions can also act expeditiously because five or six of the largest industrial countries between them represent more than 50 per cent of the total voting power. The apparent unwillingness of the Bank and Fund to tackle the basic problems of the developing countries will inevitably give rise to a growing belief in the developing world that the Bank is not really interested in the basic reconstruction and development of Asia and Africa as it originally was with the reconstruction and development of war-torn Europe. This would be a very great pity indeed, as I have no doubt that the good intentions of the Bank are beyond question. Treating the symptoms of a disease rather than its basic causes might, however, largely nullify the entire work of the Bank in the long term, prodigious and dedicated though its efforts have been in its present field of endeavor.

We in Malaysia, therefore, warmly welcome the resolutions to be put forward by a number of countries urging the Bank and Fund to concern themselves directly and closely with the question of fair prices for primary commodities. We would like to congratulate them on their initiative and we hope that the Bank and Fund will respond suitably and spiritedly to the challenge which has been presented to them. That response could well signify the beginning of a new era in the history of these illustrious institutions and open up a new vista of hope for the developing world. In the process the shadows of today would be lifted and make way for the promise and fulfillment of tomorrow.

Nepal: The Rt. Hon. KIRTI NIDHI BISTA
Governor of the Bank

First of all I would like to associate myself with the previous speakers in expressing our sincere thanks to our hosts, the Government and the people of Brazil for the warm welcome extended to us. We are also indebted to H. E. the President of Brazil for the inaugural speech which has set the tone for our discussions. May I also take this opportunity to welcome, on behalf of my Delegation, the Governors for Indonesia and The Gambia and also the representatives of Botswana.

We have read with considerable interest the Annual Reports of the Fund and the Bank. These Reports, as usual, give us a very useful review of developments in the world economy and in international financial affairs and provide us with detailed records of the Fund's and the World Bank Group's activities of the past fiscal year. It is disheartening to note that per capita income in a large number of developing countries rose only slightly or declined in the first half of the present decade and the situation further worsened during 1966 and 1967 because of the recent weakening in the export receipts of the less developed countries. From the record of economic progress the less developed countries have achieved in the past six years, it is almost definite that the target of economic growth set for the Development Decade is not going to be fulfilled. It has often been stressed that developing countries should make all efforts to mobilize domestic resources before they look for external assistance. This is no doubt true, but whatever steps we may take, internal resources are likely to be very modest in relation to the investment requirements necessary to achieve even a reasonable rate of growth.

Furthermore, it is a matter of serious concern to the Fund and also to other international bodies interested in the growth of trade volume between the developed and the less developed countries to note that the total exports of countries dependent mainly on agricultural products increased only moderately from 1965 to 1966, while the prices of commodities that they generally import continued to rise and, therefore, there was scarcely any increase in the import purchasing power of this large group of countries. This trend is not likely to be reversed as long as the developed countries do not liberalize their existing policies and practices regarding imports. In view of the technological revolution taking place in the developed countries, synthetic raw materials are gradually replacing many of the farm and forest products. Such countries have also been expanding their own raw material base so as to be less dependent on imports. Unless the developed countries show greater sympathy and extend more cooperation to the less developed world, not only in respect of aid but also with regard to trade and capital flow, the prospects of this region's coming up to economic maturity look bleak. I would, therefore, like to support the views expressed by the Managing Director of the Fund in his statement that the industrial countries should improve the access to their markets of goods produced in the developing countries and that they accord high priority to the flow of development assistance.

I need not point out the significance of the flow of funds from the developed to the underdeveloped areas, but what I would like to stress is the need to maintain a minimum rate of flow of such funds to these areas if the underdeveloped countries are to achieve the targets set by the Development Decade. While we in Asia have noted with pride the emergence of the Asian Development Bank during the last year, the international flow of funds in general, seems to be stagnating, especially at a period when the need for such funds has been growing. What I would like to state is the need for planning the rate of flow of funds to the less developed areas in view of their requirements and the exploring of the means by which it can be achieved. I hope in planning and coordinating the flow of funds to the less developed areas the World Bank can definitely play an important role.

We note with satisfaction that the operations of the World Bank Group continued to grow during the year under review. Disbursements of the Group exceeded a billion dollars and the Group has entered into more numerous and varied transactions than ever before. However, there are still a number of developing countries, including my own, which have not had financial assistance from the Bank Group.

Let me now turn briefly to the development problem of my own country. In spite of our pressing needs to expedite the pace

of development, we, like others, are facing formidable barriers of shortage of capital and know-how. Our own efforts to mobilize resources within our borders have been rewarding yet we are nowhere near meeting our needs. We look upon the World Bank and its Affiliates for guidance and assistance. However, we are distressed that there appears to be continued indifference on the part of these agencies to assist us. We are aware of the difficulties the Bank is facing in raising adequate funds and of the shortage of IDA resources. Yet we hope that our needs are worthy of greater attention by the staff in the future. . . .

. . . To conclude, the healthy trend started by the Bank and the Fund of giving special consideration to the needs of the developing countries is in keeping with their needs. There is no doubt that these two institutions are being looked at by all member countries, especially the developing ones, as their friend and guide in the fields of monetary, fiscal and developmental problems.

Netherlands: The Hon. H. J. WITTEVEEN
Governor of the Bank

First of all I want to join other Governors in thanking our Brazilian hosts for having invited us to this beautiful city so bursting with life and energy, and for the gracious hospitality which abounds wherever we go. It is an inspiring and at the same time challenging thought that our institutions are meeting here in one of the largest developing countries where major achievements go hand in hand with hopes and expectations, within the scope of the objectives of both the Bank and Fund, which are still awaiting fulfillment. I wish the Brazilian Government and the Brazilian people the greatest success in their energetic striving for progress.

It gives my Delegation particular satisfaction that Indonesia has reassumed Fund and Bank membership.

I also take pleasure in joining other speakers in thanking the Executive Directors for their very interesting Annual Reports on last year's activities of the World Bank Group and President Woods for his impressive address in which he made such a forceful appeal for an intensification of our efforts and cooperation toward stepping up world economic development. The record of past performance, as Mr. Woods pointed out, shows gratifying progress in a number of countries, but the fact remains that there are still large areas in the world where the economic growth rate is disappointing and exceeds only by a slight margin the rate of population increase. This has various causes but there is no doubt that shortage of external finance on appropriate terms is a most important one which calls for our special attention.

Although the Bank Group's contribution to last year's development financing amounted to more than $1 billion, it is generally agreed that this is not a satisfactory target for the years to come. Each of our institutions should continue to grow in terms of the volume of its specific operations. However, while the greatest need is for an expansion of IDA assistance, the Association has run out of funds. I am convinced that the main topic of concern with which most, if not all of us, have come to this Rio conference, is the problem of IDA's early replenishment.

My Government finds it a cause for great regret that Mr. Woods' last year's proposal for IDA's replenishment has not met with more ready response and that in the discussions about this subject with individual Part I countries, difficulties have arisen which seem to be rooted in certain misconceptions of what we consider to be the right approach to official development assistance in general and to such assistance through IDA in particular. In our opinion the share of participants in development assistance and their contributions to IDA should be based on their relative economic capability as reflected in their national income figures. Once agreement has been reached on the total amount, each participant should be expected to put up his reasonable share and adjust his budget accordingly, and not the other way around. As a matter of principle the size of each contribution and the timing of its disbursement should not be conditioned by balance of payments considerations. Foreign financial assistance requires transfers—ultimately transfers of real resources—and it is an essential feature of any foreign aid policy, realistically conceived, to accept the burden thereof on the balance of goods and services, directly or indirectly. That is to say: foreign aid should not be treated as a residual item. Moreover, under a multilateral scheme which is the very nature of IDA, there can be no question that procurement should be untied and subject to free international competition.

There is an additional point which I would like to stress. Development assistance is a long-term process that will lose much of its usefulness if it lacks continuity. Uncertainty defeats efficient planning and interruptions are damaging to the realization of balanced growth. For that reason multi-annual commitments are highly desirable. In the case of IDA we feel that a replenishment for three years is the minimum and we would favor tranches that are gradually increased each year.

It causes my Government great concern that IDA's replenishment has run into considerable delay and that the Executive Board has already been forced to slow down the rate of new commitments of IDA funds at a time when the number of projects in member countries qualifying for IDA financing is increasing rapidly and the foreign debt service burden of several members is setting definite limits to additional Bank lending on conventional terms. It is a warning signal to be observed that the need for a rescheduling of foreign debt obligations, which in the past used to be confined to accumulations of short- and medium-term commercial debts, is now creeping up so as to embrace, though still in exceptional cases, the amortization of long-term development loans. It is rather unlikely that the Bank will be immune from such occurrences, and to the extent that the Bank does get involved, this is bound to have an unfavorable effect on its cash flow. Money-raising problems have already guided the Executive Directors in recommending a drastic curtailment of the transfer to IDA of a portion of the Bank's net income over the last fiscal year from $75 million to $10 million. I am fully satisfied that prudence dictated this recommendation from the Bank's point of view, but at the same time it aggravates IDA's financial problem and calls for early and vigorous action to overcome the existing impasse.

I wonder whether after the long preliminary discussions that have taken place we have not reached a stage when the Gordian knot has to be cut. I would like to suggest that as soon as possible after this meeting a special conference be convened of high level representatives of the

Part I countries, preferably their responsible Cabinet Ministers—preceded if necessary by one or two meetings of their deputies—for the purpose of reaching a final agreement on the amount and apportionment of the required replenishment of IDA funds. This method proved highly successful in the case of the liquidity problem. The step I propose would, in our opinion, be the most constructive and most promising response to Mr. Woods' plea for a rapid agreement, and at the same time meet the intention of the resolution adopted by ECOSOC on August 4, with its appeal to all Governments "to treat the replenishment of IDA resources to the required level, as a matter of the utmost urgency."

I can give the assurance that the Netherlands Government is fully prepared, subject of course to parliamentary approval, to assume a reasonable share in a substantially higher total amount than has previously been allocated to IDA.

I now would like to comment briefly on some problems related more particularly to the Bank. The Bank has to take care of its own financing and is supported therein by the high credit standing it has acquired in the capital markets and the confidence in its management. It continues, however, and today perhaps more than ever, to depend on the greatest possible cooperation and understanding of its member Governments. The Bank's borrowing in the creditor countries is subject to official approval which is not always easily obtained in view of competing demands for capital in markets that generally have become tight. Here the Bank deserves a treatment commensurate with its importance, and a reasonable assessment of what each market is capable of contributing. I trust that in the course of the coming year it will be possible for the Bank to come also to the Netherlands capital market. Debtor countries, on the other hand, should be aware of the fact that the Bank, not having unlimited resources at its disposal, may have to become more selective in various respects, and since it has to pay higher rates for the money it borrows, may have to adjust its own lending conditions accordingly. With respect to debtor countries facing serious payments difficulties, it may be expected that the Bank shall assist, in case of need, in finding for its part appropriate solutions along the lines provided for in the Articles of Agreement. Cooperation with other long-term creditors may be useful in this respect in order to work out equitable arrangements, but the Bank should be cautious not to jeopardize its own high standing in the world's capital markets.

Finally, I would like to state that my Government continues to be interested in the preparation and eventual establishment of a scheme for multilateral investment guarantees, closely associated with the Bank. The announced intention of the Executive Directors to proceed at an early date with their studies of this subject has my strong encouragement.

Niger: The Hon. COURMO BARCOURGNE
Governor of the Fund

Mr. Chairman, in compliance with your request that we limit our discussion, I address myself to you and to our Boards, which you chair with such skill and courtesy, not only on behalf of the Republic of Niger, but also on behalf of the Republics of Ivory Coast, Dahomey, Upper Volta, Mauritania, Senegal and Togo, which with my country form the most complete monetary union; and it is as Chairman of the Board of Directors of our Central Bank that I have the honor to speak here.

Allow me, first of all, to greet Brazil warmly and to thank it for its magnificent welcome. We are particularly happy to be received in this great country where so many West Africans among us here find once more, on the other side of the ocean and after centuries, the men, the tongues, the gods, and the rhythms of their countries.

Among the new members of our Meeting, there is one, The Gambia, that we are particularly happy to find here at our side.

You have allowed us to anticipate the forthcoming membership of two other African countries, and we express our pleasure in advance at this.

The West African Monetary Union has always shown great eagerness to participate fully in the activity of international institutions. Thus, our signatures were among the first to be affixed to the Convention for the Settlement of Investment Disputes, and of the 36 States to ratify it, seven are members of our Union.

Barely three months ago, our seven Governments, by a joint decision, completely liberalized the external financial relations of our States, eliminating all exchange controls, and leaving subject to authorization only a few investment operations in order to integrate them better into our development programs. On this occasion, the moderate exchange taxes previously established by three of our States were eliminated in conformity with the International Monetary Fund's wish.

Our currency, based on the combined external reserves of our seven States, managed by a jointly administered Central Bank, and supported by a monetary cooperation agreement concluded with France, is now completely convertible.

No exchange restrictions deter the activities of foreign investors from any country. Encouraged also by liberal and nondiscriminatory investment codes, investors can find in our country the most favorable conditions for their activities.

In an Africa in agitation, in a radically changing world, it gives me pleasure to state here that, in spite of everything, our States have always fulfilled their obligations. They have thus provided the stability necessary for the expansion of investment.

We expect from our membership in the Fund and Bank and from strict observance of their principles, not intellectual satisfactions, but tangible assistance for the development of our economies.

Year after year, we have heard eloquent assertions at these meetings of the need for nations, all nations to try to balance their external payments so as not to prejudice the operation of the international monetary system. We shall approve the creation of new facilities to benefit countries whose behavior has or will have rendered their international financial relations difficult. Our countries of the West African Monetary Union, in assuring the equilibrium of their external payments, will not be in a position to profit from these new arrangements. Once more, we shall have to content ourselves with being satisfied with the satisfaction of others.

Just before we came to this Meeting, we balanced our accounts. We found that our seven States have, in the five years of their participation in the international financial institutions, paid to them in convertible currencies an amount almost equal

to that actually disbursed on our behalf by these institutions. It is true that the obligations recently contracted on behalf of our countries by the Bank and its affiliates will soon reverse this situation. We have been able to note, however, how right you were, Mr. Chairman, in emphasizing the slowness of the process, and we would add, procedures, of development.

Your remarkable opening address would have the most salutary effect if it finally led to recognition by this Meeting of the need to give priority to ways in which adequate aid could be provided for the development of our countries.

There is no other way of doing this than to allow the developing countries to draw the optimum profit from their present activities, according to their present possibilities. Such aid can be rendered to them at the least cost by appropriate commodity agreements covering the principal agricultural or mining products which now provide the essential part of the foreign exchange earnings of the countries all of us here wish to aid.

Our colleague, the Governor for Malaysia, has shown us so well the need for a commodity agreement for his country's principal export that it seems useless for me to repeat it here with reference to our countries.

Such agreements would impart to the flow of financial resources available to our countries the regularity necessary for their efficient use, as Mr. Woods requested at the start of our meeting.

Therefore a study should be made of the stabilization of commodity prices at remunerative levels by establishing appropriate arrangements calling for balanced obligations on the part of both the producer and the consumer countries, and the necessary resources should be allocated to it.

This is the purpose of the resolution which the Governors for the 15 African, French and Malagasy countries, assembled last week in Dakar under the chairmanship of the Minister of Finance of the Republic of Senegal, agreed to submit for approval at our present Meeting.

We wish to be sure that in the new study requested of them the Executive Boards and staff of the Bank and Fund show the same diligence and efficiency that they demonstrated in the search for a solution to the problem of international liquidity. Mr. Schweitzer, the eminent Managing Director of the Fund, authorizes us to look forward to it with the following statement, made a short time ago, which he allows me to quote:

"An outstanding lesson of both the Kennedy Round and the liquidity negotiations is that the most difficult problems of trade and finance can be resolved provided that the will exists."

Nigeria: The Hon. A. A. ATTA
Governor of the Bank

I would like to join my fellow Governors in the glowing tributes paid to the President and the people of Brazil for their hospitality, to you, Mr. Chairman, for your address and wise counsel and the able manner in which you have handled this large assembly, and lastly, to the President of the Bank and the Managing Director of the Fund for their untiring efforts to achieve the aims and objectives of the Bank and the Fund, as illustrated both in their addresses and Annual Reports.

Coming back to this country, Nigeria's historical connection with Brazil is well known, and dates back to nearly a century ago when a group of Brazilians of Nigerian origin returned to take part in the early development of our commerce and industry. Today, the legacy of these pioneers is seen everywhere in the capital city of Lagos, which has its "Brazilians Quarters", with characteristic Brazilian architecture, monuments and way of life.

I will now comment briefly on the Nigerian political situation. Strife and political disorder have put Nigeria in the news since January 1966. Many delegates, I have no doubt, would be wondering why such a potentially rich country, with a great future and opportunity to raise the living standard of its people should find itself in strife and civil war. The fact of the matter is that most Nigerians passionately desire peace, which they regard as a precondition for economic development and progress. But war has to be fought in order to establish peace. The war was brought about by a few ambitious men belonging to one of the major ethnic groups who, in the early hours of January 1966, murdered a number of political and military leaders other than those of their group, and imposed, shortly thereafter, a system of government which every Nigerian leader, throughout the long struggle for independence, has rejected as unworkable. The collapse of the first Military Government in July 1966, was a direct reaction to the extreme centralization imposed on the country by a group of men who had no public support. Since then, the country has returned to a federal system based on equality of opportunity for all the ethnic groups who desire, and are able economically, to have a state of their own within a Nigerian Federation. The armed conflict actually started when certain members of a tribal group, out of about 240, refused to accept the federal system of Government. This tribal group has, within a period of five months, from January 1966, shifted from a position of extreme centralization to extreme decentralization which would mean the breaking up of Nigeria into four countries, each quite autonomous in every respect and having no authority whatsoever at the centre. The Federal Military Government regards the rebels' proposal as unworkable in the modern world and as a negation of the spectacular progress made hitherto, and the growing bond of oneness which has been evolved since 1914. In short, the war has come about because most Nigerians believe that the rebels' case would offer neither political stability nor meaningful economic future for our people.

Despite the upheaval and the uncertainties created by the crisis, it is gratifying to state that there has been continuing economic progress in Nigeria. The rate of economic growth in 1966 was even a little faster than the year before, and the public sector continues to achieve a healthy current revenue surplus for the financing of development. A trade surplus of the magnitude of £27 million was recorded in 1966. The production of primary export commodities and minerals was higher than the year before. The crisis had, however, affected the inflow of foreign capital, but in the main the setbacks currently experienced in our economy are not of structural nature, and will be removed as soon as normalcy is restored by the Federal Military Government. This will not be far from now.

I now turn to the operation of the World Bank Group for the financial year 1966/67. It is gratifying to note that the encouraging progress which the World Bank Group made in previous years under its able President, Mr. George Woods, continued during the year 1966/67. Total loan com-

mitments, as well as disbursements in the year, increased. But the problem of adequate flow of development funds to developing countries still remains unsolved and the gap between the "haves" and the "have nots" continues to widen. In this connection, we commend the efforts made by the President to persuade the more prosperous countries to contribute generously to the replenishment of IDA resources. As one of the developing countries, we strongly urge the more fortunate and more prosperous countries to recognize that the urgent need of the developing countries for soft loans—the type which IDA offers — has never been greater and more urgent than now. They should continue to assist IDA so that it can respond adequately, as in the past, to the priority needs of the less developed countries.

As the Annual Report reveals, there has been a consistent increase in the net earnings of the Bank. We have been told that, in furtherance of the decision of the Board of Governors in Tokyo in 1964, $50 million of the net incomes in 1963/64 was transferred to IDA, and $75 million, each, in 1964/65 and 1965/66. It is paradoxical, therefore, that, while there has been an appreciable increase in the net earnings of the Bank, particularly in 1966/67, the Board of Governors are being asked to approve only a token sum of $10 million to IDA resources. The acceptance of such a recommendation will impair the ability of IDA to increase its level of development financing, particularly at a time when the commendable efforts made by the President to replenish IDA resources by Part I countries have not yet come to fruition. In our view, the present recommendation is a contradiction of the efforts which the President has made and is still making to obtain a highest level of replenishment of IDA resources for the benefit of the poor countries. We submit that, on the basis of past practice, the annual transfer of funds to IDA should be proportional to the net earnings of the Bank, and, at least, should normally not fall below the level in a preceding year. In saying this, we do not overlook the reasons given by the President in his speech for the need to strengthen the financial position of the Bank. We, however, are unable to accept the premise that the transfer to IDA resources of at least $75 million, out of the net income of $170 million, will seriously impair the borrowing capacity of the Bank now that it has established a high reputation in the world capital market.

I now turn to the allocation of IDA resources. During the current fiscal year IDA made nearly $36 million in development credits to 13 countries—8 in Africa, 3 in Asia and one each in Europe and the Western Hemisphere. Of the total credits, Asia benefited to the tune of $246 million; Africa $199 million; Europe $15 million; and Western Hemisphere $2 million. While we do not question the basis of allocation, we hope that the requirements governing the distribution of IDA resources will soon be re-examined and reappraised to enable more countries, especially in Africa, to qualify for IDA assistance.

The burden of the debt servicing in the developing countries has, in recent years, become a serious problem. The net effect of the rising debt servicing burden is that, today, most developing countries devote substantial parts of their budgets to interest payments and loan amortization. To alleviate this burden, it is absolutely essential that aid-giving countries and organizations, including the World Bank, must take a decisive step toward much longer repayment moratoria and more liberal repayment terms than hitherto. Unless this is done, economic assistance will become a fruitless exercise which will fail to achieve the noble objectives of accelerated growth.

As I mentioned earlier, service on past official debts, including both interest and amortization, has adversely affected the finances of developing countries and has substantially reduced, and in some cases exhausted, the domestic resources available for development. This, coupled with the almost universal inclination of donor countries to finance only foreign exchange components of projects, or projects with higher foreign exchange content, has greatly inhibited the determined development efforts for many developing countries, particularly in Africa. In this connection, we commend the initiative of the World Bank to finance, subject to certain criteria, part of local costs. We, however, regret that not much has been done in this direction. In order, therefore, to have impact on the economies of the developing countries, and since the World Bank Group are the most efficient instruments "for long-term cheap . . . and untied lending", we urge the Bank to make its requirements for local cost financing more flexible, with a view to accommodating the needs of the developing countries.

We note with satisfaction the Bank's increased assistance to industry during the year. We also welcome the first line of credit the Bank has made available to IFC. We equally welcome the encouraging development by which the Bank made its first loan to a government-owned industrial enterprise, and we hope that the Bank will not relax its efforts to increase the flow of its loan funds to publicly owned enterprises. We regret, however, that IFC, by its regulations, is precluded from giving assistance to government-owned development finance companies when it is no secret that, in most of the developing countries, development finance companies are publicly-owned and play an important role in financing medium-size enterprises or that, in some cases, such industries are eventually handed over to the private sector and to the natives of the country concerned. We urge the World Bank to broaden, in the light of present day developments, the rules and regulations of IFC to enable it to play a more effective role in the economic development of developing countries, especially in fields where private enterprise has turned its back.

One of the factors which have inhibited the flow of private foreign capital into the less developed countries has been the sense of insecurity of investment. It was in order to reduce this risk that Resolution No. 174 for the establishment of machinery for the settlement of investment disputes was adopted at the 1962 Annual Meeting. The International Centre for Settlement of Investment Disputes is now fully established and operative. We welcome this development and hope that the existence of this machinery will lead to increased flow of private capital into less developed countries. . . .

. . . Mr. Chairman, I am grateful for the time allowed me to comment on those vital issues which affect our common good, and it is my hope that the world community will approach the problems of economic development and trade with enlightenment.

Pakistan: The Hon. N. M. UQUAILI
Governor of the Bank

By now, so much has been said on the various issues confronting the world econ-

omy that there is perhaps little new that one can add to it, but the problems of the developing countries are such that they would bear repetition.

To begin with, may I express the appreciation of my Delegation to the managements of the World Bank Group of institutions and the International Monetary Fund on their well-presented Annual Reports. These Reports are known for their comprehensiveness, clarity, and objectivity, and bring into sharp focus the basic problems confronting the developing countries, which we have been discussing in this forum year after year for almost two decades now. These Reports bring out clearly: that for the sixth successive year, there has been little improvement in the over-all level of development assistance provided by the high income countries; that the terms on which such assistance has been given have become harder and harder; and that the rising debt burden is proving extremely difficult for a number of developing countries to shoulder.

The worldwide deteriorating climate of foreign assistance is a matter of utmost concern for the developing world. While the developing countries stand at a crucial stage of their economic development, when they need a much higher flow of external resources than ever for a decisive push toward the much cherished goal of self-sustaining growth, they are faced with reduced availability of aid funds the world over. The high income countries seem to be getting impatient with, or tired of, the aid requirements of the developing world. The need for economic assistance is no longer looked upon with the sympathy and understanding that characterized the start of the Development Decade. This situation, which was so ably analyzed by the President of the World Bank in his address, is a sad development for the world at large, and for the developing countries in particular. We ourselves are keen to reduce our dependence on foreign economic assistance as quickly as possible. The World Bank Report acknowledges that the developing countries as a group provide about four fifths of the finance for their own development. Knowing as you all do the per capita income of these countries and their marginal propensity to save, the mobilization of resources on such a scale already involves a heavy strain for the developing countries. Any curtailment in the flow of external assistance, or downgrading of the aid priorities by the developed countries, will not only slow down the current momentum, but may also nullify some of their development effort made over the last twenty years. We realize that some of the highly developed countries may have balance of payments or budgetary difficulties of their own. These difficulties are, however, largely transitory and should not be allowed to distract from the ideal of ensuring a reasonable standard of life to the great mass of humanity inhabiting the developing world.

A matter of equally serious concern to the developing countries is the hardening terms of external assistance in a period of declining levels of such assistance. The debt burden of the developing countries has increased over the last decade from $10 billion in 1956 to over $41 billion by 1966. The annual service charges on this debt have risen during the same period from $800 million to nearly $4,000 million. The rate of increase in debt service charges, amounting to about 10 per cent per annum, is far above the rate of growth in the export earnings of the developing countries. Currently, of the total gross capital outflow of about $10 billion to the developing countries, as much as 40 per cent goes back to the developed world in the form of debt repayments. Taken together with the rise in prices of capital equipment and other aid imports, the net inflow of foreign assistance in real terms is even lower than that indicated by these figures.

This is a dangerous trend, and we should take serious note of it, if the decade of the 1970s is not to become a period of large-scale defaults. It is imperative that foreign aid and loans should be made available on much softer terms than those prevailing at present. The international community owes this obligation to itself and to the developing world. We were glad to note last year that the Development Assistance Committee of the OECD had called upon its members to improve the terms of their assistance and suggested a minimum period of 25 years for repayment and a maximum 3 per cent interest rate. Except for one or two countries, these recommendations have yet to be implemented.

I would suggest that the legacy of the unfavorable aid terms, which has assumed the form of serious foreign exchange crisis in a number of countries, should not be dealt with on a selective and individual basis. This problem is of a general nature, and the solution should be of equally general applicability. The World Bank Report makes a mention of the rescue operations it had to undertake for some countries. These are laudable efforts but if only those on the brink are rescued, it may merely encourage others to rush to the brink. Countries which so far have managed their debt and development problems better should not be penalized for doing so. I would suggest that the donor countries should seriously consider rescheduling their old loans, as, unless there is both an improvement in the future loan terms as well as in their terms of trade, the inescapable arithmetic of loans on hard terms is sooner or later going to catch up with these countries also. Such rescheduling arrangements alone, provided they are not accompanied by a reduction in the quantum of aid or the hardening of loan terms, would substantially increase the flow of net real resources to the developing countries, and facilitate the orderly liquidation of their old debts. I must make it clear that, in making the plea I have made for rescheduling of external debts, I do not have the particular interests of my own country in mind. Pakistan's economy during our Second Plan and in the first two years of our Third Five Year Plan, despite natural calamities and factors beyond our control, has, as Mr. Woods was kind enough to mention, done reasonably well. I am making this plea as one of the many representatives of the developing countries, to all of whom I am sure the burden of growing debt repayments is a matter of deep concern.

In this context it is unfortunate that the question of the replenishment of IDA resources has been pending for so long, despite the valiant efforts of the President of the World Bank. IDA was the one institution which, by providing untied loans on concessional terms, was easing the overall impact of the debt burden of developing countries. But the funds of IDA are now exhausted, and their replenishment is still nowhere in sight. My Government sponsored a resolution at the recent meeting of the ECOSOC in Geneva for the early

replenishment of IDA resources. This resolution was passed unanimously. I would urge upon the Part I IDA countries represented in this forum that before they return to their respective capitals they should agree on a definite time schedule leading to an early replenishment of IDA funds at a substantially enhanced level.

I am somewhat disappointed to see that the Executive Directors of the World Bank have recommended transfer of only $10 million to IDA during 1966/67 out of the Bank's net income of $170 million. In 1963/64, $50 million of the Bank's net income was transferred to IDA. For each of the fiscal years 1964/65 and 1965/66 the allocation to IDA was increased to $75 million per year. In view of the unfortunate delay in the replenishment of IDA resources, there was a case for increasing the amount of allocation to IDA from the Bank's income, rather than to reduce it to a token figure of $10 million. It seems that the Bank is anxious to retain most of its income because of the increasing difficulty of Bank borrowing in industrially advanced countries and the rising rates of interest. We share the World Bank's anxiety on this score and would urge the developed countries to adopt fiscal and monetary measures to enable the Bank to borrow from their money markets on reasonable terms. We hope that from next year the World Bank would resume its contribution to IDA on a generous scale.

While the aid climate has been deteriorating, there has been no noticeable improvement in the prospects of normal trade of the developing countries. The developed countries continue to maintain many tariff and non-tariff barriers in respect of goods originating from developing countries, though they have agreed to reduce tariffs on goods traded among themselves. The outcome of the Kennedy Round has come as a great disappointment. It is indeed disheartening that the less developed countries are not likely to derive any material benefit from the biggest round of tariff cuts since the Second World War. We had hoped that UNCTAD would herald an era of progressive economic collaboration between the developed world and the developing countries and that there would be material increase in the benefits which the developing countries would derive from growing international trade. In fact, the Annual Reports before us point out that trends exactly the contrary continue to prevail. In terms of volume, exports of primary products from developing countries have increased by 5.5 per cent per annum during 1960-65, as against an expansion of 9.5 per cent in the export volume of manufactured goods. At the same time, in relation to the prices of manufactured goods, the average price level of primary commodities has declined, implying a further deterioration in the terms of trade of primary producers. Not much progress has been made so far on international commodity agreements to stabilize the prices of primary exports. As such, the second UNCTAD Conference, due to meet early next year, can only start on a note of pessimism, unless the developed world changes its basic attitudes toward trade with the developing countries. . . .

. . . Progressive ideas are all the more valuable in a period of retrograde developments. Instead of being depressed or overwhelmed by the current international developments, we should try, to the best of our capacity, to influence the course of these trends for the benefit of economic development in the less developed parts of the world. This is the kind of leadership that we seek from the World Bank Group and IMF. I am confident that the Bank and the Fund will continue to provide this leadership in the future as they have done in the past.

As a major beneficiary of this leadership, I would like to express the sincere appreciation of my Government for the role that the World Bank has played in the general economic development of my country and more recently in the successful lining up of credit for what is going to be the world's largest dam of its kind, namely Tarbela Dam, a project of vital importance to the agricultural economy of Pakistan. I would also like to avail myself of this opportunity to thank all those countries who, through the institution of the consortium organized by the World Bank, have made this possible.

Before I conclude I would also like to express the sincere thanks of my Delegation to our gracious hosts, the Government and the people of this great country for the warm reception they have accorded us and the generous hospitality they have lavished on all of us.

Paraguay: The Hon.
CESAR ROMEO ACOSTA
Governor of the Bank

We are assembled once more in the Meeting of Governors to consider the activities carried out by the World Bank Group during the fiscal year ended June 30, 1967, and to assess the general economic situation of the countries of which it is composed, involving the use of the financial and technical support they receive with a view to achieving more dynamic economic growth rates, especially in the developing countries. Along these lines, we are pleased to note that in many respects the Bank Group has had one of the most active years since it started operations, and that it has thus enhanced the important contribution it has been making to countries resolutely engaged in improving the economic and social conditions of their people. The total amount of the 67 new loans granted by the Bank and IDA was about 10 per cent higher than the amount committed in the preceding fiscal year, increasing from US$1,123 million to US$1,230 million. IDA's contribution, which represented 29 per cent of this total, reflects a substantial increase over the amount provided in the preceding period, and represents an important stimulus to the developing countries' own efforts. We rejoice at this despite the fact that a very small proportion of this increase went to the countries of Latin America, which, we are able to say, received little aid during the period.

The Bank, for its part, despite the increasing difficulties which have arisen in the international situation, granted loans for a larger total amount. We can also refer to the active negotiations it carried out to coordinate external financial assistance to developing countries, as well as to promote increased cooperation between the Bank Group and other international or regional institutions. This task is singularly important for the countries that receive aid from different international institutions, as has occurred with the Latin American group, which counts the Inter-American Bank among the principal promoters of regional development.

Note should also be taken of the priorities the Bank and IDA have given to infrastructure projects, which have absorbed

the greater part of their new loans. Industry, transportation, and electricity as a group received 77 per cent; the agricultural sector, 7 per cent; and purposes such as education, telecommunications, water and project preparation, 8 per cent. The rest was granted to the International Finance Corporation for performing its mission. These priorities undoubtedly make it possible to approach with better perspective the structural problems facing the majority of the Bank member countries. Some of the lesser developed countries continued to make economic progress, but it seems that many of them continued to experience little growth, mainly because of the rapid population increase and the instability of production and trade levels.

To all this we must add the satisfaction we feel at knowing that the World Bank will grant credits to sectors hitherto not served, such as agriculture, education, industry, and tourism. In addition, the fact that part of the credits will be used to finance local currency expenditures will make a positive contribution to the industries concerned and to monetary stability.

In order that all this can actually be done, we join with all the developing countries in asking the capital-rich countries to continue granting financial aid to the World Bank Group and especially to IDA, whose soft loans are so beneficial to us.

As to Paraguay, the annual rate of economic growth was about 5 per cent in the period 1960-1965, as a result of increased investment in productive sectors and infrastructure projects and the improvement of exports. Investments were concentrated in the transportation, agricultural and electric power sectors. The rate of investment since 1960 has been 16 per cent of Gross Domestic Product. This investment indicates a capital-output ratio of three to one, which we consider satisfactory, considering the nature of the investments, which in general have been intended to meet the national economy's development needs. The investments were financed by means of an increase in private saving that led to increased economic activity and higher export earnings, and also by means of a larger flow of external capital to the public sector, supplementing its own internal savings.

Savings of the private sector held in the form of bank deposits increased in the five years ended July 1967 at a cumulative rate of 36 per cent per year. The increase recorded during the 12 months ended in July was 38 per cent. Private investment has increased considerably in recent years as a result of the favorable climate that has prevailed in the country for long-term investment. In this connection mention may be made, among other things, of the stimulus provided by long-term financial aid granted for industrial equipment and development of other basic sectors, including livestock, forestry, and agriculture. This assistance has been supplemented appropriately through short- and medium-term operations. At the same time, the flow of foreign private capital has increased gradually, especially in the sector of industry.

In the four-year period 1963-1966, investments of the Central Government represented about 20 per cent of each year's budget expenditures, of which one-fourth was made with external resources, and the remainder with public saving. These investments went mainly into infrastructure projects such as roads, electric energy, ports and airports, expansion of the merchant marine, telecommunications and colonization, as well as to social needs: housing, health, and education. However, in this period an increasing proportion of public saving also went to promote production directly on the basis of specific economic activation programs. These programs were implemented through the National Development Bank, an institution that receives a large part of its resources from fiscal sources in the form of capitalization. This Bank, which receives as supplementary resources credits provided by IDB, AID, and the German Government, grants medium- and long-term credit for industry, farming, and other areas of national interest.

Within this promotional activity carried out by the Government through its institutions, we must emphasize the wide repercussion throughout the country from the implementation of the special livestock development program being carried out through IDA's assistance. This program, which is administered by the Banco Central del Paraguay through a tripartite commission, aims to improve the system of livestock management in order to raise the quality of livestock. For this, long-term financing with reasonable grace periods is being granted. These loans are used to cover investments in wire fencing, watering stations, drinking troughs, cattle pens, ramps, cattle dips, etc. Credit received from IDA in the amount of US$3.6 million, plus a local contribution of 25 per cent, have been disbursed entirely to breeders in the period 1965-1967, the beneficiaries having been 222 borrowers with 2,817,065 hectares of fields and 727,213 head of cattle. Last year IDA granted Paraguay a second loan for the same purpose, in the amount of US$7.5 million, which is also being invested at an accelerated rate, the amount utilized by the end of August 1967 having been more than US$2 million.

We must also point out that Paraguay is currently drawing on another credit from IDA in the amount of US$6 million, which is intended for the construction of bridges and roads covering a 303-kilometer stretch. Last year a new contract was signed with the IBRD for a supplementary loan of US$2.2 million to enlarge the roadbed. In addition, another loan received from the World Bank in the amount of US$2.75 million is being used for enlarging the port facilities of Asunción. Another credit from the same institution for US$2.2 million will be used for road construction covering a distance of 43 kilometers. In sum, Paraguay is currently using US$17.1 million provided by IDA and US$7 million provided by the World Bank.

The total volume of loans obtained by the public sector, including State enterprises, amounted to US$123 million at the end of 1966. Of this total, US$73.5 million has been used thus far, the outstanding balance being US$57.6 million. The larger part of the loans received was provided by IDA, the World Bank, IDB, AID, and the Eximbank.

The Government is now engaged in introducing improvements into the system of collecting public revenues and rationalizing budget expenditures. In this way it expects to achieve new levels of saving in order to give continuity to the various public investment programs without unbalancing the budget.

Paraguay enjoys a reasonable monetary stability, which we consider adequate in view of the nature of domestic production and foreign trade. The policy of monetary stabilization also provides support for the effort being made by the Government to give momentum to economic progress.

The balance of payments has been favorable for several consecutive years, including 1966. This has led to continual increases in reserves, which reached their highest level at the end of last August relative to any previous period. Paraguay has no arrears in the fulfillment of its external financial obligations.

Domestic prices have recorded few changes in recent years. The cost of living increased only 2.9 per cent in 1966, and during the eight months of the current year the increase recorded was 0.8 per cent.

We must point out that the success achieved by Paraguay in regard to economic and social development is due, among other factors, to the political and social stability the country has enjoyed for more than a decade. This has permitted the Government to design and carry out development plans with long-term projections, without any interruption in the implementation of the various programs drawn up to overcome the deterrents to economic development. An outstanding and historic aspect of this political process is the existence of a new National Constitution since last August 25. The new *Magna Carta* consecrates the objectives of economic development in an imperative to which the Government must give shape, and there are embodied in the Constitution principles that the Government has been following in its work of progress, such as repatriation of citizens, fair distribution of land within the framework of respect for private property, freedom of the press exercised by all political sectors through their own journalistic organs, and, above all things, the right to live free and with dignity within the national territory.

In this way, Paraguay is succeeding in advancing in many fields, both on the institutional plane and on the plane of economic and social achievements. For these achievements, we have counted upon the financial support of the institutions of the World Bank and IDA, to which we express our sincere gratitude.

Finally, we express our thanks to the Government of Brazil for having given us such a magnificent welcome to this wonderful city of Rio de Janeiro, offering us at every turn the kindness and courtesy characteristic of the noble Brazilian people.

Philippines: The Hon.
EDUARDO Z. ROMUALDEZ
Governor of the Bank

It is an honor and a pleasure for me to address the 22nd Annual Meeting of the Board of Governors of the Bank and its Affiliates, IFC and IDA, and, on behalf of the Government of the Republic of the Philippines, to congratulate the World Bank Group on the conclusion of another year of operations. It is also a pleasure to enjoy the warm hospitality of the Brazilian people, and we therefore take this opportunity to express our sincere appreciation to the Government of Brazil.

In considering the Report of the International Bank for Reconstruction and Development for this fiscal year (in the context also of the reports for the past three or four years) we are impressed both by the increasing gravity of the external financial positions of the developing countries of the world and by the apparent meagerness of the attention and efforts we have devoted so far to meeting this problem boldly and adequately.

In the past it was fashionable to explain away the paucity of the flow of capital into the developing countries in terms of their lack of "absorptive capacity." Today economists, particularly of the World Bank itself, admit that the developing countries are in a position to utilize effectively an increase of "several billion dollars" of external finance over the present gross rate of flow of roughly $6.5 billion. Furthermore, the concept of absorptive capacity is itself a variable dependent on the magnitude, forms and effective direction of external assistance.

The problem we face now is clearly one of supply of resources from the countries that are in a position to provide those capital resources. "External finance," says the Report of the World Bank, "on appropriate terms continues in short supply." For the sixth successive year there has been little improvement in the over-all level of development assistance provided by the high-income countries. And while the emergence of the European capital market has become an essential complement to the traditional markets in New York, London and Zurich, competing demands from among the high-income countries themselves have made it more difficult and costly to obtain finance for development from those markets.

Official assistance to developing countries has been marked by a shift from grants to loans. Loans have taken on a substantial hardening of terms. Thus between 1962 and 1966 payments of amortization and interest on external public debt of developing countries have grown at an average annual rate of 10 per cent while the annual rate of growth of exports of those countries was only 6.5 per cent between 1960 and 1965.

The developing countries have been drawing fairly heavily on equipment suppliers' credits which are relatively shorter in maturities and reflect high implicit or explicit costs. Debt service burdens of a number of developing countries have thus risen to dangerously high proportions of exports, some going up beyond 20 per cent.

It is well for us to remember that in many of the developing countries, the opportunities for developing light and relatively simple projects have been exhausted. Further developments require heavier and more capital-intensive projects that will require massive external finance. It is alarming to view this imperative in the light of the statement in the World Bank Report that while a continuing growth in the gross capital flow is required simply to maintain the net inflow of foreign capital (net of amortization) into these countries, the trend has been for such flow to decline. This means that the net flow is threatening to reverse itself and that we shall shortly have a net outflow of resources from the developing countries representing debt service and repatriation.

With over two-thirds of the Development Decade past, we believe it is too late to hope that the achievements in improved livelihood for the developing countries in this decade will come anywhere near the promise. It is not too late, however, to meet the problems and bottlenecks frontally and lay out the institutional bases for their solution. This must be the overriding task of the countries here represented at this year's meeting.

We would like to quote here the concern expressed by the Economic Survey Section of the United Nations Secretariat, which stated in a study published by Princeton University this year: ". . . by the middle of the nineteen sixties, it appears

that further progress in extending development finance from the rich to the poor countries is encountering serious difficulties. Indeed, the flow of resources in this direction has remained on a plateau since the beginning of the decade. Unless a fresh impetus is given to efforts to raise such finance, there is grave danger that the impasse may turn into a crisis." *(New Proposals for the International Finance of Development,* Princeton, New Jersey, 1967, p. 19.)

We are proposing that a Working Party be constituted at this Meeting to examine in detail this whole question of raising the supply of development finance for the developing countries, identifying the obstacles and bottlenecks that impede its free flow, determining how the terms of such finance might be made more favorable, evaluating the adequacy and shortcomings of existing bilateral, regional as well as multilateral arrangements, and formulating a concrete program for meeting the problems under the leadership of the World Bank Group of institutions.

The agenda and terms of reference of such a working party should cover primarily the pattern of policies that might be established in the major capital exporting countries of the world for the purpose of inducing a measured flow of suitable financing to the developing countries. The magnitude of the flow is to be a measured one to take into consideration the various competing demands in the country itself for financial resources, for private as well as government uses and taking into account the balance of payments situation of the country itself. But overriding priority should be given to the specific magnitude of finance deemed appropriate over any period of time, and an effective complement of policies should be adopted to render the financing accessible to developing countries. These policies may include outright budgetary allotments from tax revenues, suitable funds earmarked out of normal banking channels, exemptions from portfolio ceilings or interest equalization taxes in the capital markets, and, subject to compliance with the normal registration requirements, ready access to the markets for private placement or public issues.

One of the instruments which might be explored is a multilateral, international credit insurance scheme to provide guarantees for loans to developing countries in order to enable suitable projects of such countries to tap trust and other institutional funds which are subject to fairly constrictive laws in their countries of domicile, once again, within defined limits.

We would like to close by underlining the urgency of focusing attention on these problems and of devising means of breaking the present obstacles to a freer flow of finance from the developed to the developing countries. If the problem of international liquidity which has occupied the center of our attention for the past several meetings was considered a serious one, we believe the problem of opening up new resources and establishing more adequate channels for development finance is of more critical importance particularly at this time.

Sierra Leone: Lt. Col. B. I. KAI-SAMBA
Governor of the Bank

I wish to join previous speakers in thanking the Government and people of Brazil on behalf of my Government and the people of Sierra Leone for the warm hospitality extended to us.

I would like also to register my appreciation for the commendable way in which our affairs have been managed by the staff of both the World Bank Group and the Fund.

Since our independence in 1961, we have received missions and their reports, and had discussions with World Bank officials. These have served as important guidelines in the formulation of our financial, economic and fiscal policies.

Being amongst the latecomers to this international lending institution, we are not too discouraged by the fact that we have qualified so far for only one Bank-financed project. Most of our energies have been directed toward planning and the formulation of basic policy decisions. As a result a few of our projects are at an advanced stage of preparation, and it is our hope that they will shortly qualify for IDA funds. Our interest, therefore, in the replenishment of IDA funds is more than merely academic. It is with great concern and regret that we learn of the rapid depletion of these funds. We would urge that in addition to the token transfer from the Bank to IDA of net earnings, which I hope this meeting will approve, the industrialized countries should give the Bank greater access to their capital markets. In addition, more of the advanced countries could and, indeed, should follow the very worthy example set by the Swedish Government in making special annual contributions to IDA, and, more recently, the Swiss example in preparing the groundwork for lending to IDA on highly concessional terms.

We think that the time has come for advanced countries to consider it their normal obligation to budget annually for contributions to IDA, thereby creating and effecting a system of international transfer payments similar to those operating already within the national boundaries of most advanced countries. Thus, on an international scale, fiscal measures would be used to eventually correct the structural imbalances of the world community of nations. In the long run, it is in the interest of the advanced countries to raise the living standards of the overwhelming majority of the peoples of the world, at the same time creating for themselves wider markets for their manufactures and services. . . .

. . . While we recognize that the major initiatives for our economic consolidation, recovery and expansion must be taken by ourselves, we, like many other developing countries, are concerned about tendencies in world trade and capital movements, particularly during the last three years, which even with the most optimistic interpretations, signify that, on balance, the share of the developing nations in world trade has been declining and capital movements have been falling. This reduced flow of funds into the developing nations coincided with a contraction of grace periods and maturities as well as higher interest rates.

The escalation in debt servicing obligations of low income nations would have to be sharply and urgently constrained. We recognize our potential contribution to this end, but venture to suggest that some kind of a breakthrough in the initiatives of lending nations and multilateral institutions is presently needed. . . .

Somalia: The Hon.
HAGI FARAH ALI OMAR
Governor of the Bank

It gives me great pleasure to express, on behalf of the Somali Delegation, our sincere thanks, for the warm hospitality and courtesy shown to us since our arrival by the people and Government of Brazil.

I would further like to state how grateful we are to have had the President of the Republic of Brazil addressing us here and I am certain that his wise words will contribute greatly to our deliberations. . . .

. . . This last year has been an eventful one and political tensions in many areas of the world have become more significant hurdles to development efforts and, in the case of the Middle East crisis, have had severe bearing on the economies and trade of, not only the participants, but also many other parts of the world.

There were, however, some favorable events in the field of international cooperation of which I need mention here the agreement reached in the long-drawn GATT negotiations, better known as the "Kennedy Round," and the London understanding reached by the Group of Ten on the subject of world reserves and liquidity. We are glad of this agreement on reserve creation which, if not an ideal solution to the problem, brings us a step nearer to such goals. . . .

. . . The Chairman and Mr. Woods have both touched on the problems of economic development, and I think we all agree that it is a long process which involves more effort and time than is generally appreciated. A country that generates most of its development needs is accepted to have attained self-sustaining growth. Underdevelopment, therefore, is always associated with foreign aid. Availability of foreign aid has always its snags to watch for, most important of which is the degree of indebtedness of the recipient country. If this indebtedness reaches a certain level it becomes dangerous and has negative effects on the economy of that country. It therefore requires prudence on all sides to approach the problem of assistance with the tacit understanding that aid flows by manageable proportions both in its volume and its terms. In short, the best aid is that given with generous hearts and used with prudent judgment.

This takes me to the kinds of aid available, especially through and from the World Bank institutions. In particular, I would like to touch on only two of the Bank affiliates, IDA and IFC.

The larger part of the Bank's most needy members are those that require aid of the type provided by IDA. My country, Somalia, is one of such members. These countries are literally lined up for an appropriate share of IDA funds which are, as we all know, very limited. Worse still is the regrettable fact that all IDA funds are either used or committed and no new replenishment has taken place so far this year. This is rather frightening despite the note of hope we have heard in Mr. Woods' address. A lot of projects are piled up waiting and subject to IDA replenishment and it would really be unfortunate if IDA cannot continue playing its useful role in international aid.

It is even more surprising to note that the Board of Directors have not allocated any amount of substance to IDA from the Bank's net income which hit the record high of US$170 million. Out of this, unlike the two previous years, only a nominal US$10 million has gone to IDA and the rest was allocated to the reserves.

Every prudent businessman recognizes the need to build up sufficient reserves for the Bank against contingencies when its disbursement is rising fast as at present. Nevertheless, the Board of Directors should have supplemented the words and efforts of their illustrious President by serious action and should have allocated at least US$75 million to IDA as in the previous year. An action of this kind would not only have set an example to other contributors but would also keep the Association in business until such time as a decision is made as to its future.

It would amount to a blow to progress if IDA is allowed to lapse when it has become a successful example of concessionary multilateral aid administered on strict business lines.

A look at the International Finance Corporation is worthwhile here. The Corporation's activities have fallen far behind its other sisters by maintaining a very narrow approach to its mandate: the more so with regard to its approach to African conditions. One explanation often put forward is the lack of organized private capital in the African Continent. Obviously African private enterprise has not been independent and is not yet of age. What we expect from the Corporation is to mobilize, to organize, to advise and even to create such businesses on private lines where the potential exists. We cannot avoid suspecting that not only matters of organization but also size has much to do with IFC's reluctance to participate in the very small and often limited private initiative which exists in the various parts of the Continent.

Even if private enterprises are lacking in many of the member countries in Africa, Governments have taken action to fill the gap with public organizations. It is high time for IFC to shed some of its ideological bias against public ownership if this is the only way to help a member country. Evidently it would be very difficult to keep track of and coordinate aid to numerous small businesses, and I am certain that the best way to overcome such a problem would be for IFC to channel its assistance through wholly or partly government-owned credit institutions and investment banks that have acceptable degrees of independence from political decision and which may have the required standards of management and organization.

I am sure that the Bank's resourceful leadership is leaving no stone unturned to find ways and means of giving fair treatment to the Corporation's neediest members, even if final recourse is changing the rules of the Corporation.

Finally, Mr. Chairman, allow me to congratulate you on your effective management of these Meetings and may I congratulate also Mr. Schweitzer and Mr. Woods, and their staffs at all levels, not only for yet another year of success for the Fund and the Bank, but also for the excellence of the arrangements for the Meetings and the documentation, interpretation and translation services that enable us to conduct our deliberations under the best possible conditions.

South Africa:
The Hon. NICOLAAS DIEDERICHS
Governor of the Bank and Fund

I gladly join with other Governors in thanking the Government and people of Brazil for their generous hospitality in this beautiful city. . . .

. . . Turning now to the World Bank, I wish to touch briefly upon the position of the so-called intermediate group of countries, sometimes referred to as the "more developed primary producing countries". It would appear to be the Bank's present policy to restrict loans to this group. Particularly at a time when some of the major capital exporting countries have imposed restraints on the free movement of capital, I believe that this policy is wrong and that it will, in the longer run, not serve the best interests of the Bank or of the less developed countries themselves. It seems to be most desirable that the Bank should have a well-diversified and representative group of borrowers. The Bank furthermore can generally find a ready market for the shorter-term portions of loans made to its relatively stronger member countries, and thereby continue not only to increase its lending resources but also to maintain the necessary liaison with investors in Bank bonds. As a result of such liaison these investors may also come forward in increasing numbers as participants when the Bank finds it necessary to approach the market for new funds. A continuously open door to this intermediate group of countries at the Bank's standard lending rate would not only be of assistance to these members; it would also enable them, in future years, to make a more substantial contribution to the efforts of developing countries to expand their trade, and would facilitate the extension of a greater volume of development assistance by the intermediate countries to the developing nations.

In conclusion, I am pleased that two newly independent neighboring African States, Botswana and Lesotho, are likely to join our institutions shortly. We shall welcome our neighbors most sincerely to our ranks.

Spain: The Hon. JUAN-JOSE ESPINOSA
Governor of the Bank

The World Bank has completed another year in its already long life of work, a year during which, as its President has informed us in his documented speech, it has carried out a volume of operations that is all the more impressive in view of the considerable difficulties with which it has had to contend as a result of the economic and financial situation through which the world is passing.

I therefore wish to tender to the Executive Directors and President of the Bank my congratulations on the effort they have accomplished, and to encourage them to continue to pursue the path on which they have embarked.

I consider the policy followed during the past financial year of maintaining interest rates unchanged, in spite of the increase that has taken place in the price of money on the world capital markets, to be satisfactory, and recommend that that policy continue without modification. Any transfer of resources to purposes other than those of the World Bank itself—even if it were conceived as a distribution of dividends in favor of organizations closely associated with the Bank—should remain subordinate to that policy.

The developing countries are engaged in a struggle, at times dramatic, to accelerate their growth rates, in which a fundamental obstacle frequently encountered is the weakness of their primary sectors, in spite of the paradox that many of them possess abundant, still unexploited natural resources. The problems of these sectors are most clearly manifested in the inadequacy of their food supply. Without a prior solution of this basic and vital problem it is vain to hope for any massive association on the part of the populations of the nonindustrialized countries with the always arduous undertaking of economic development.

The growing demand for foodstuffs is the consequence not only of the accelerated population growth in the majority of the developing countries, but also of a defective distribution of the available products. There is a need for ever greater attention to the primary sector on the part both of the governments and of the international organizations, faced as we are by the specter of millions of human beings suffering from hunger.

In the face of this frightful situation, the most authoritative voices in the world have raised moral and human arguments that cannot be ignored at this time of search for specific solutions.

The rational and efficient exploitation of natural resources, and the just distribution of their fruits at world level, would be the best and the most humanistic formula for the matching of supply to demand. Consequently, agricultural and livestock projects merit the urgent and special attention of the Bank.

This special attention must not, however, lead us to forget that the member countries of the Bank present an extremely varied range of economic development, and I am sure that the Bank will know how to continue to furnish to each of them the specific form of cooperation that it needs. In this way, those countries now in an intermediate stage of development will be able to join the highly developed group sooner, and thereby to add their effort to that of the countries that are already participating actively in providing technical and financial assistance to the more needy countries.

Spain is conscious of the responsibility that it bears as a member of the Bank. For this reason, in spite of the fact that it is still in a period of evolution and continues to need the Bank's assistance, it has in turn collaborated with the Bank to the full extent of its power by means of the subscription of bonds and by agreeing, even though it has not yet freed its capital transfers, to the conversion to any other currency of the pesetas portion of its quota. Similarly, Spain has communicated to the International Development Association its decision to release its pesetas quota for purchases in Spain, and I am pleased to announce here that important operations have already been carried out that have beyond doubt helped to relieve the Association of disbursements in other currencies.

Before concluding, I should like to take this opportunity to express my most sincere support for the economic and social development of the Latin American countries, with which Spain has such close ties.

Finally, permit me to tender my thanks to the Brazilian Government and to this beautiful city of Rio de Janeiro for the generous hospitality extended to us.

Sudan:
The Hon. ABDALLA SIDDIG GHANDOUR
Governor of the Bank

I would like to join all those fellow Governors who expressed their appreciation and sincere thanks to the Government and people of Brazil for the warm welcome and excellent arrangements they

have made to us here in this magnificent city.

We have decided to make a joint statement on the activities of the Fund and of the Bank Group, not only for reasons of expediency but more so to underline the unity of purpose of these august institutions. The promotion of economic growth under conditions of stability remains as never before to be the challenging objective of both.

At the outset of my joint remarks I should like to express our great appreciation for the outstanding work done during the preceding year by the Executive Directors and staff of the Fund and the Bank Group. The 1967 Annual Reports are lucid and most informative and ably survey the problems of the world economic development and the international payments mechanism. The addresses of Mr. Schweitzer and Mr. Woods which introduced the respective Annual Reports were as usual full of penetrating comments and stimulating ideas.

The Bank and its Affiliates have again achieved impressive success, which is witnessed by the widening fields of their activity and the greater flexibility in the terms and conditions of the loans and assistance which they extended to the developing countries. The President of the Bank Group, however, had in his able and inspiring address expressed in a way no other qualified person can do the dimensions and gravity of the problems that still face the developing world. He has made a plea to the statesmen of the world community to heed the writing on the wall and to recognize, before it is too late, that the unity of purpose and interests that bind men and states together require unselfish foresight on the part of the richer industrialized countries. We would like to lend our unqualified support to Mr. Woods' plea.

We note with dismay that toward the end of the United Nations Development Decade the question of aid to the developing countries still remains the most vital aspect of and the most serious factor hampering their development efforts. We believe in the principle of self-help, that each developing country should provide from its own resources the major portion of the financing of its economic development, but it is still an accepted fact that for some time to come, an appreciable injection of capital from abroad is necessary to maintain an accelerated rate of economic and social progress. And yet in spite of all the efforts that have been made and pleas and aspirations expressed by and through international forums, the total capital flow to the developing nations had remained stagnant over the first half of the 1960s, declined in the preceding two years, and in real terms the value of both was less.

This levelling off and decline in the net amount of the flow of supplementary external financial resources is coming at a time when most of the developing countries:

(a) Have increased and are continuously increasing their capacity wisely, constructively and productively to absorb a far greater inflow of foreign capital and assistance. Their potential in this respect can easily double if sustained efforts and assistance are devoted to the preparation of the numerous identifiable projects that are beginning to emerge.

(b) Are experiencing a reduction in their foreign exchange earnings and reserves due to the difficulties of marketing their exports, the downward trend in the prices of such exports and the upward trend in the prices of their basic imports.

(c) Are beginning to face the burden of debt servicing. Though debt servicing now already absorbs over 60 per cent of the inflow of external assistance, what is really alarming is that this proportion will continue to rise.

Perhaps these phenomena which I have outlined, however serious they are, can be explained in terms of specific factors and combinations of circumstances. What is far more alarming, however, is the outlook for the future. A crisis in the international aid to the developing countries seems to be gathering momentum. There are signs that the original impulse which led to a progressively increasing outflow of aid in the 1950s is now running out of steam. For though the gross inflow of foreign capital to developing countries is still at a high level, yet the amounts which industrialized countries have been voting in their annual budgets are falling away. This may sooner become a trend if not urgently and consciously checked. Again we join others who plead that all statesmen will seriously ponder over this matter and do their best to check this grim prospect. What is needed is not only a substantial increase in the amount of aid but a very considerable easing of its terms since the capacity of the developing countries as a group to service additional external debts is rapidly diminishing; their resort to short-term suppliers' credit has been inevitable though ill-advised.

It is in this connection and against this background that we look with disappointment at the failure so far to replenish IDA resources. We wholeheartedly support the President in his endeavors and urge the donor countries to make a massive replenishment of IDA resources possible without conditions that may defeat the underlying principles and goals of multilateral concessional and unconditional assistance. We are also of the opinion that the amount to be transferred from the Bank's net profits this year is inadequate and doubly impairs IDA's ability to maintain reasonable levels of development financing. We therefore strongly urge that the practice of transferring to IDA an appreciable portion of the Bank's net profits be maintained as a standing policy.

Before I move to another subject may I make brief observations on some of the aspects of the present amount and conditions of aid. My first point concerns the approach and method followed in fixing the amount of loans. As you know the general practice is to lend for a specific project and to confine the loan to the amount which it is estimated will be needed for financing the direct foreign exchange costs of the project. In my view this practice needs to be revised and a measure of flexibility be introduced to cater for:

(a) A portion of the import content of the numerous domestic services which are not easily recognized as a direct effect of the investment project and are therefore not taken or at best insufficiently taken into account when calculating the foreign exchange component of the project, and

(b) A portion of the import content of current consumption (the so-called secondary imports) generated during the construction period of the project through wage earners and others who had been given direct or indirect employment by the execution of the project.

We can readily see the difficulties of reliably calculating these indirect foreign exchange costs of a project. It may nevertheless be possible to adopt the practice of increasing the direct import contents

of a project by a reasonable percentage to be agreed upon.

My second observation will very briefly deal with foreign exchange financing of local development costs. It is readily agreed that a greater and more effective and sustained effort by many of the underdeveloped countries is needed for the mobilization and more rational allocation of internal resources. But because of the very low per capita income and the violent fluctuations in their export earnings, we should not expect too much in that direction. It is in this context and the great pressure of the implementation of development projects on internal currency resources and its strains and stresses on the balance of payments that foreign exchange lending for local development costs is required. The policy initiated by the Bank a few years ago to make loans to cover both external costs and part of the local currency costs of projects, is of great significance in this respect. It is our sincere hope that its imaginative and consistent application whenever circumstances so dictate (and in many cases they do) will soon see the light of day. We also hope that all other lending institutions and capital-exporting countries will adopt a similar policy and apply it in practice.

My third point concerns the financing of development studies, surveys and preinvestment reports and other preparatory works prior to investment. Technical assistance by international institutions and donor countries cover the cost of some general surveys and investigations. However, the foreign exchange costs of detailed studies, design work, preparation of documents and supervision fees by consultants are except for the World Bank often not accepted by lender countries. There is no doubt about the crucial importance of such work by consultants in paving the way for subsequent smooth economic expansion and for ensuring the maximum productivity of every unit of investment. At the same time, while the cost of such works for individual projects may not be very large, yet the total in a development plan is very substantial. It is, therefore, necessary to provide for the foreign exchange cost of such services on all loans by lender countries, and also necessary for the Bank to be more flexible in reimbursing all the earlier expenditures in this respect. . . .

. . . Last but not least, I would like to extend our welcome to the new and prospective members; their experience and views will no doubt enrich our discussions.

Sweden: The Hon. G. E. STRANG
Governor of the Bank

I should like to associate myself with those of my colleagues who have spoken before me in thanking the Government of Brazil for the warm hospitality extended to us. We are fortunate, indeed, in having been invited to meet in this beautiful city.

Our meeting is held at a time when there is overwhelming evidence that the objectives of what was proudly announced as the Development Decade will not be attained. In many developing nations we are witnessing difficulties even to achieve a rate of growth sufficient to maintain the prevailing low standards of living. The gulf between the poor and the rich nations of the world is still widening.

Time and time again it has been stated that this situation should be a challenge to expand the contributions to the economic development of the poor nations. However—far from increasing—the total volume of aid, measured in gross terms, has stagnated in recent years. In net terms there may even have been a reduction of total aid. Furthermore, the quality of aid seems to be declining. The share of grants in official bilateral aid thus diminished from three quarters to less than two thirds over the last five years. Tying of bilateral aid to procurement in the donor countries is now the rule, and attempts are made to introduce such tying also in the field of multilateral aid.

The UNCTAD one per cent target is the well-known, widely accepted goal and measuring rod of our aid efforts. This target, however, treats resource flows in crude quantitative terms and does not take financial and other conditions sufficiently into account. Flows with a negligible or nonexistent element of assistance proper are lumped together with transfers of an unquestionable aid character. This deficiency in the target has had the effect of drawing attention away from the terms and conditions of resource transfers to the less-developed countries.

Present developments of aid conditions and debt burdens would seem to call for a complement to the UNCTAD target, focusing on the qualitative aspects of development assistance. Donor countries might agree to achieve a certain "liberalization" of their development assistance, the target being that, say, at least 80 per cent of their assistance efforts should consist of one or several of the following items: contributions to multilateral agencies, bilateral grants and development loans extended on IDA terms or softer and, finally, development loans at low interest rates and fairly long repayment periods provided they were untied. Of course, this liberalization percentage could be attained only progessively, and provision would have to be made for appropriate balance of payments safeguards. If such a target were established—as a supplement to the volume target—and if donor countries made real efforts to reach it, a significant contribution would have been made toward reversing the present, negative trend in development assistance.

Now, I would like to turn to the very acute problem of IDA resources. Despite the fact that the proposal for a quadrupling of IDA funds was made in the middle of last year, negotiations concerning the size and conditions of the replenishment operation have not yet been concluded and, consequently, IDA has run out of resources. Deep concern has been voiced over this delay. My Government fully shares this concern.

Multilateral development assistance has certain advantages over bilateral aid. One is that it is not tied as to the source from which the recipient country may purchase goods and services. Nevertheless, this type of assistance seems to have difficulties in holding its own in the over-all aid picture. Over the past six years there has been a relative decline in contributions to multilateral agencies from 12 per cent to 8 per cent of total resource flows for development. This trend should be reversed.

I wish to join in the appeal to the major donor countries to make possible a replenishment of IDA's resources which would enable the Association to expand its activities without introducing restrictions or procurement rules which inhibit a rational use of the funds contributed. Should a doubling of the present annual rate of contributions be all that could be attained for the next fiscal year, this should

be recognized as a first step only. If it were deemed necessary to introduce some kind of balance of payments safeguard, it should be sufficient to give a country in balance of payments difficulties the benefit of having its contributions, in so far as they exceed procurements under IDA credits in that country, called only after the contributions of other Part I countries. This implies that countries with no marked balance of payment difficulties should allow the Association greater flexibility as to the encashment of their contributions. My Government would be prepared to make such a concession.

At this Annual Meeting, it has been recommended that we approve a transfer from the Bank to IDA in only a token amount. I have some difficulties in seeing that developments since our last Annual Meeting warrant such an abrupt break with the practice of allocating a substantial sum to IDA. The Bank's net income last year was the highest ever, while the need of funds of its "soft-lending" daughter institution is the greatest ever. The change as to IDA's share of the Bank's income takes place at a most unhappy moment. It has been suggested, however, that a further transfer to IDA be contemplated in the course of the current fiscal year. Sweden would wholeheartedly support a proposal for such a transfer.

Finally, I wish to pay tribute to the devoted and outstanding achievements of the staff of the Bank Group. If the Bank Group, despite Mr. Woods' and his staff's efforts, should prove unable to meet the demands for funds in service of the development of the world economy, the responsibility will be ours.

Syrian Arab Republic: The Hon. MOUAFFAQ SHOURBAJI
Governor of the Bank

I would like to begin by thanking the managements of the Bank and Fund for their valuable 1967 Annual Reports. . . .

. . . We believe that it is of utmost urgency that the countries present here, and those who are members in the United Nations Conference on Trade and Development, should exert maximum effort in order to increase the number of commodity agreements which partly help to stabilize prices and improve the terms of trade of developing countries. Maximum efforts should also be exerted to bring about a gradual reduction in trade barriers in developed countries so as to help the developing ones to achieve a higher rate of growth in their exports. . . .

Tanzania: The Hon. PAUL BOMANI
Governor of the Bank

Let me, in the first place, join my colleagues in thanking H. E. the President of Brazil for his kind address of welcome. His decision to offer his country and the beautiful city of Rio de Janeiro as host to this august assembly was a wise move. We, in the developing world, have plenty in common with this great country, in that we share the same experience in the problems of marketing our agricultural commodities such as coffee, sisal and many primary products. In Tanzania we also have the problems of development of vast lands with sparse population. In our case, and of course in the case of Brazil, our population does not call for the use of the pill as seems to be the need in some other developing countries, as indicated by Mr. Woods. Given the development instruments, that is capital and skill, our vast lands are capable of producing more food to feed millions of the hungry world.

Mr. Chairman, I would like to share with you and my colleagues the sentiments expressed about the extraordinary beauty of this city and the generous hospitality that we have enjoyed since our arrival. If you permit me, I would like to add that it is particularly gratifying for an international congregation, such as this, to meet in this great country where its people of different origin and background live harmoniously and happily. Our presence here for this important conference is not only an inspiration to many of us, but it also offers a great opportunity for us to learn from this country's experiences.

I would like to take this opportunity to extend to Mr. Woods my Government's appreciation of the invaluable services that he has rendered to the World Bank Group. It is during his term of office that most of our African countries became members of these institutions, to which we have been turning for our much needed technical and financial assistance. In view of some peculiarity of our development problems, I must congratulate Mr. Woods and his staff on their foresight and imagination in effecting the Bank Group operations in our countries and in bringing our economic development to its present level.

I would now like to say a few words about the new development policy in my country. From the time we embarked upon National Development Planning, we in Tanzania have been concerned with the desire to accelerate our social and economic development. In the course of doing this, we have realized the absolute necessity of first maximizing our own efforts. This has created in us a much greater sense of self-help, before intensifying the search for foreign assistance in a world where available capital and manpower resources cannot cope with the demand under our present circumstances. It is on the realization of the gravity of this situation that my Government has decided to adopt a new strategy for development which, under the name of self-reliance, seeks to stress the efforts of the people of Tanzania as the "prime mover" in our country's development.

This should not be interpreted to mean that we shall not need or solicit foreign assistance. On the contrary, as we go on implementing our policy of self-reliance, so shall we be increasing our real appetite for foreign assistance. We realize that Tanzania cannot exist alone. All we are saying is that in pursuing our development goals, we should not look to the outside world alone for salvation, but to ourselves first and then to the outside world. Obviously this is a great challenge which I believe must be faced by all of us, and we are confident that the World Bank Group of institutions and many other development agencies shall support the efforts of our people.

As Mr. Woods said in his annual address on Monday, it is true that we are in a troubled world indeed. Events of political and military nature in our countries undermine the productive use of our scarce resources. However, there is as yet no cause for despair. Indeed, many developing countries registered in the past year significant achievements in the field of economic growth and cooperation. During 1966, my own country increased its real

per capita income by almost 7 per cent and, with our neighbors in Kenya and Uganda, we signed a treaty establishing the East African Community, designed to strengthen our regional cooperation in all fields of economic activity.

Mr. Chairman, may I at this juncture make a few brief remarks about our individual institutions of the World Bank Group. In this connection I will begin with the International Development Association.

In recognition of the important role played by IDA in the development of our countries, and in view of the fact that our hopes for the future lie, to a considerable measure, in further effective contributions which IDA can make toward meeting our aspirations, I would like to express my satisfaction over the efforts that have been made and which are still being made on the replenishment of IDA's resources. I have followed with interest the proposals put forward by the President of the Association and the discussions which have taken place after the United States' counter proposals. I hope that, with the cooperation of Part I countries, the level of annual contributions shall be as close to the original proposals as possible and on terms no less favorable.

With a view to strengthening IDA's financial standing, I joined my colleagues in supporting the 1964 recommendation for a transfer to IDA of $50 million out of the Bank's net income for the fiscal year ended June 1964. I also had the pleasure to support the recommendations in 1965 and in 1966 for respective transfers of $75 million by way of grants to IDA. While I appreciate the reasons which have called for a drop in the level of this year's transfer, I consider it very unfortunate that a management decision should have been taken to recommend a transfer of only $10 million for a year of good income to the Bank, and of serious financial difficulty to the Association. Under these circumstances it is difficult for my Delegation to support this recommendation.

I cannot overemphasize the significance of the various forms of technical assistance which we require in the identification, preparation and execution of projects, and in this connection I am referring both to the Bank and IDA. Our technical limitations in all aspects of our development are well known, and we are grateful for the magnitude and nature of assistance that we have received in this field, particularly under the Bank's cooperative programs with the specialized agencies of the United Nations. I am, however, rather disturbed by the new policy whereby grants for the financing of preinvestment studies are limited to $200,000. In view of the fact that there has not been any substantial improvement in the level of our technical skills or in our national incomes, and in the absence of any visible difficulties which the Bank has had with the past practices, I must confess I am unable to appreciate the basis of this particular ceiling. I would therefore like to suggest that $200,000 be considered only as an indicative figure and introduce an element of flexibility in handling matters of technical assistance.

I would like, in passing, to mention the importance of local cost financing in the light of our usual shortfalls in export earnings and heavy pressures on our budgetary allocation. At this point, I must congratulate the distinguished Governor for Malaysia on the way in which he presented the real problems confronting the developing world. When he clearly stated the destructive effects of the unfavorable terms of trade on our economies, he was indeed speaking for many of us who have constantly been hard hit by unfair contraction of prices for our primary commodities. Prices for Malaysian rubber have caused the same problems to Malaysia as the problems we have in Tanzania with prices for our sisal. These have fluctuated from £120 per ton in 1964 to £63 per ton today, reducing our earnings from £20 million to barely £10 million sterling last year. This difference constitutes a larger amount than the World Bank Group or any other lending institution has ever lent to Tanzania in one year.

On account of administrative delays in processing loan and credit applications, may I too mention that it becomes necessary in many cases to press for retroactive financing. These are problems of which, I know, the management of our institutions are well aware, and I cannot insist too much on them.

Finally, let me conclude by registering my satisfaction over the operations of IFC in member countries, where conditions have allowed the Corporation to operate within the provisions of its Charter. I must say, however, that the time has come for us to look broadly at what IFC can do in most of the African member countries, where special circumstances prevail to challenge the legal character of the Corporation. In view of the existing conflict between IFC's Charter and the inevitable nature of business enterprises in African countries generally, I would like to call for the imagination of the experts in the Corporation to explore possibilities of such recommendations to the Board of Governors which would allow for some flexibility in IFC's investment policy. In this connection, may I repeat what I said last year, that in matters of this nature we need to be guided by the basic criterion of efficient management rather than by a legalistic approach to institutional ownership. I believe this is not an impossible demand to make. If it is possible to amend the IMF Charter to accommodate the new world situation, I cannot see why it should not be possible to deal with IFC's Charter in the same manner, so as to transform it into an institution capable of dealing with the present challenge.

Finally, Mr. Chairman, my Delegation would like to join you in welcoming the new members and to offer our warm and sincere congratulations to the Governors for Indonesia and The Gambia.

Trinidad and Tobago: The Hon.
FRANCIS C. PREVATT
Governor of the Bank and Fund

Mr. Chairman, may I with your permission express on behalf of my Delegation and myself how happy we are to be here in Brazil, one of the most dynamic and vigorous developing countries of the Western Hemisphere and indeed of the world and to be in Rio de Janeiro, a city which we have found to be most delightful and progressive. We are also happy to be present at this historic meeting of the International Monetary Fund and of the World Bank, the arrangements for which merit the highest praise. . . .

. . . I now turn to the subject of development finance.

Now that a solution of the liquidity problem is in sight, I earnestly hope that the balance of payments inhibitions which have in the past prevented the developed

countries from extending economic aid on the appropriate scale and quality to the developing countries will be removed. We of the developing countries are sanguine that the flow of aid from developed countries over the next few years can reach, and indeed should surpass, the target of one per cent of the national income. In fact, we hope that in the proposed Second Development Decade of the United Nations, the one per cent aid target will be considered anachronistically low. Further, we would expect to see a rapid end to the tying of aid to goods produced by the donor country and a greater provision to meet the local costs of projects.

All of these are pressing problems, the resolution of which would improve the international economic and political climate in the last third of the twentieth century. Yet there is an even more immediate aspect of the aid problem. I refer here to the much discussed question of the increased provision of resources for IDA. This is an area in which further delay can only aggravate the already desperate situation on external account of many developing countries. Further, even in respect of ordinary loans granted by the World Bank, I wish to suggest that the rigid rules relating to the degree of government participation in projects need to be relaxed and that more positive efforts should be made to enlist local capacity in both the consulting and contracting phases of the implementation of assisted projects. Finally, on this subject of development finance, I wish to give my wholehearted support to the distinguished President of the Bank when he said in his opening address "that economic development, when it is pursued with vigor and intelligence, is worthy on merit of the support of the industrialized nations".

With your permission, Mr. Chairman, I shall end by speaking briefly on the current economic position in, and the outlook for, my country—Trinidad and Tobago.

In previous meetings of the Fund and the Bank, the need to diversify our petroleum economy has been stressed. I can now report that diversification programs are now well under way in domestic agriculture and livestock production, in manufacturing and in tourism. However, no one ought to expect such programs to yield substantial results immediately. By its very nature such a process of diversification takes a fairly long time. At the moment, therefore, we are experiencing certain balance of payments pressures which are likely to persist into the early 1970's when the diversification programs now being vigorously pursued will yield their full results both in earning and in saving of foreign exchange.

The stresses now being experienced on external account are also manifesting themselves in our Budget. Since the end of the petroleum boom in the beginning of the 1960s our budget surpluses have been shrinking in spite of increases in rates of taxation and our efforts to improve tax administration. This shrinkage has in part been caused by the development effort itself; for the capital investment has given rise to greater operating costs for the expanded services. This is particularly so in the case of education.

Our policy in this regard is, as far as is consistent with the development effort, to restrict the growth of recurrent expenditure. At the same time we are now taking steps to increase public savings in general and the budget surplus in particular by the institution of a medium-term fiscal program. The first aspect of this program is the improvement of the financial condition of our public utilities to be effected partly by increasing rates and charges and partly by more effective management. The second aspect is greater attention to the possibilities of measures which, apart from raising revenue, will in many cases check the rate of increase of consumption expenditure, especially on imported goods. The third is the improvement of the administration of our income tax which would result in greater tax yields even at present rates. As a result of this fiscal program, we hope shortly to be in a position where we can again finance a greater proportion of our public sector capital expenditure from public savings.

But given the present transition to a new economic structure, our best domestic efforts will be of no avail over the medium term unless we receive considerable amounts of external economic assistance to further our process of diversification. I feel certain that we shall during the next few critical years overcome our problems of structural transition provided that we continue to be fully supported by the International Monetary Fund and the World Bank.

Turkey: The Hon. CIHAT BILGEHAN
Governor of the Bank and Fund

We have noted with great interest and satisfaction the efforts of the World Bank and its Affiliates during the past year to assist developing countries in their economic development. I would like in this respect to extend my earnest congratulations to Mr. Woods and to his colleagues. I feel confident that these efforts will further increase during the coming years and that the World Bank community will continue, through its dedicated leadership and staff, to play its instrumental role in assisting developing countries in the achievement of their crucial aim of rapid economic growth.

In spite of these achievements the fact remains that many problems continue to beset us. The points raised by my country's representatives and other speakers at last year's Meeting continue, unfortunately, to remain valid.

The adverse movement of terms of trade is continuing with regard to developing countries. Foreign assistance is becoming more scarce and its terms are hardening rather than improving. All these are disturbing developments which contrast sharply with the rate of increase of national income in developed countries.

In this connection I feel compelled to voice our great concern at the fact that the terms extended by IDA are endangered by the non-replenishment of its resources. We must all remember that unless such funds on soft terms are made available to permit financing on truly developmental terms, this institution cannot be expected to continue the all-important role it is presently playing in less developed countries. I wish to associate myself with the speakers who have preceded me in urging the major contributors to act rapidly in replenishing IDA funds so as to permit the achievement of its fundamental goal.

Thus, developed countries must continue to work hand in hand with international financial institutions, if the vital problems of the less developed world are to find a solution. A higher volume of aid, commensurate with the increased possibilities of the developed countries, in conjunction with softer terms with particular emphasis on untied loans, are prerequisites to assist developing countries in bringing about the capital accumulation

which is of such great importance in the first phase of development.

The latest developments in this field are not hopeful. The volume of present aid from all sources is such that a substantial portion of it has to be allocated to meet the servicing of external debts. The trend is toward more tied aid thus making investments naturally more costly, and the terms of trade are continuing to deteriorate.

It is for all these reasons that we look upon the untied Bank financing with such great hope and, again for all these reasons, that we feel such great concern that without IDA replenishment, Bank financing will become so costly as to impair its crucial role. In saying this I believe I am actually only associating myself with the statements made on various occasions by Mr. Woods.

The solution to our problems lies in the decisions of the member countries, to be taken in conjunction with the World Bank Group. We trust that such urgent decisions will be forthcoming soon.

I wish to conclude my remarks by expressing my sincere appreciation to the Brazilian Government for the successful arrangement of this Meeting and the hospitality they have shown to us.

Uganda: The Hon. L. KALULE-SETTALA
Governor of the Bank and Fund

On behalf of the Uganda Delegation to this year's Annual Meetings of the Bank and the Fund, I would like to express our appreciation to His Excellency the President of Brazil for his excellent address to us when opening this year's proceedings.

I would also like to extend our grateful thanks to the Government of Brazil and the citizens of Rio de Janeiro for the warm and kind reception accorded to us since our arrival.

Sir, I join fully Governors who have spoken before me in expressing my appreciation for your clear and commendable statement on the economic and monetary problems of the member countries in the Bank Group and the Fund.

I also wish to thank Mr. Woods and Mr. Schweitzer for their excellent statements on the activities and achievements of the Bank Group and the Fund during the past year, as well as on some of the problems that are still to be resolved.

If I may be permitted, I would like to speak first about the performance of the Uganda economy.

The Uganda economy has been growing at a reasonably fast rate during recent years. Over the past five years, per capita income in the monetary sector has grown at an annual average rate of nearly 2½ per cent. Fixed investment, on which will depend future output, particularly in the industrial sector, rose from £18 million sterling to £32 million sterling per annum over the past three years. Domestic savings were running at a high level but were offset by "private capital flight." It is estimated that between the years 1961 and 1965, the economy probably lost almost £50 million sterling of foreign exchange by way of net long-term private capital transfers.

With greater public demand for services and the need to develop the economy so as to improve the standards of living of our people, there have inevitably been generated heavy pressures on our budgetary resources, despite their sufficiently rapid annual increase. In the past two budgets, the Government has taken firm fiscal and monetary remedial measures to restore a proper financial balance both externally and internally. The Government has also taken vigorous steps to diversify the agricultural sector, the main source of Uganda's export earnings. At this juncture, I would like to express the appreciation of my Government for the external assistance received from bilateral sources and from the International Development Association which has supplemented our efforts in raising resources for development of key sectors, such as education, health, communications, livestock and agriculture.

In my address to fellow Governors last year, I referred to certain developments in the economic and monetary fields involving my country and its East African neighbors, Kenya and Tanzania. Since then I am glad to state that the three East African Governments have reached agreement on a new form of association and have signed a treaty for an East African Economic Community. The treaty, which will come into force on the 1st December this year, establishes an East African common market and provides for its proper function and regulation.

We have united with our neighbors in a common market to expand our agriculture, commerce and industry as a means of furthering the development of our respective countries. We have agreed to continue to administer certain basic services in common so as to reap economies of scale to our mutual benefit.

There will naturally be need for the three governments to coordinate their economic and monetary policies so as to ensure the proper functioning of the Community. In this respect we have continued and will continue the practice of full coordination of our fiscal policies through close consultations between the three finance ministers. Similarly, the central banks are fully consulting each other on all matters of mutual interest so as to ensure that our governments harmonize their monetary policies. In fact, there have already been held five useful meetings between our central banks.

We have agreed to set up a regional development bank to be known as the East African Development Bank which will be an integral part of the Community with the purpose of correcting imbalances and promoting a more balanced industrial development between the three economies and to make it possible for the three economies to become more complementary in the industrial field. The Bank is also intended to supplement the activities of national development agencies. It is our hope and desire that this new institution, in collaboration with the African Development Bank and other international financial agencies, should prove an effective instrument for organizing and employing new resources for our development. . . .

. . . On the Bank, I should like to begin by commending the President, the Board and the staff for the particular attention they are giving to the problems of the developing member countries. In this respect, I would like to make special mention of the services rendered by the Bank in the field of technical assistance. As is mentioned in the 1966/67 Report (Part II), assistance has been through such organizations as the two permanent mission offices in Africa, the Agricultural Development Service and expert missions visiting member countries to assist them to formulate investment programs and policies that are conducive to their economic growth.

In this connection, we were pleased to welcome to Uganda a Bank mission to-

ward the end of 1966. We found discussions between the mission and the various agencies of our Government and the private sector most fruitful. My Government has now received an advance copy of the mission's report which contains some general observations and recommendations on the Uganda economy and on our economic and financial policies. This report will be a useful guide to my Government in identifying those areas of economic and financial policy that need reviewing.

Once again I feel obligated to refer to the fact that the over-all flow of financial resources from the more to the less developed countries has not kept pace with the growth in wealth in the richer countries. The situation has been aggravated in the past year by the excessive deflationary policies followed in certain developed countries with the purpose of correcting imbalance in their balance of payments positions. These policies have tended to weaken further the demand for primary products from the less developed countries. They have also led to an over-all reduction in the long-term capital flow to the developing countries. To correct these adverse effects, there is clearly an urgent need for those industrialized countries that are enjoying surpluses in their basic balances to seek an appropriately greater rate of economic expansion at home.

Because of the fact that all IDA resources have been committed and there is nothing to meet further commitments in 1968, it is disappointing that Part I countries of the Association have not moved with as much speed as the need for early decision would appear to dictate. It is obvious that, with the recommended transfer of only US$10 million from the Bank's profits to IDA, the activities of the Association, which constitute a vital credit line of badly needed soft loans to the developing world, will come to a complete standstill unless the Part I member countries reach early agreement on this replenishment issue.

I was encouraged by the remark made by you, Mr. Chairman, that during 1966 one of the important developments in the Bank Group lending activities was that the Bank made its first loan to a Government-owned industrial enterprise.

On several previous occasions, some fellow Governors have spoken about the need for an amendment of the Articles of IFC aimed at enabling the Corporation to lend funds or participate in equity capital of enterprises owned and managed by State corporations. I feel obliged to repeat some of the arguments already made for the need to amend the Articles in this respect.

In most African economies today, it is acknowledged that there is a scarcity of entrepreneurship and many Governments in the African region have, by force of circumstances, to intervene in the setting up of enterprises. Indeed, some of the most successfully organized enterprises that are available for further financing in my own country, for example, were initiated and are managed by the Government of Uganda agency known as the Uganda Development Corporation. I therefore feel strongly that the criterion on which IFC should base its investment policy decisions in this respect, should be "economic viability and proper management" of an enterprise and *not* "ownership" of such enterprise. I therefore suggest to fellow Governors that the management of IFC should work out a suitable amendment to enable it to participate, on a loan and equity basis, in State-owned enterprises.

Finally, I also wish to join other fellow Governors in welcoming Indonesia and The Gambia to membership in the Bank Group and the Fund.

United Arab Republic: The Hon.
HASSAN ABBAS ZAKI
Governor of the Bank

It gives me great pleasure to begin this statement by welcoming Guyana, The Gambia, Botswana and Lesotho into the family of our institutions. The return of Indonesia to membership is also an occasion for rejoicing.

At this stage, too, I would like to express our Delegation's joy at being in this great and beautiful city, and to offer our thanks to the host Government for all its most generous and effective efforts to make the occasion of our Meetings this year most memorable.

Coming now to the business before this Annual Meeting, I must start by complimenting the President of the Bank Group and the Managing Director of the IMF on their thoughtful statements, in the three reports in front of us, leading in a most masterly way to a grasp of the complex and multiple problems of world economy.

Their compelling presentation of the problems of developing countries and the deep sympathetic understanding with which these problems are expounded are both gratifying and inspiring. I find myself encouraged to include in this brief statement a warning as to the gravity of some of the tendencies pervading the international economic relations of today.

Most alarming amongst those tendencies is the fact that the growth in exports of the developing countries has been considerably slower than the expansion of trade among the industrial countries and of over-all world trade.

This development aggravates the already deteriorating balance of payments situation between the developed and the developing countries. Furthermore, this deterioration comes at a time when, as is stated in the Bank's Report, "For the sixth successive year there has been little improvement in the over-all level of development assistance provided by the high income countries." It comes also at a time when "competing demands for capital have made it more difficult and more costly to obtain finance for development by borrowing in the world's capital market."

An additional serious development of an urgent nature is the increasing burden of debt and debt service as related to current export proceeds of developing countries.

To state it briefly and without dramatization, the developing countries—toward the end of the U.N. Development Decade—seem to be in the following predicament:

Their terms of trade vis-à-vis the industrial countries are again deteriorating; their share of international trade is shrinking, debt service is absorbing a continually bigger share of their export proceeds and the cost of acquiring development capital is increasing.

It has been said repeatedly that economic development is an international responsibility. But while each day bears new evidence of the importance of this statement, little has been done to carry through its profound implications.

On the other hand, one is bound to wonder as to what would have been the situation in the absence of the Bank and the IMF and the steps taken by them to improve the environment for development.

Development cannot continue in a world where trade is hampered and international payments are not in equilibrium. . . .

. . . The efforts of the Bank and the Fund in guiding the work of coordination groups both for development financing and rescheduling of debts are worthy of praise. This role is developing into a major function and a service of great importance to the less fortunate developing countries. The multilateralization of aid is, in our estimation, the soundest approach in tackling development financing as an international responsibility. But this great responsibility could not be made use of without the provision of adequate financing. A scarcity of funds is shown by the exhaustion of the funds available for IDA.

We feel that it is about time that resources used in production of means of destruction in this divided world of ours should be directed, at least in part—since we cannot ask for the impossible—toward the improvement of the standard of living of the people of the world who live below acceptable standards.

Therefore, the UAR strongly supports any positive action which would result in the setting aside of a reasonable proportion of the funds now being spent for military purpose by all nations, for the purpose of financing development.

The ways and means in which these funds could be utilized could be examined. One way would be to make use of the long experience of the Bank Group, either directly or indirectly, through the establishment of a new UN agency for that purpose.

This proposal will benefit both the cause of prosperity and the cause of international peace.

I have kept my brief statement within the strictly economic field in which we all agreed to set the limits of our business in this gathering. I am sure that the distinguished Delegate of the United Kingdom, in raising the question of the closing of the Suez Canal, did not mean to introduce a political element into our deliberations.

Therefore, rather than ignore the observations of the honorable Delegate, I would like to endorse what he said relating to the economic loss to the world resulting from the closing of that vital waterway; in fact, my country must be relatively the biggest loser. But going further into the discussion of reasons why the Suez Canal is closed to world traffic would draw us into a discussion which as we all know belongs to another international forum.

United Kingdom: The Hon.
JAMES CALLAGHAN
Governor of the Fund

I wish to express my gratitude to the Government of Brazil for the hospitality that they have extended to the International Monetary Fund and to the World Bank in inviting us to meet here in Rio de Janeiro—a city famed throughout the world for its outstanding natural beauty. In Britain we are very mindful of our historical association with Brazil, which has extended over the centuries, and of the links of trade and commerce that have given us a deep knowledge and understanding of each other.

It is also a pleasure to express the appreciation of the British Government to the Managing Director and to the staff of the International Monetary Fund and to the President and staff of the World Bank for the work that they have done during the last 12 months and for the reports which they have laid before us. It is my privilege to see a great deal of the work of Mr. Schweitzer and of Mr. Woods, and the world is fortunate to have two such outstanding public servants.

It is a pleasure to see the membership of the Fund and Bank growing year by year, and I am very glad to join in welcoming The Gambia and Indonesia. I look forward to Botswana and Lesotho becoming members in due course.

I shall, of course, have something to say about two important initiatives that will take up much of the time of this conference. One is the proposal for special drawing rights. This is something which, for my part, I warmly welcome. The other is the case for an early and substantial replenishment of the funds of the International Development Association. This is a need to which I give great emphasis.

But before I come to these two matters, I wish to refer to the disappointing rate of increase in world trade during the last 12 months. For this, the major industrial countries must accept primary responsibility. I remind the conference that the primary objective of both the International Monetary Fund and the World Bank is to ensure expansion of trade and the development of the resources of all their members. We cannot claim that we have succeeded in either direction in 1966/67.

Indeed, in the early months of 1967 world industrial production actually fell slightly—a situation we have not seen for close on a decade—and this has had an adverse effect on the developing countries as well as on the developed countries.

As the OECD has pointed out, this slowing down in world trade has occurred as a result of deliberate reduction of demand in three major countries, namely, the United States of America, the Federal German Republic and the United Kingdom, while simultaneously a number of other countries were following a similar course. This deliberate action was taken in each case in order to correct either an excessive pressure of demand at home leading to an inflationary situation, or to deal with troublesome balance of payments deficits —or to do both. Where these deflationary measures have been taken, they have had a dramatic effect both at home and abroad. Internally, they have led to a loss of production and to high unemployment. Abroad, they have resulted in the slowing down of world trade with harmful effect on other countries, especially on the developing countries—and consequential harm to the very countries that initiated the deflationary measures.

It is clear from our experience of the last 12 months that, despite the studies and reports and recommendations on these subjects, we have not yet worked out how to achieve full employment and a reasonable rate of growth with a pattern of international payments satisfactory to all of us. All these questions need much more study, which must include the factor of business confidence, before we can be sure that an unbroken period of expanding world trade lies ahead.

Meantime what more has to be done to ensure the renewed expansion of world trade and output which is needed by all of us and in particular by the developing countries who have seen a disappointing fall in commodity prices? I myself have just come from a gathering of the Finance Ministers of 26 nations of the Commonwealth, who represent between them 800 million people of whom the overwhelming number are living in the less developed countries.

My colleagues at that meeting expressed great concern about the price

and volume of their exports. Rising industrial production in the developed countries is the best way of ensuring increased export incomes for primary producers, but schemes directed to the support of prices at a level fair both to producers and consumers are also valuable. I warmly support, therefore, the Resolution now before us that these problems be studied by the Fund in collaboration with the other international bodies concerned.

The communiqué of the Commonwealth Finance Ministers' meeting emphasized a further thought that was frequently expressed during our discussions, namely, that countries whose balance of payments and reserve positions are strong and who have a margin of spare capacity are under a heavy obligation to contribute to world prosperity by pursuing suitable expansionary policies at home.

Speaking for Britain, I can say that, within the strict limits imposed by the overriding necessity of maintaining a satisfactory balance of payments, we are following a policy that will lead to a renewal of growth in the United Kingdom during the remainder of 1967 and 1968. We expect that rate of growth to be around three per cent per annum, and that this will be consistent with a satisfactory balance of payments. We have no intention of departing from this basic economic strategy, which will prove to be in the long-run interests of both Britain and the rest of the world.

I understand from my colleagues, Mr. Henry Fowler, the Secretary of the United States Treasury, and Professor Karl Schiller, the Minister of Economics of the Federal German Republic, that both of them also expect to see a higher rate of economic growth in their countries, and if this is so then the world can look forward to renewed expansion and to a higher level of world trade in due course.

I hesitate to be more precise than that because I have long since discovered that while we can predict trends with some accuracy, we are nearly always wrong about timing. Nevertheless my view is that the renewal of growth will be discernible by the end of the year and quite obvious by next spring.

Another constant concern for all of us is the persistent tendency of interest rates to edge upwards. Difficult though it may be to avoid this at all times, it is harmful not only to industrial countries, especially those with international reserve currencies, but also to the developing world. The World Bank's lending rates have also been under pressure in recent months, and I am concerned lest the burden of debt charges should become even more onerous for those who receive development finance.

I therefore welcome the United States Government's proposal for a tax increase which will help them to achieve the right blend of fiscal and monetary policies. I very much hope that this courageous and necessary move will enable the world to avoid a repetition of a rise in interest rates of the kind which occurred last year, as, taking the world economic situation as a whole, such a rise is certainly not called for.

Another temporary problem is the closure of the Suez Canal. This is doing harm not only to the developed nations, who can withstand it, but also to a number of developing nations. I do not wish to become enmeshed in the political aspects of the problem, but from an economic standpoint and from the point of view of the prosperity of the peoples represented here, I very much hope that an early solution will be found. So long as the Canal is closed both trade and aid are hindered and the world's people are all the poorer.

The important question of IDA replenishment has not yet been settled. I regret this. At our meeting last year many Governors referred to the call which Mr. Woods made in July 1966 for a replenishment of the resources of IDA. I said then that this was something to which we in Britain gave high priority and that we favored a substantial increase. We have indeed made provision in our public expenditure for such an increase. However, since then, this problem has been much discussed, and it is now urgent to reach a decision.

On behalf of the British Government, I have indicated my view to Mr. Woods both on the level at which we would be prepared to contribute to a replenishment of IDA and on the conditions on which, in H. M. Government's view, the money should be subscribed. Our proposal provides for a replenishment of the funds of IDA at a substantially higher level than in the past—a level which we believe to be realistic and attainable. As regards conditions, Britain's views are well-known. IDA is held in high regard by the developing countries, not merely because its funds are efficiently administered, but also because it is the world's principal source of soft, untied multilateral aid. Its monies have been made fully and freely available. We believe that these conditions should obtain in the future as in the past. If, however, a country feels that the result of operating them—particularly with an increased level of replenishment—would be to impose too heavy a burden on its balance of payments, we would be prepared to consider this problem with other Governments, to see if some system of administrative deferment of the use of their contributions can be worked out, if, otherwise, serious balance of payments difficulties would arise.

We ask that the matter should be discussed at an early date among the parties concerned so that a settlement can be reached. In our view this matter should be settled before the end of the year. . . .

. . . Discussion of the liquidity problem naturally brings me to the position of sterling in the world monetary system. It is now more than ever clear that we are living and working within a system which is constantly evolving and which must be improved and adapted to the world's needs. But this process of evolution is not simply a matter of what Finance Ministers and Governors of Central Banks separately or collectively, may decide, however important we may think we are. It is a matter, too, of the needs and wishes of the world financial community. This has been overlooked in a lot of the talk—some of it rubbish—that has taken place about the role of sterling in international financial affairs.

On this I have two things to say. The first is obvious. The international role of sterling is a fact. It is not something which has been fabricated to support the prestige of the United Kingdom or even our economic interests. Nor does it continue because of any stubborn policy on our part to persist in such a role. It continues because it meets a world need: because bankers, traders, investors and governments throughout the world find it convenient to hold and use sterling. It is noticeable that the fluctuations in the sterling balances, even in periods of considerable pressure, have been relatively small when compared with the total amounts which are held. Pressure on sterling usually arises when the balance of payments of Britain or of the Sterling Area as a whole

looks like being in heavy and continuing deficit. But at present we are not in that position. Indeed at the recent Commonwealth Conference, the Finance Ministers expressed their conclusion that the Sterling Area showed the prospect of considerable improvement in the balance of payments and of a surplus in 1968, although the amount will be affected by the length of time the Suez Canal remains closed.

Sterling also comes under pressure as a result of a weakening of confidence which can arise, for instance, because of war in the Middle East or disturbances in Asia. These events have little or nothing to do with Britain's economic position but they can lead to temporary difficulties because the relationship between Britain's short-term liabilities and short-term liquid assets is less than satisfactory. It is that relationship which needs improvement in order to achieve a better balance. There is, of course, no difficulty about the size of Britain's long-term assets compared with her liabilities—our worldwide assets are substantially in excess of our overseas liabilities. Therefore I have consistently taken the view that the smooth running of the world's monetary system requires that a shortage of immediate liquidity should be met by the combined operations of the Central Banks to offset such a shortage. I readily acknowledge with gratitude the assistance which has been given by the Central Banks and by Governments in this matter, which has enabled these so-called "confidence" movements to be offset.

Against this background I repeat that we do not approach the question of the role of sterling with a fixed determination to keep things as they are. But it goes without saying that we could not contemplate any change, which did not take full account of the interests of those who have claims on the United Kingdom. Subject to that, however, we shall adopt a flexible position. We are ready to adapt the sterling system to an evolution in the world's monetary arrangements, provided that the change comes in a way which will strengthen the world monetary system as a whole.

As to the U. K. economy, the British Government recognizes clearly that the long-term task is to build an economy which will be capable of sustained growth while still maintaining a strong balance of payments and a high level of employment. To cope with their immediate difficulties we took severe measures last year. Naturally they have been uncongenial to our people, but they have been of great benefit to our competitive position. We have enjoyed a period of overall relative price stability and of wage stability, with beneficial effects on our overseas prices. The British Government has no doubt that a prices and incomes policy is a necessary condition for success in our efforts to break free from "stop-go." In this aim we have the support both of employers and of organized labor, although there are difficulties about the methods that should be employed. We have now moved out of the period of total wage freeze into a period where wage increases are to be related to increases in productivity. This will continue to be the Government's policy for the next phase. It is estimated that the underlying growth of Britain's productive potential at present is about 3 per cent per annum with a tendency to accelerate. Accordingly, our medium-term economic strategy is to maintain a rate of growth of demand within that figure.

I have spoken before to this assembly about the long-term structural changes that are taking place in Britain—the rationalization of traditional industries, the training for new skills, the emphasis on productivity, the technological developments in such fields as computers, nuclear energy, electronics and natural gas exploitation, not forgetting the growing sophistication of British exports. These are long-term policies but year by year I can see progress in increased efficiency, better management, improved labor relations.

At the same time we have taken more direct action to strengthen the external balance. One reason for our difficulties was the high level of Government expenditure overseas, principally for defense and aid, which grew from £270 million in 1959 to over £500 million last year. We have taken measures to reduce that burden, and these will have an increasing effect in the later nineteen-sixties and early nineteen-seventies. We have also had to take certain measures to limit the outflow of private capital from the United Kingdom to developed countries while leaving developing countries unaffected. It is a regrettable fact that this outflow was making unduly heavy demand on our liquid resources. We are now roughly in a position of equilibrium in the balance of payments.

If we look at the last twelve-month period for which figures are available, the year to June 1967, our balance of payments on current and long-term capital transactions, including the normal unrecorded earnings, was roughly in balance and this represented an improvement of some £275 million compared with the preceding twelve months. Taking all unrecorded movements into account, the balance of monetary movements showed a surplus during this period of some £140 million, compared with a deficit of nearly £300 million in the twelve months before.

We in the United Kingdom look forward to better times as the various measures we have taken bear fruit. Our objective remains unaltered. It is to make the best use of all our resources and to do it in such a way through the Bank and the Fund that we narrow the gap between rich and poor.

United States: The Hon.
HENRY H. FOWLER
Governor of the Bank and Fund

I take special pleasure in participating in this Annual Meeting in Rio de Janeiro.

I am very grateful to the Government and the people of Brazil for their gracious hospitality on this occasion. The beauty of this city, the breathtaking potential of this huge and vibrant country, form a backdrop to this conference that can inspire us all.

The personal experience of viewing at firsthand the problems and potentialities of economic growth in Brazil and in her neighboring nations will, I trust, stimulate us all to assist in further efforts to reinforce international collaboration to support economic development.

I am very glad to see among us once again Governors for Indonesia representing that large and important nation, and to note that both the Fund and Bank have been able, in the past year or so, to play a helpful, constructive role in assisting Indonesia to deal with a most difficult and trying period of economic stabilization. I know that all of us wish the Indonesian authorities well in the courageous efforts they are making.

It is also a pleasure to welcome to membership in our organizations The Gambia, which last week completed the formalities to assume membership, and Botswana, whose membership resolutions are before this Meeting of Governors.

The Fund and Bank have had another highly successful year, the highlights of which have been recorded in their excellent Annual Reports. Mr. Woods and Mr. Schweitzer have summarized the activity of the past year in the Bank family and in the Fund and I will not retrace the ground they have covered so well. . . .

. . . A perfectly even rate of growth is not to be expected either in national economies or in world trade. The recent situation has been marred by sluggish advances in output—and in some instances, contractions—in a number of key industrial nations. If this state of affairs were to continue, or, worse still, to intensify, strains on the international payments mechanism would surely become severe. In particular, the world's primary producing nations would bear a heavy burden of adjustment.

In many of the industrial nations, a slower advance in output was consciously sought by national policy in order to reduce inflationary pressures. With the adjustment completed, the basis for a more enduring expansion has been laid. Essential as these adjustments in separate countries have been, policies of contraction in surplus countries must not be allowed to continue so long as to prejudice the prospects for an expanding volume of world trade, severely aggravating imbalances in international payments. A constantly expanding volume of trade, well distributed regionally, is essential if acceptable levels of well-being are to be sustained in developed countries and promoted in the developing countries of the world.

A common theme in the recent experience of many industrial nations has been the monetary strains that are the consequence of too rapid internal expansion, and too sparing reliance on fiscal restraint. In general, this year has seen some easing of the most severe financial strains. But, in turn, the welcome moderate reduction in upward pressure on money markets internationally has only been achieved, in the main, along with a slowing in the growth of output in some major industrial nations below the rates that are desirable and feasible from a long-term point of view. Despite this, long-term interest rates have remained high.

There will be a need to harmonize national economic and financial policies in the interest not only of balanced expansion at home, but also of a balanced expansion of trade internationally. We are all aware that both deficit and surplus countries share the responsibility for continuous efforts to improve the process of adjustment. Deficits and surpluses are after all two sides of the same coin. There should be no presumption that either the deficit or surplus country is the one that is delinquent. Cooperative action by both parties is essential. . . .

. . . I turn now to matters relating to long-term economic development. The improvements we are now setting in motion in the international monetary mechanism are, I believe, essential to the long-term well-being of the developing countries. Economic interdependence of the developed and the developing countries is a fact of the present and of the future that must be a guiding principle in the direction we give to international economic policies.

It is a paradox that the problem of development, while infinitely complex in its economic, social, cultural and even moral ramifications, is also blindingly simple in its barest elements. These can be reduced to three in number: (a) domestic self-help policies by the developing country sufficient to (b) attract external resources, public and private, drawn from countries able to provide them resulting in a (c) diligent application of the combined domestic and external resources along lines conducive to long-term development rather than exhausting immediate consumption. The major factor in the history of successful development lending by the World Bank may well be its devotion to these principles. The Bank outstandingly reflects them today.

The subject of IDA replenishment, while not formally on our agenda, is nevertheless the most important business pending before the Governors of the Bank family of institutions. It should be evident from my remarks today that President Johnson fully supports the efforts of the World Bank management to achieve a replenishment for IDA on a substantially enlarged scale. I am hopeful that in their statements here, other Governors will share this attitude.

We are mindful, of course, that external assistance such as IDA provides can only supplement sound national development efforts.

Only in association with self-help efforts —coordinated and soundly-conceived domestic policies and actions — can the application of external assistance bring developing countries to sustained growth.

Further, domestic self-help policies which need not be catalogued here are of vital importance to create a climate in the developing countries conducive to maximizing the flow of external resources—public and private. Where these measures are lacking, the task of commanding the support of the electorates of high-income countries for continued assistance with public funds will be made far more difficult. Where these are lacking, private resources will not flow in desired directions and amounts.

Two developments of the past year are especially noteworthy for us here in relation to the object of encouraging greater foreign and local private capital participation in the growth process.

The initial use of the authority granted under earlier Charter amendments was made by the Executive Directors approving a $100 million line of credit from the World Bank to the International Finance Corporation. As a result, we may expect even more substantial increases in IFC financing of the private sector—and the much larger volumes of foreign and local private capital that are associated with it. Second, the inauguration of a new and useful facility within the IBRD institutional structure—the International Centre for the Settlement of Investment Disputes — through arbitration and conciliation services will contribute materially to an improvement of the climate in which international private investment takes place. In so doing, it will extend the area that can benefit from private investment. It merits the support of the entire membership of the Bank.

I cannot overemphasize the importance of policies conducive to a strong and dynamic private sector, offering opportunities to both foreign and local capital, and serving as the pace-setter of the economy.

In stressing the role of private finance, I am, of course, ever mindful of the need for effectively mobilized and effectively applied public finance. We heard in the opening addresses yesterday and will in

the next days learn more of the urgent need for the developed countries to find the ways and means of promoting increases in the volume of real resources available for development. We have too long remained on the so-called aid "plateau." It is time to strike out for higher ground. The World Bank family, and with it the regional banks, offer a promising channel for doing just this.

I would be taking an unrealistic view of the world if I were not to recognize, however, that, leaving aside the budgetary problem we all face, there are at least two other constraints that tend to hold back the steadily increasing availability of resources to these multilateral lending institutions.

a. Capital markets everywhere are under pressure from mushrooming domestic requirements. The price of capital in many markets is touching historic highs.

The World Bank should not be forced to place excessive reliance on any single market for its rising capital needs. A sustainable mechanism for providing development finance to the Bank through private markets requires an equitable sharing of the total efforts—and the concept of equity embraces reasonable terms as well as adequate amounts. Certainly, surplus countries should contribute positively to the adjustment process through granting preferred and substantially increased access to their capital markets by the Bank and other multilateral leading agencies.

b. Balance of payments factors are the other special constraint. Rather than permit our serious and continuing balance of payments difficulties—made still more complex by the foreign exchange cost of our effort in Viet-Nam—we in the United States have found ways to maintain a high level of aid through the transfer of real resources to the developing world. We would prefer, in an ideal world, to make our assistance available in the form of financial resources. However, when balance of payments realities confront us, our choice is clear: we strive not to reduce the level of our assistance—but instead to make our assistance available through transfer of real resources. This approach requires that the real resources represent an addition to, not a substitute for, goods and services moving in normal commercial channels.

If serious and continuing balance of payments difficulties constitute a constraint on the ways the United States can provide assistance, persistent balance of payments surpluses constitute an imperative to countries enjoying such a position to expand their assistance in the form of finance. A sensible policy for such countries, and a policy which can make a contribution to the over-all adjustment process in the international payments system, is one of increasing the volume, easing the terms, widening the geographic scope and eliminating procurement limitations on the flow of development funds.

These thoughts are relevant to the unresolved question of IDA replenishment.

As of last March I was authorized by President Johnson to support the IDA replenishment at a substantially increased level, provided that account should be taken of the balance of payments problems of deficit donor countries in deciding how IDA's new resources would be made available. Such a feature will in fact speed agreement leading to transfer of resources to LDC's through IDA. If the multilateral agencies themselves are to achieve our hopes for them, they must have increasing funds committed by the donors for a long-term period. Balance of payments safeguards will help assure that long-term contributions are made, since only with their protection will Finance Ministers be in a position to assure their legislatures that the uncertainties of the future have been taken into account.

In thus referring briefly to IDA replenishment discussions I would like to make one further point very clear.

Nothing in the United States plan would require IDA to make any changes in its present policies with respect to the allocation of its resources to countries and projects, or with respect to international competition in procurement, and no such changes are contemplated in this proposal.

The magnitude of the tasks ahead requires that we strive to improve the quality of the development efforts of both the advanced and the developing countries. In so doing, we must recognize that certain economic sectors demand greater concentration of these improved efforts. The twin problems of food and population should now occupy the forefront of our attention. The United States is emphasizing assistance in agricultural improvement —including land reform as well as direct production improvements—in its own programs. The international institutions are giving increased attention on their part. Nothing less than the highest priority attention to these problems will provide the basis for averting the potential disaster that looms in the food-population race.

In closing my remarks I would like to quote to you the words of the Brazilian representative, Mr. Souza Costa, who, in offering a resolution of thanks at the final session of the Bretton Woods Conference, said:

"As the knowledge of these results becomes more widespread, a corresponding increase will take place in the number of those who, realizing the greatness of the objectives sought, will wish to be counted among the supporters of this undertaking."

How correct this prophesy has been with respect to the Fund and Bank. Let us hope that our successors will say the same of the work that we have launched at this Annual Meeting.

Yugoslavia: The Hon. JANKO SMOLE
Governor of the Bank

The general economic situation prevailing in the world today, expertly presented in the Annual Reports of the Fund and the Bank, indicates some economic trends in the developing countries that are of great concern to us.

The rate of economic growth continues to be below the five per cent foreseen for the Development Decade, the growth of foreign trade has slowed down, prices of primary products have declined, and the terms of trade of developing countries present the most unfavorable aspect since 1960. The flow of long-term capital continues to be below the one per cent of GNP of developed countries. In addition, interest rates and other conditions of loans and credits have deteriorated.

These developments should be considered when we discuss the Outline before us for the creation of special drawing rights. This proposal tends to solve one very important problem of the existing monetary system, that is, its quantitative aspect. I think, however, that we would not fulfill our task if we stop at this first step without deploying all our efforts for further improvements in the existing monetary system. We see many serious shortcomings in the proposal: it was created for and under conditions which have been

evolving in the developed part of the world.

For developing countries, the problem of international liquidity plays a special role. The development of their economies imposes on them the necessity for a growing volume of imports, which cannot be reduced below a certain level without curtailing their development plans. On the other hand, the decreasing volume of foreign aid and large export fluctuations are imposing upon these countries difficult tasks of adjustment in their economies to maintain a balance in their external accounts. Under the existing monetary system the developing countries are confronted by a dilemma: to increase their monetary reserves or to finance their development plans. This problem still awaits a solution.

With your permission, Mr. Chairman, I should like to quote the case of my country as an illustration of the problems which other developing countries may also face. In order to speed up its industrialization we had resorted in the past to a system of trade and customs restrictions in order to protect the development of our industry. This protective mechanism played a very important role in the initial period of our development. However, when new industry was built up, it became clear that trade restrictions could be an obstacle to further progress in efficiency and productivity. For this reason, as well as because of technological advances, we see the opening of our doors to world markets as a way to continuing economic progress. This transition from a closed economy to an open economy requires, however, considerable adjustment, which inevitably entails balance of payments difficulties. This adjustment process cannot be carried out within a period of a few years only, is not restricted to particular projects and cannot be carried out without adequate external financial assistance. Neither the assistance provided by Bank loans under the present procedure nor by Fund financing of balance of payments short-term deficits is adequate. Nor has the problem been solved by the present special drawing rights facility. The problem, however, remains a crucial one for the integration of developing countries in world economy.

If I may generalize, the international monetary system cannot be regarded in isolation but must be viewed within the context of economic development as a whole. It should contribute to the elimination of a fundamental disequilibrium in developing countries. It seems to me that the absence of this element in the existing monetary system is clearly evident.

The present international monetary system represents a complexity of various instruments of which one—and an important one—is the Fund's resources. It would be advisable for the Fund to study the possibilities of applying more liberal criteria for the utilization of its resources by developing countries. Furthermore, a link between the utilization of special drawing rights and basic financing should be established. I suggest that this subject be thoroughly explored. . . .

. . . Now, I would like to turn to certain problems related to the work of the Bank. Although good results from the work of the Bank may be seen in practically every member country of the Bank, a satisfactory level of loans granted has not yet been reached. In fact there is not an adequate increase in Bank lending at a time when the needs are rapidly increasing.

One of the very acute problems today, much discussed by various international forums, is the debt repayment problem which threatens to nullify the net transfer of capital to the areas where the problem exists. The present slow-down of growth is to a large extent the consequence of the debt-servicing problem. Debt service and capital income transfers are already absorbing more than half of the inflow of capital and grants to developing countries. Concrete and urgent action is awaited, especially from our international institutions, for solutions of the debt consolidation problem and establishing means for easing the debt-servicing burden. I think that the Bank and Fund are equally interested in the solution of these problems, each of them from their own sphere of competence. This requires close cooperation between the two institutions. The same applies, in my opinion, to the setting up of a suitable mechanism for the stabilization of prices of primary products, which is an essential element for further progress in accelerating the economic development of developing countries.

My Government attaches special importance to the replenishment of IDA resources, in order to meet the needs of this important institution and to enable it to continue its work unhindered. The amount proposed to be transferred from IBRD to IDA this year is, in my opinion, a very modest one and, I think, regrettable. In this connection, I should like to urge that member countries do their utmost to speed up their decisions for the replenishment of IDA resources by direct contributions and by releasing the capital of IDA paid in national currencies, as my Government has already done.

Also, it seems to me that it is necessary to introduce more flexibility in the Bank's policy of granting loans with a view to putting more stress on the financing of development plans. It is of great importance to developing countries that the Bank should finance a part of local currency expenditures. It is of concern to us that there have been recent indications that such a practice may not be followed.

World economic and financial problems in general, and specifically, the problems of developing countries, will shortly be the object of discussions at the second meeting of UNCTAD. This requires preparatory work on the part of the Fund, and the Bank as well, and their full cooperation in this important international gathering. The contributions of the two institutions in the past to UNCTAD activities have been of great value. The active participation of the Bank in preparing the scheme for supplementary financing contributed greatly to the clarification of the complex problems in this field and I hope that the support of the Bank will continue until practical measures are introduced. Here also, the full cooperation of the Fund would be desirable in seeking practical solutions.

I should like to use this opportunity to express the great appreciation of my Government to the Fund for its assistance in the implementation of our economic reform. My Government's appreciation goes equally to the Bank for its assistance in financing the modernization of our industry.

May I also mention that in the implementation of the policy for the modernization of our economy and its closer integration in the world market, we recently enacted regulations enabling foreign private capital to invest in joint ventures with Yugoslav enterprises. In this connection, my Government has decided to apply for membership in IFC.

In conclusion, it is with great pleasure that I express my thanks to the Government of Brazil for its hospitality to us in this magnificent city.

Concluding Remarks by
GEORGE D. WOODS

I know that I speak for all in the World Bank Group when I add my voice to the many you have already heard and express our thanks to the Government and the people of Brazil for the warmth and graciousness of their hospitality, and for the efficient manner in which various facilities and services have been mobilized to assist us in our work. I add a special word of appreciation for the enchanting, delightful social activities which were arranged.

As we approach the close of this Annual Meeting I would like to express my appreciation to the Governors who have offered so many constructive comments on the work of the World Bank Group of organizations. May I also at this time say that I welcome the resolution you have just approved relating to a staff study of the problem of the stabilization of prices for primary products.[1]

At the conclusion of last year's Annual Meeting I expressed the view that the Bank Group faced a period in which austerity would have to be the rule in managing our resources. We are still in such a period and the pledge which I then made, that we would "be even more prudent in our operations, even more selective in choosing our projects, and even more insistent on wise use of development finance, for purposes which, without question, have the highest developmental priority," stands today.

However, the statements of Governors from many industrial countries indicate that their economies are entering a new period of economic expansion. There is no doubt in my mind that the increased resources which become available to the richer countries as a result of their own economic growth provide the best hope of finding the capital required to maintain the momentum of the development effort. I would like to emphasize again that the allocation to development finance of only a small proportion of the *increase* in the Gross National Product of the industrialized nations would mean an immensely larger proportional increase in the external resources available to the developing countries. Any sacrifice involved is simply that of sharing with the poorer countries a really very small part of the improvement in living standards that the steady growth in the industrial countries will make possible.

It was but a few years ago that the principal limitation on the World Bank Group's activities was a shortage of well-prepared and economically sound projects in countries where the general economic position warranted financial assistance. We had faith that through patient effort and with technical assistance from the Bank and other sources, the ability of many of our less developed countries to prepare and carry out useful projects could be improved. But this was faith. The process had never been tried on a large scale before. We could not be sure it would work.

Today things have changed greatly. We have been able to identify more projects which are, or soon will be ready for financing than we now have the resources to finance. These are located in many more countries than ever before. This is an encouraging fundamental change. It reflects, not a decrease in our resource availability, but a substantial increase in the ability of our member countries to prepare and carry out productive investment.

In the World Bank Group of organizations, governments have created and have available a powerful and efficient machine with proven ability to contribute significantly to the objectives they have repeatedly set for themselves in the development field. The present problem is to give that machine sufficient fuel of the right kind to enable it to take advantage of the greater opportunities for financing development which are now open to it. I refer here, of course, primarily to the urgent matter of IDA replenishment.

As most of the Governors are aware, the Government of the United States, responding to my proposal of July 1966, has indicated its willingness, subject to legislative approval, to support an IDA replenishment for a three-year period in the amount of $600 million for the first year, $800 million for the second year, and $1 billion for the third year—a total of $2.4 billion. Certain conditions designed to protect the position of countries in balance of payment difficulties were stipulated. Regardless of the merits or demerits of these stipulations, I feel impelled to state that, contrary to a widely held impression, they would in no way inhibit our international competitive bidding procedures. Several other contributing countries have accepted the amounts proposed by the United States. But the amount of the replenishment and the kind of balance of payments protective devices which should be incorporated in the replenishment agreement are still under negotiation with and among IDA's major contributors. Progress toward resolution of these issues continues to be slow.

The Governor for The Netherlands has suggested to this meeting of Governors that the time has come to convene a special high-level meeting or series of meetings as soon as possible for the purpose of reaching a firm agreement regarding the replenishment of IDA resources. This is a constructive suggestion which should receive full consideration by all concerned. I expect to act on it; and I trust that by this or some similar procedure we shall be able, within the next month or two, to resolve the outstanding issues regarding amounts and conditions and to reach conclusions that will enable IDA to operate, without any change in its basic principles, at a very much higher level than in the past.

I said in my opening address that the journey of a thousand miles is well begun. Our steps must not falter now. The weeks ahead will determine whether the discussions at this meeting will lead to the necessary decisions that will enable that journey to continue. Only then could we look back on this week's work as indeed, in the eloquent words of His Excellency, the President of Brazil, "a moment of maturity for the international community."

I wish you all a safe journey and good health until we meet again next September.

[1]See page 81

Concluding Remarks by the Chairman

ERIK BROFOSS

Governor of the Fund for Norway[1]

The time has come to close the Twenty-Second Annual Meetings of the Boards of Governors of the Bank and of the Fund.

I am sure that we had all of us been looking forward with great expectations to convening in the fascinating setting of this scenic, alluring and pulsating metropolis. We shall be leaving with vivid and lasting memories of engaging and enchanting days. The soccer game added excitement to the joy of our stay.

The Governors have already adopted the Resolution expressing our appreciation to the Government and people of Brazil and the City of Rio de Janeiro. My co-Chairman and I shall express our personal feelings of gratitude for the warm welcome and delightful hospitality which has been extended to us with such charming courtesy. The two Chairmen want to pay tribute to the Brazilian authorities for having discharged the duties of the host country in such a commendable and graceful way. We wish the Government of Brazil every success in realizing its aspirations to build a prosperous future for its great people.

We recognize and treasure the indispensable services and the untiring labors of the staff of the Bank and of the Fund, we compliment them on their model performance, we beg forgiveness for the exacting strains we impose upon them and we wish them well deserved days of restful relaxation.

I shall not attempt, in my capacity as your Chairman today, to make a formal summing up of the achievements of this conference. But with your permission, fellow Governors, I might offer a few personal reflections.

We have successfully brought to fruition the protracted deliberations on the much heralded reform of the international monetary system. I am confident that by adopting the outline for the establishment of a new facility in the Fund, we have made a significant contribution to the organic development of this Institution.

The formulas on which the Outline is based might differ greatly from the bold and sweeping ideas that served as the point of departure when the exercise first started. The more gratifying it is to record the approval which Governors have given to a new facility *sue generis*.

Reconfirming as we have the fundamental principles of universality and of non-discrimination, we have dispelled the apprehension that once was widely shared that compartmentalization would turn the Fund into a divided house. In any future evolution it will be imperative that the unity of the Fund and its character of a worldwide organization be faithfully upheld. The democratic right of all members—large or small—to voice an opinion on cardinal issues and to be able to do so at all stages of preparation and at all levels is the very prerogative of membership in the Fund.

By placing this novel instrument of the SDR's in the experienced and skillful hands of the Executive Board, the Managing Director and the staff of the Fund we shall have the benefit of proven administrative and technical competence. Over the two decades of pragmatic adaptation of our Institution to the needs of a changing world they have demonstrated their resourcefulness and their dedication to truly international service.

However, upon member countries will rest the ultimate responsibility for decisions on policies and will fall the praise of success or the onus of failure. The legal structure of the agreement and the managerial talents of the operators will be of little avail unless the enterprise is animated by a dynamic and genuine spirit of partnership in a joint venture. Indeed, only through our firm determination to exploit to the full the potentialities of this new facility as a means of solving the problem of any future shortage of international liquidity, will the Twenty-Second Annual Meetings stand out as a landmark in the annals of our organization.

As of this moment all we can claim is that we have completed an initial stage of a continual search for improvements in the international payments system. Other projects should not distract our attention and energies from the overriding issue of the adequacy of world reserves.

The task now before us calls for such flexibility in the legal provisions so as to allow the Fund a margin of discretion in the implementation of the scheme.

I have no doubt that the Executive Board will be able to observe the time limit of the resolution for the submission of the proposals for the necessary amendments to the Articles of Agreement. I trust that with utmost dispatch Governors will take action on the Board's recommendations and governments likewise will seek to obtain ratification by parliaments. Time might be running short in preparing the ground for activation.

We would also recognize an equally urgent need for a reassessment of general economic policies. An ominous circle of man-made stagnation has in recent months had serious repercussions, in particular on developing countries, but also on the smaller industrialized nations.

This unsatisfactory state of affairs accentuates one crucial aspect of the adjustment process and gives emphasis to the special responsibilities that rest upon the major industrial countries for the orderly functioning of an economic system based on an international division of labor which carries with it a strong element of mutual interdependence. In discharging national responsibilities for designing domestic economic policies, the impact of action and no less of inaction upon other countries has to be heeded.

We have welcomed the statements of the Governors of the lending industrialized countries where they visualized an early resumption of a more satisfactory rate of growth than was experienced in 1966 and early 1967.

I sincerely hope that this prospect will materialize. It would be most fitting and appropriate at this signal juncture in the life of our Institution to reaffirm by deeds our faith in the fundamental principles as laid down in Article I of the constitution of the Fund where its purposes and the objectives of policies are established.

[1]See footnote, page 2

Economic policy must continuously be conducive to economic progress in a world which is one and indivisible.

A steadily expanding production in the industrialized countries will strengthen their capability to offer assistance to developing countries which on their part will more easily find outlets for their exports and at more remunerative prices. This is the best way of rendering help since in the long-term perspective trade more than aid must be the sound basis of development.

In his report on the activities of the Bank and its Affiliates, Mr. Woods gave us an assurance that projects already authorized will serve to solidify the economic foundations of many developing countries. The industrialized countries have, I am sure, taken note of his plea for additional support, not only in the form of more funds for IDA and the Bank, but also by opening freer access to markets and by alleviating the strains imposed by a growing burden of foreign debt. A positive response will make possible a major breakthrough in the battle against destitution and despondency.

I now wish all of you a safe passage back to your respective home countries. The Twenty-Second Annual Meetings of the Boards of Governors of the Bank and Affiliates and of the Fund stand adjourned.

DOCUMENTS OF THE BOARDS OF GOVERNORS

SCHEDULE OF MEETINGS[1]

Monday		
September 25	10:00 a.m.—JOINT BOARDS	—Opening Ceremonies
		—Address from the Chair
		—Annual Address of President, IBRD, IFC and IDA
		—Annual Address of Managing Director, IMF
		—Joint Procedures Committee[2]
Tuesday		
September 26	9:30 a.m.—JOINT BOARDS	—Joint Procedures Committee Report I
		—Annual Discussion
Wednesday		
September 27	9:30 a.m.—IBRD, IFC and IDA BOARDS	—Annual Discussion
Thursday		
September 28	9:30 a.m.—IMF BOARD	—Annual Discussion
		—Joint Procedures Committee
Friday		
September 29	9:30 a.m.—JOINT BOARDS	—Conclusion of Annual Discussions
		—Joint Procedures Committee Reports II, III and IV
		—Comments by Heads of Organizations
		—Adjournment

[1]*Approved by the Chairman, Kåre Willoch and the President, George D. Woods, on August 8, 1967, pursuant to the By-Laws, IBRD Section 6(d), IFC Section 4(d) and IDA Section 1(a).*

[2]*The first meeting of the Joint Procedures Committee was added to the Schedule of Meetings on September 25, 1967.*

NOTE: The International Centre for Settlement of Investment Disputes held the Annual Meeting of its Administrative Council on Monday, September 25.

PROVISIONS RELATING TO THE CONDUCT OF THE MEETINGS[1]

ADMISSION

1. Sessions of the Boards of Governors of the Bank, IFC, IDA and the Fund, including joint sessions, 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 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 Chairman, 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 President of the Bank and its Affiliates, the Managing Director of the Fund and the Secretaries.
6. Reports of the Joint Procedures Committee shall be signed by the Committee Chairmen and the Reporting Members.

PUBLIC INFORMATION

7. The Chairmen of the Boards of Governors, the President of the Bank and its Affiliates and the Managing Director of the Fund will communicate to the press such information concerning the proceedings of the Annual Meetings as they may deem suitable.

[1]*Approved by the Chairman, Kåre Willoch and the President, George D. Woods, on August 8, 1967, pursuant to the By-Laws, IBRD Section 6(d), IFC Section 4(d) and IDA Section 1(a).*

BANK AGENDA[1]

1. 1966-67 Annual Report
2. Financial Statements and Annual Audit
3. Administrative Budget
4. Allocation of Net Income
5. Report on Loan Regulations and Bond Regulation Amendments
6. Place and Date of 1969 Annual Meetings
7. Officers and Procedures Committee for 1967-68
8. Membership of Botswana
9. Stabilization of Prices of Primary Products[2]

IFC AGENDA[1]

1. 1966-67 Annual Report
2. Financial Statements and Annual Audit
3. Administrative Budget
4. Rules of Procedure

IDA AGENDA[1]

1. 1966-67 Annual Report
2. Financial Statements and Annual Audit
3. Administrative Budget
4. Amendments to Credit Regulations No. 1

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[1] *Approved by the Executive Directors of the Bank, IFC and IDA, pursuant to the By-Laws, IBRD Section 6(a), IFC Section 4(a) and IDA Section 1(a), on August 9, 1967.*

[2] *Item 9 was added to the Agenda on September 26, 1967 in accordance with Joint Procedures Committee Report I.*

JOINT PROCEDURES COMMITTEE

Chairmen ..... NORWAY
Vice Chairmen ..... MALAYSIA
SIERRA LEONE
Reporting Members ..... HONDURAS

Other Members

ALGERIA*	CHILE	KENYA
AUSTRIA	CHINA*	LEBANON
BRAZIL	FRANCE	LUXEMBOURG
CAMEROON*	GERMANY	UNITED KINGDOM
CANADA	INDIA	UNITED STATES

** Not a member of IFC*

REPORT I

September 25, 1967

At its meeting held on September 25, 1967, the Committee considered a request submitted by Governors of the Bank and the Fund for Cameroon, Central African Republic, Congo (Brazzaville), Ivory Coast, Dahomey, France, Gabon, Upper Volta, Madagascar, Mali, Mauritania, Niger, Senegal, Chad and Togo to add to the Agendas for this Annual Meeting of the Boards of Governors of the Bank and of the Fund an item on Stabilization of Prices of Primary Products (. . . attached).

The Committee recommends that an item on Stabilization of Prices of Primary Products be added to the Agendas of the Boards of Governors of the Bank and the Fund for this Annual Meeting.

Approved:

/s/ KARE WILLOCH
/s/ ERIK BROFOSS
NORWAY—*Chairmen*

/s/ M. ACOSTA B.
/s/ ROBERTO RAMIREZ
HONDURAS—*Reporting Members*

This Report was approved and its recommendation was adopted by the Boards of Governors on September 26, 1967.

ATTACHMENT

DAKAR, September 22, 1967

DRAFT RESOLUTION

For inclusion in the Agenda of the Annual Meeting of Governors of the IMF and the IBRD in Rio de Janeiro, Brazil

CONSIDERING the decisive importance of the stabilization of prices for primary products at a remunerative level for the economic advancement of the developing countries and the improvement of the standard of living of their populations, the Governors meeting in Dakar request that in Rio study be made

of the conditions in which IMF, IBRD and IDA could participate in the elaboration of suitable mechanisms involving balanced commitments on the part both of the producing and of the consuming countries, and devote the necessary resources thereto.

Signed: Nko'o Etoungou, Cameroon
Alexandre Banza and Bernard Ayandho, Central African Republic
Edouard Ebouka-Babackas, Congo (Brazzaville)
Konan Bedie, Ivory Coast
Bertin Borna and Stanislas Kpognon, Dahomey
Michel Debre, France
Pierre Mebaley and Pierre Fanguinoveny, Gabon
Tiemoko Garango and Pierre Claver Damiba, Upper Volta
Victor Miadana and Rakotovao Ralison, Madagascar
Louis Negre, Mali
M. S. M'Khaitirat and B. M. Wane, Mauritania
Courmo Barcourgne and Alidou Barkire, Niger
Jean Collin and Habib Thiam, Senegal
Abakar Sanga Traore and Georges Diguimbaye, Chad
Boukari Djobo and Paulin Eklou, Togo

REPORT II

September 28, 1967

At the meeting of the Joint Procedures Committee held on September 28, 1967, the items of business on the agendas of the Boards of Governors of the Bank, IFC and IDA were considered.

A. The Committee submits the following report and recommendations on Bank and IDA business:

1. 1967 ANNUAL REPORT

The Committee noted that provision had been made for discussion of the 1967 Annual Report of the Bank and IDA.

2. FINANCIAL STATEMENTS, ANNUAL AUDITS AND ADMINISTRATIVE BUDGETS

The Committee considered the Financial Statements, Auditors' Reports and Administrative Budgets contained in the 1967 Bank and IDA Annual Report, together with the report dated August 18, 1967. The Committee recommends that the Boards of Governors of the Bank and IDA adopt the draft resolutions . . .[1]

3. ALLOCATION OF NET INCOME OF THE BANK

The Committee considered the Report of the Executive Directors of the Bank, dated August 15, 1967, on the Allocation of Net Income.[2]

The Committee recommends that the Board of Governors of the Bank adopt the draft resolution . . .[3]

4. LOAN REGULATIONS NOS. 3 AND 4 AND BOND REGULATION NO. 1

The Committee considered the Report of the Executive Directors of the Bank dated August 15, 1967, on amendments to Loan Regulations Nos. 3 and 4 and Bond Regulation No. 1.[4]

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[1]*See pages 79 and 85*
[2]*See page 87*
[3]*See page 79*
[4]*See page 88*

The Committee recommends that the record of the proceedings of this Annual Meeting state that the said Loan Regulations Nos. 3 and 4, dated February 15, 1961, as amended February 9, 1967, and Bond Regulation No. 1 dated February 1, 1967, have been reviewed and noted by the Board of Governors of the Bank.

5. CREDIT REGULATIONS NO. 1

The Committee considered the Report of the Executive Directors of IDA, dated August 15, 1967, on amendments to Development Credit Regulations No. 1.[1]

The Committee recommends that the record of the proceedings of this Annual Meeting state that the said Development Credit Regulations No. 1 dated June 1, 1961, as amended February 9, 1967, have been reviewed and noted by the Board of Governors of IDA.

6. APPLICATION FOR MEMBERSHIP IN THE BANK

The Committee considered the Report of the Executive Directors dated September 15, 1967, and the application of Botswana for membership in the Bank.

The Committee recommends that the Board of Governors of the Bank adopt the draft resolution . . .[2]

7. STABILIZATION OF PRICES OF PRIMARY PRODUCTS

The Committee considered the request of Governors for Cameroon, Central African Republic, Congo, Ivory Coast, Dahomey, France, Gabon, Upper Volta, Madagascar, Mali, Mauritania, Niger, Senegal, Chad and Togo relating to Stabilization of Prices of Primary Products[3] and prepared the text of a draft resolution on that subject.

The Committee recommends that the Board of Governors adopt the attached resolution . . .[4]

B. The Committee submits the following report and recommendations on IFC business:

1. 1967 ANNUAL REPORT

The Committee noted that provision had been made for discussion of the 1967 Annual Report of IFC at this Meeting.

2. FINANCIAL STATEMENTS, ANNUAL AUDIT AND ADMINISTRATIVE BUDGET

The Committee considered the Financial Statements and the Auditors' Report contained in the 1967 Annual Report and the Administrative Budget attached to the Report dated August 18, 1967.

The Committee recommends that the Board of Governors of IFC adopt the draft resolution . . .[5]

3. RULES OF PROCEDURE FOR MEETINGS OF THE BOARD OF DIRECTORS

The Committee considered the Report of the Board of Directors, dated August 22, 1967, on an amendment of Section 1(d) of the Rules of Procedure for Meetings of the Board of Directors.[6]

The Committee recommends that the record of the proceedings of this Annual Meeting state that the said amendment has been reviewed and noted by the Board of Governors of IFC.

Approved:

/s/ KARE WILLOCH
NORWAY—*Chairman*

/s/ M. ACOSTA B.
HONDURAS—*Reporting Member*

This Report was approved and its recommendations were adopted by the Boards of Governors on September 29, 1967

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[1]*See page 89*
[2]*See page 80*
[3]*See page 74*
[4]*See page 81*
[5]*See page 84*
[6]*See page 88*

REPORT IV[1]

September 28, 1967

The Joint Procedures Committee met on September 28, 1967, and submits the following report:

1. 1969 ANNUAL MEETINGS

The Committee recommends that the 1969 Annual Meetings of the Boards of Governors be convened in Washington, D.C.

2. OFFICERS AND JOINT PROCEDURES COMMITTEE

The Committee recommends that the Governor for Ceylon be elected Chairman, and that the Governors for Dahomey and Turkey be elected Vice Chairmen, of the Boards of Governors of the Fund and of the Bank and its Affiliates 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 Chairman normally by correspondence and, if occasion requires, by convening; and that this Committee shall consist of the Governors for the following members: Afghanistan, Australia, Ceylon, Democratic Republic of the Congo, Dahomey, Ecuador, Finland, France, Germany, India, Jordan, Laos, Nicaragua, Spain, Sudan, Tanzania, Turkey, United Kingdom, United States and Venezuela.

It is recommended that the Chairman of the Joint Procedures Committee shall be the Governor for Ceylon and the Vice Chairmen shall be the Governors for Dahomey and Turkey and that the Governor for Australia shall serve as Reporting Member.

Approved:

/s/ KARE WILLOCH
/s/ ERIK BROFOSS
NORWAY—*Chairmen*

/s/ M. ACOSTA B.
/s/ ROBERTO RAMIREZ
HONDURAS—*Reporting Members*

This Report was approved and its recommendations were adopted by the Boards of Governors on September 29, 1967

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF THE BANK BETWEEN 1966 AND 1967 ANNUAL MEETINGS

RESOLUTION NO. 234

Amendments to the Memorandum of Understanding with Respect to Working Arrangements Between the United Nations Educational, Scientific and Cultural Organization (Unesco) and the International Bank for Reconstruction and Development and the International Development Association

RESOLVED:

THAT the amendments to the Memorandum of Understanding with Respect to Working Arrangements Between the United Nations Educational, Scientific and Cultural Organization (Unesco) and the Bank

[1] *Report III relates to business of the Fund.*

and the International Development Association attached as Annex A[1] to the Report of the Executive Directors to the Boards of Governors dated April 11, 1967 are hereby approved.

(Adopted May 15, 1967)

RESOLUTION NO. 235

Membership of The Gambia

WHEREAS the Government of The Gambia 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 The Gambia, 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 The Gambia 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, The Gambia shall subscribe to 53 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, The Gambia shall accept membership in and become a member of the International Monetary Fund.
4. *Payments on Subscription:*
   (a) Before accepting membership in the Bank, The Gambia 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, The Gambia 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 The Gambia shall furnish to the Bank such information in respect of such action as the Bank may request.

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[1]*See page 87*

6. *Acceptance of Membership:* The Gambia shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution, as of the date when The Gambia 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:* The Gambia may accept membership in the Bank pursuant to this resolution until January 31, 1968, or such later date as the Executive Directors may determine.

(Adopted July 17, 1967)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF THE BANK AT THE 1967 ANNUAL MEETING

RESOLUTION NO. 236

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 1966-67 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, 1967)

RESOLUTION NO. 237

Allocation of Net Income

RESOLVED:

1. THAT the Report of the Executive Directors dated August 15, 1967,[1] on "Allocation of Net Income" is hereby approved;
2. THAT the allocation of $159,596,227 of the net income of the Bank for the fiscal year ended June 30, 1967, to the Supplemental Reserve against Losses on Loans and Guarantees is hereby noted with approval; and
3. THAT the Bank transfer to the International Development Association by way of grant $10,000,000 out of the net income of the Bank for the fiscal year ended June 30, 1967, such transfer to be made at the time and in the manner to be decided by the Executive Directors.

(Adopted September 29, 1967)

[1]*See page 87*

RESOLUTION NO. 238

Membership of Botswana

WHEREAS the Government of Botswana 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 Botswana, 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 Botswana 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, Botswana shall subscribe to 32 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, Botswana shall accept membership in and become a member of the International Monetary Fund.
4. *Payments on Subscription:*
   (a) Before accepting membership in the Bank, Botswana 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, Botswana 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 Botswana shall furnish to the Bank such information in respect of such action as the Bank may request.
6. *Acceptance of Membership:* Botswana shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution, as of the date when Botswana 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; and

(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:* Botswana may accept membership in the Bank pursuant to this resolution until March 29, 1968, or by such later date as the Executive Directors may determine.

(Adopted September 29, 1967)

RESOLUTION NO. 239

Stabilization of Prices of Primary Products

WHEREAS Governors of the Bank and the Fund for Cameroon, Central African Republic, Congo (Brazzaville), Ivory Coast, Dahomey, France, Gabon, Upper Volta, Madagascar, Mali, Mauritania, Niger, Senegal, Chad and Togo have transmitted to the President of the International Bank for Reconstruction and Development the following request:

> CONSIDERING the decisive importance of the stabilization of prices of primary products at a remunerative level for the economic advancement of the developing countries and the improvement of the standard of living of their populations, the Governors meeting in Dakar request that in Rio study be made of the conditions in which IMF, IBRD and IDA could participate in the elaboration of suitable mechanisms involving balanced commitments on the part both of the producing and of the consuming countries, and devote the necessary resources thereto.

AND WHEREAS the Board of Governors recognizes the importance of this subject in relation to the purposes of the Bank,

NOW THEREFORE the Board of Governors resolves that the President is hereby invited to have the staff, in consultation with the Fund staff, prepare a study of the problem, its possible solutions, and their economic feasibility, in the light of the foregoing, to be submitted to the Executive Directors who are requested to transmit it with such comments or recommendations as they may have to the Board of Governors for consideration and appropriate decision by the Board, if possible at its next Annual Meeting.

(Adopted September 29, 1967)

RESOLUTION NO. 240

Appreciation

RESOLVED:

THAT the Governors of the International Bank for Reconstruction and Development and its Affiliates and the International Monetary Fund express their deep appreciation to the Government and people of Brazil and of the city of Rio de Janeiro for their warm and gracious hospitality; and

THAT they express their particular appreciation to the Governor and Alternate Governors for Brazil and their associates for their outstanding contributions to the success of these 1967 Annual Meetings.

(Adopted September 29, 1967)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IFC BETWEEN 1966 AND 1967 ANNUAL MEETINGS

RESOLUTION NO. 62

Membership of Viet-Nam

WHEREAS the Government of Viet-Nam 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 Viet-Nam, 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 Viet-Nam 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, Viet-Nam shall subscribe to 166 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, Viet-Nam shall pay $166,000 to the Corporation in full payment of the capital stock subscribed.
4. *Information:* Before accepting membership in the Corporation, Viet-Nam shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.
5. *Acceptance of Membership:* Viet-Nam shall become a member of the Corporation, with a subscription as set forth in paragraph 2 of this resolution, as of the date when Viet-Nam 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:* Viet-Nam may accept membership in the Corporation pursuant to this resolution until October 31, 1967, or such later date as the Board of Directors may determine.

(Adopted March 27, 1967)

RESOLUTION NO. 63

Membership of Mauritania

WHEREAS the Government of Mauritania 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 Mauritania, 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 Mauritania 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, Mauritania 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, Mauritania shall pay $55,000 to the Corporation in full payment of the capital stock subscribed.
4. *Information:* Before accepting membership in the Corporation, Mauritania shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.
5. *Acceptance of Membership:* Mauritania shall become a member of the Corporation, with a subscription as set forth in paragraph 2 of this resolution, as of the date when Mauritania 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:* Mauritania may accept membership in the Corporation pursuant to this resolution until December 29, 1967, or such later date as the Board of Directors may determine.

(Adopted June 19, 1967)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IFC AT THE 1967 ANNUAL MEETING

RESOLUTION NO. 64

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 1966-67 Annual Report, and the Administrative Budget attached to the Report dated August 18, 1967, 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, 1967)

RESOLUTION NO. 65

Appreciation

RESOLVED:

THAT the Governors of the International Bank for Reconstruction and Development and its Affiliates and the International Monetary Fund express their deep appreciation to the Government and people of Brazil and of the city of Rio de Janeiro for their warm and gracious hospitality; and

THAT they express their particular appreciation to the Governor and Alternate Governors for Brazil and their associates for their outstanding contributions to the success of these 1967 Annual Meetings.

(Adopted September 29, 1967)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IDA BETWEEN 1966 AND 1967 ANNUAL MEETINGS

RESOLUTION NO. 59

Amendments to the Memorandum of Understanding with Respect to Working Arrangements Between the United Nations Educational, Scientific and Cultural Organization (Unesco) and the International Bank for Reconstruction and Development and the International Development Association

RESOLVED:

THAT the amendments to the Memorandum of Understanding with Respect to Working Arrangements Between the United Nations Educational, Scientific and Cultural Organization (Unesco) and the International Bank for Reconstruction and Development and the Association attached as Annex A[1] to the Report of the Executive Directors to the Boards of Governors dated April 11, 1967, are hereby approved.

(Adopted May 15, 1967)

RESOLUTION NO. 60

Membership of The Gambia

WHEREAS the Government of The Gambia 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

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[1]*See page 87*

WHEREAS, pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Government of The Gambia, 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 The Gambia shall be admitted to membership in the Association shall be as follows:

(a) The terms and conditions of the membership of The Gambia 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, The Gambia shall subscribe funds in the amount of $267,000 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, The Gambia 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) The Gambia may accept membership in the Association pursuant to this resolution until January 31, 1968, or by such later date as the Executive Directors may determine.

(Adopted July 17, 1967)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IDA AT THE 1967 ANNUAL MEETING

RESOLUTION NO. 61

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 1966-67 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, 1967)

RESOLUTION NO. 62

Appreciation

RESOLVED:

THAT the Governors of the International Bank for Reconstruction and Development and its Affiliates and the International Monetary Fund express their deep appreciation to the Government and people of Brazil and of the city of Rio de Janeiro for their warm and gracious hospitality; and

THAT they express their particular appreciation to the Governor and Alternate Governors for Brazil and their associates for their outstanding contributions to the success of these 1967 Annual Meetings.

(Adopted September 29, 1967)

REPORT OF THE EXECUTIVE DIRECTORS OF THE BANK AND IDA

April 11, 1967

Proposed Amendments to the Memorandum of Understanding with Respect to Working Arrangements Between the United Nations Educational, Scientific and Cultural Organization and the International Bank for Reconstruction and Development and the International Development Association

1. On April 30, 1964, the Boards of Governors of the Bank and IDA approved a Memorandum of Understanding between the Bank/IDA and the United Nations Educational, Scientific and Cultural Organization (Unesco), setting forth basic principles to govern a proposed cooperative program in the field of education. On the same date, the Boards of Governors approved a Memorandum of Understanding with the Food and Agriculture Organization of the United Nations (FAO), setting forth basic principles to govern a proposed cooperative program in the field of agriculture.

2. The arrangements incorporated in both Memoranda of Understanding contemplated that certain specified costs incurred for agreed work under the program would be shared equally by the Bank/IDA and Unesco, and by the Bank/IDA and FAO, respectively, up to a ceiling figure to be agreed from time to time. It was also contemplated that, at least for an initial period, the Bank would bear any excess costs above the ceiling figures.

3. In August 1965, the Boards of Governors of the Bank and IDA, upon the joint recommendation of the Executive Directors, approved amendments to the Memorandum of Understanding between FAO and the Bank/IDA, which (a) eliminated the provision for a ceiling on cost sharing, so that the Bank and FAO would thereafter share all the agreed costs of the cooperative program, and (b) increased the Bank's share of those costs from 50% to 75% and correspondingly reduced FAO's share from 50% to 25%. These amendments, which were also approved by the Council of FAO, became effective on January 1, 1966, the start of FAO's next budgetary period.

4. A similar change in the cost-sharing formula governing the cooperative arrangements with Unesco was concurrently negotiated with Unesco, to become effective at the beginning of the next Unesco budgetary period. However, because that period would not start until January 1, 1967, the Director-General of Unesco asked that formal amendment of the Memorandum of Understanding be deferred.

5. It is now proposed that the Memorandum of Understanding with Unesco be amended to reflect the change in the cost-sharing formula described above, and to bring that Memorandum into line with the Memorandum of Understanding with FAO. If approved, the proposed changes, under which Unesco and the Bank would share all direct costs of the cooperative program in a 25:75 proportion, will be deemed to have taken effect on January 1, 1967, the start of Unesco's current budgetary period.

6. At the request of Unesco one further minor change is proposed to the Memorandum of Understanding in order to take account of recent changes in Unesco's terminology. In lieu of references to Unesco's "Educational Financing Unit" the amended Memorandum of Understanding will use the term "Educational Financing Division".

7. The text of these amendments to the Memorandum of Understanding with Unesco have been negotiated with Unesco and are attached as Annex A to this report. As was the case with the Memorandum itself, the amendments require the approval of the Boards of Governors of the Bank and IDA, pursuant to Article V, Section 2(b)(v) of the Articles of Agreement of the Bank and to Article VI, Section 2(c)(v) of the Articles of Agreement of IDA, under both of which formal arrangements for cooperation with other international organizations must be approved by the Board of Governors. These amendments are similarly subject to approval by the appropriate intergovernmental body of Unesco.

Recommendations

8. The Executive Directors recommend that the proposed amendments to the Memorandum of Understanding with Unesco be approved by the Boards of Governors and that:
   (a) the Board of Governors of the Bank adopt by vote without meeting the draft resolution attached . . .[1] and
   (b) the Board of Governors of IDA adopt by vote without meeting the draft resolution attached . . .[2]

ANNEX A

Proposed Amendments to the Memorandum of Understanding Governing the Cooperative Program With the United Nations Educational, Scientific and Cultural Organization

1. Subparagraph (a) of paragraph 4 of the Memorandum of Understanding between Unesco and the Bank/IDA would be amended to read as follows:

   "(a) Subject to the qualifications set forth below, the costs of Unesco in connection with agreed work under the program, including salary, allowances and other benefits and travel costs of the Educational Financing Division, of outside consultants, and of other Unesco staff members assigned to such work will, until December 31, 1966, be shared equally by Unesco and the Bank up to a ceiling figure to be fixed from time to time by agreement between the two organizations."

2. A new subparagraph (i) would be added to paragraph 4 to read as follows:

   "(i) Beginning with the calendar year 1967, the costs of Unesco for agreed work under the program as defined in subparagraph (a) will be shared in the proportion of 25% by Unesco and 75% by the Bank, subject to the qualifications set forth in subparagraphs (b), (c), (d) and (e). The cost-sharing ceiling figure for each Unesco biennium will be fixed from time to time by agreement between the two organizations."

3. Wherever the words "Educational Financing Unit" appear in the Memorandum of Understanding there shall be substituted the words "Educational Financing Division."

REPORTS OF THE EXECUTIVE DIRECTORS OF THE BANK

August 15, 1967

Allocation of Net Income

1. The Bank's net income for the fiscal year ended June 30, 1967, was $169,596,227. In addition the Bank had commission income for that fiscal year amounting to $684,528, which was appropriated to the Special Reserve created under Article IV, Section 6 of the Bank's Articles of Agreement. As of June 30, 1967, the Special Reserve totalled $290,422,318 and, without regard to the 1967 fiscal year's income, the Supplemental Reserve against Losses on Loans and Guarantees amounted to $732,574,509. Total

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[1]*See page 77*
[2]*See page 84*

reserves therefore amounted to $1,022,996,827, of which the $290,422,318 in the Special Reserve is kept in liquid form, the remainder being used in the business of the Bank.

2. The Executive Directors have considered what action to take, or to recommend that the Board of Governors take, with respect to the net income for the fiscal year ended June 30, 1967.

3. The Executive Directors have considered what portion of that net income should be allocated to the Supplemental Reserve against Losses on Loans and Guarantees and what portion thereof, if any, they should recommend that the Board of Governors transfer to the International Development Association. The Executive Directors have allocated $159,596,227 of such net income to the Supplemental Reserve against Losses on Loans and Guarantees.

4. The Executive Directors have concluded that it is not necessary to retain $10,000,000 of net income in the Bank's business. They have further concluded that the interests of the Bank and its members would best be served by the transfer of that amount to the International Development Association by way of grant.

5. Accordingly the Executive Directors recommend that the Board of Governors approve the present Report and adopt the draft resolution attached . . .[1]

(This Report was approved and its recommendations adopted by the Board of Governors on September 29, 1967)

August 15, 1967

Loan Regulations Nos. 3 and 4, and Bond Regulation No. 1

1. The Board of Governors, at the 1961 Annual Meeting, reviewed and noted revised Loan Regulations Nos. 3 and 4 of the Bank, dated February 15, 1961 and, at the 1962 Annual Meeting, reviewed and noted revised Bond Regulation No. 1 of the Bank, dated January 15, 1962.

2. On February 9, 1967, the Executive Directors approved several amendments to Loan Regulations Nos. 3 and 4, and Bond Regulation No. 1. The amendments to the Loan Regulations are principally designed to bring these regulations into line with the Bank's practice as it has developed since the last revisions. The amendments to the Bond Regulation are minor and of a technical nature.

3. In accordance with Section 16 of the By-Laws of the Bank, Loan Regulations Nos. 3 and 4 of the Bank dated February 15, 1961, as amended February 9, 1967, and Bond Regulation No. 1 dated February 1, 1967, incorporating the amendments approved on February 9, 1967, are herewith presented to the Board of Governors for review.[2]

(This Report was reviewed and noted without objection by the Board of Governors on September 29, 1967)

REPORT OF THE BOARD OF DIRECTORS OF IFC

August 22, 1967

Rules of Procedure for Meetings of the Board of Directors

1. To take account of the appointment of the Vice President of the Corporation, the Board of Directors, on July 3, 1967, amended Section 1 (d) of the "Rules of Procedure for Meetings of the Board of Directors" to read as follows:

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[1]*See page 79*

[2]*See page 75*

"(d) 'Chairman' means the President of the Bank and of the Corporation acting as Chairman of the Board or, in his absence, the Executive Vice President of the Corporation or, in the absence of both, the Vice President of the Corporation."

2. In accordance with Section 14 of the By-Laws of the Corporation, said amendment is hereby presented to the Board of Governors for review.[1]

(This Report was reviewed and noted without objection by the Board of Governors on September 29, 1967)

REPORT OF THE EXECUTIVE DIRECTORS OF IDA

August 15, 1967

Amendments to Credit Regulations No. 1

1. At the 1961 Annual Meeting, the Board of Governors reviewed and noted Development Credit Regulations No. 1 of the Association, dated June 1, 1961.
2. On February 9, 1967, the Executive Directors approved several amendments to Development Credit Regulations No. 1. These amendments are principally designed to bring the regulations into line with the Association's practices as these have developed since 1961.
3. In accordance with Section 6 of the By-Laws of the Association, Development Credit Regulations No. 1 of the Association dated June 1, 1961, as amended February 9, 1967, are herewith presented to the Board of Governors for review.[1]

(This Report was reviewed and noted without objection by the Board of Governors on September 29, 1967)

[1]*See page 76*

ACCREDITED MEMBERS OF DELEGATIONS AT 1967 ANNUAL MEETINGS

□ ° AFGHANISTAN

Governor ..... Abdul Karim Hakimi
Alternate Governor ..... Abdul Aziz Atayee

° ALGERIA

Governor ..... Hachemi Saibi
Alternate Governor ..... Kemal Abdallah Khodja
Adviser:
Hafid Keramane

□ ° ARGENTINA

Governor ..... Pedro Eduardo Real
Alternate Governor ..... Carlos S. Brignone
Advisers:
Adolfo E. Buscaglia
Angel R. Caram
Enrique Carrier
José María Cascales
Carlos Coll Benegas
Raúl Dejean del Castillo
Hernán Massini Escurra
Téodoro A. Fernández
Enrique E. Folcini
Alejandro Frers
Horacio García Belsunce
Julio González del Solar
Carlos Conrado Helbling
José Alfredo Martínez de Hoz
Narcisco Ocampo
Luis María Otero Monsegur
Rafael Perrotta
Manuel San Miguel
Alejandro Shaw
Roberto Verrier
Ricardo J. Vignau

□ ° AUSTRALIA

Governor ..... William McMahon
Alternate Governor ..... Sir Roland Wilson
Advisers:
T. J. Bartley‡
B. E. Fleming
B. F. Hurley
H. M. Knight
J. M. McMillan
J. G. Phillips
J. O. Stone†
R. J. Whitelaw

□ ° AUSTRIA

Alternate Governor ..... Hugo Rottky
Alternate Governor ..... Walter Neudoerfer*
Adviser:
Othmar Haushofer‡

□ ° BELGIUM

Alternate Governor ..... Hubert Ansiaux
Alternate Governor ..... André van Campenhout*†
Advisers:
Herman Biron
Cécil de Strycker
Jacques Mertens de Wilmars

□ ° BOLIVIA

Governor ..... Jorge Jordán F.
Alternate Governor ..... Enrique Vargas Guzmán
Advisers:
Gastón Guillén O.
Alberto Saavedra Nogales
Felipe Tredinnick

□ ° BRAZIL

Governor ..... Antonio Delfim Netto
Alternate Governor ..... Ruy Aguiar da Silva Leme
Alternate Governor ..... Hélio Marcos Penna Beltrão*
Alternate Governor ..... Ary Burger*
Alternate Governor ..... Nestor Jost*
Alternate Governor ..... Germano de Britto Lyra*
Alternate Governor Edmundo de Macedo Soares e Silva*
Alternate Governor ..... Jayme Magrassi de Sá*
Alternate Governor ..... Hélio Marques Vianna*
Alternate Governor .. Gastão Eduardo de Bueno Vidigal*
Advisers:
Antônio Carlos do Amaral Osório
João Walter de Andrade
José de Assis Aragão
Gilberto Ronaldo Campello de Azevedo
Téofilo de Azeredo Santos
Aldo Baptista Franco da Silva Santos
Luiz Biolchini
Herculano Marcos Borges da Fonseca
João Pedro Gouvea de Carvalho Vieira
Horácio Sabino Coimbra
Antônio de Abreu Coutinho
Marcos Vinícius de Moraes
João Osório de Oliveira Germano
João di Pietro
Milton de Oliveira Ferreira
Sérgio Fonseca
Adolpho de Oliveira Franco
Ernane Galvêas
José Garrido Tôrres
Desirée Guarany e Silva
Eduardo da Silveira Gomes Júnior
Alexandre Kafka
Marcelo Leite Barbosa
George Alvares Maciel
Joaquim Ferreira Mângia
Francisco Melo Franco
Aluízio Mendes
João Baptista Miranda
Euler Bentes Monteiro
André Franco Montoro
Luis de Moraes Barros
Dênio Nogueira
Paulo Hortênsio Pereira Lira
Ernesto Pereira Lopes
Casimiro Antônio Ribeiro
Genival de Almeida Santos
Celso Luiz Silva
Victor Silva
Mário Trindade
Rubens Vaz da Costa
João Paulo Reis Veloso
José Maria Villar de Queiróz

□ ° BURMA

Governor ..... U Kyaw Nyein
Alternate Governor ..... U Chit Moung
Adviser ..... U Maung Gyi‡

° BURUNDI

Governor ..... Eric Manirakiza
Alternate Governor ..... François Kesteman*
Adviser:
Bernard de Martrin-Donos

° CAMEROON

Governor ..... Laurent Ntamag
Alternate Governor ..... Alfred Ekoko Mpondo

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* *Temporary* † *Executive Director* ‡ *Alternate Director*
□ *IFC Member*
° *IDA Member*

ACCREDITED MEMBERS OF DELEGATIONS AT 1967 ANNUAL MEETINGS (Continued)

□ ° CANADA

Governor ..... Mitchell Sharp
Alternate Governor ..... A. B. Hockin
Alternate Governor ..... J. J. J. Chrétien*
Advisers:

A. J. Barry	A. C. Lamb
Gaston Clermont	R. W. Lawson
Miss J. Dugal	V. C. Moore
Herb E. Grey	J. Rae
S. J. Handfield-Jones	P. M. Reid‡
W. C. Hood	N. A. Rost van Tonningen
L. Denis Hudon†	M. F. Strong
W. J. Kennett	M. Vennat
	S. Wheelock

° CENTRAL AFRICAN REPUBLIC

Governor ..... Bernard-Christian Ayandho
Alternate Governor ..... André Zanife-Touambona

□ ° CEYLON

Governor ..... U. B. Wanninayake
Alternate Governor ..... H. Jinadasa Samarakkody
Alternate Governor ..... Gamani Corea*
Adviser:
G. A. Fernando

° CHAD

Governor ..... Georges Diguimbaye
Alternate Governor ..... Jean Nendigui

□ ° CHILE

Governor ..... Carlos Massad
Alternate Governor ..... Enrique Vial*
Advisers:

Luis Escobar†	Jorge Valdovinos
Hector Correa Letelier	Fernando Zegers

° CHINA

Governor ..... Ching-Yu Chen
Alternate Governor ..... Kuo-Hwa Yu
Advisers:

T. K. Chang	C. L. Chow
Jong-Shing Chang	Horine Hsieh
Felix S. Y. Chang	W. Y. Hui
Stephen S. F. Chen	Beue Tann
Reignson C. Chen†	Nelson G. Y. Yu

□ ° COLOMBIA

Governor ..... Abdón Espinosa Valderrama
Alternate Governor ..... Rodrigo Botero*
Advisers:
Aníbal Fernández de Soto
Jorge Mejía Salazar

° CONGO (BRAZZAVILLE)

Governor ..... Bernard Banza Bouiti
Alternate Governor ..... Jean Mombouli

° CONGO, DEMOCRATIC REPUBLIC OF

Governor ..... J. J. Litho
Alternate Governor ..... J. Bongoma*
Advisers:

Jacques de Groote	Louis Lamonzie
Fulgence Konzi	Edouard Mambu
Y. Koyambi	Domenico Paolillo

□ ° COSTA RICA

Governor ..... Jenaro Valverde
Alternate Governor ..... Guillermo González Truque*

□ ° CYPRUS

Governor ..... Renos Solomides

° DAHOMEY

Governor ..... Stanislas Kpognon
Alternate Governor ..... Gilles Florent Yehouessi
Adviser:
Christian Johnson

□ ° DENMARK

Governor ..... Ivar Norgaard
Alternate Governor ..... Otto Müller
Advisers:

Torben Friis	Poul Kryger
Ole N. Koch	

□ ° DOMINICAN REPUBLIC

Alternate Governor ..... Luis M. Guerrero

□ ° ECUADOR

Governor ..... Federico Intriago Arrata
Alternate Governor ..... Guillermo Pérez Chiriboga

□ ° EL SALVADOR

Governor ..... Edgardo Suárez C.
Alternate Governor ..... Armando Interiano
Advisers:

Alberto Berra di Berra	Manuel Antonio Robles
Francisco Lino Osegueda	

□ ° ETHIOPIA

Governor ..... Yilma Deressa
Alternate Governor ..... Asfaw Damte*
Adviser:
Tedla Teshome

□ ° FINLAND

Governor ..... Mauno Koivisto
Advisers:

Jorma Aranko	Heikki Leppo

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* *Temporary* † *Executive Director* ‡ *Alternate Director*
□ *IFC Member*
° *IDA Member*

ACCREDITED MEMBERS OF DELEGATIONS AT 1967 ANNUAL MEETINGS (Continued)

□°FRANCE

Governor ..... Michel Debré
Alternate Governor ..... Bernard Clappier
Advisers:
Louis Bruneau
Jean Chanel
Daniel Deguen
Jean Dromer
Pierre Esteva
Jean-Yves Haberer
Michel Hauswirth
Jacques de Larosière
Jean Malaplate‡
Paul Mentré
Claude Pietra
Georges Plescoff†
Marcel Theron

°GABON

Governor ..... Pierre Fanguinoveny
Alternate Governor ..... Dominique Casalta

□°GERMANY

Governor ..... Karl Schiller
Alternate Governor ..... Wilhelm Hanemann*
Alternate Governor ..... Hans Rannow*
Advisers:
Bernhard Benning
Otto Donner†
Miss Lore Fuenfgelt
Guenther Harkort
Hilmar H. Hartig
Walter Heinrich
Joerg Jaeckel‡
Helmut Koinzer
Werner Lamby
Rudolf Morawitz
Wolfgang Rieke
Fritz Stedtfeld
Horst Ungerer
Ernst vom Hofe
Victor von der Lippe
G. A. von Trotha
Carl Wagenhöfer

□°GHANA

Governor ..... Brigadier A. A. Afrifa
Alternate Governor ..... K. Gyasi-Twum
Advisers:
P. K. Anane-Binfoh
Peter Kamerling
B. K. Mensah

□°GREECE

Governor ..... John P. Paraskevopoulos
Alternate Governor ..... Costas A. Thanos
Advisers:
Costa P. Caranicas
Evangelos Eliades

□°GUATEMALA

Governor ..... Alberto Fuentes Mohr
Alternate Governor ..... Roberto Barillas Izaguirre
Advisers:
Mario Asturias
Gilberto Secaira

GUINEA

Governor ..... Ousmane Baldet
Alternate Governor ..... Mohamed Lamine Touré

□°GUYANA

Alternate Governor ..... H. O. E. Barker

□°HAITI

Governor ..... Clovis Desinor
Alternate Governor ..... Noe C. Fourcand

□°HONDURAS

Governor ..... Manuel Acosta Bonilla
Alternate Governor ..... Virgilio Urmeneta*
Advisers:
Cesar Augusto Batres Galeano
Roberto A. Kattan
Gabriel A. Majía
Salomón E. Muñoz R.
Rolando Salgado
Porfirio Zavala

□°ICELAND

Governor ..... Gylfi Gíslason
Alternate Governor ..... Magnús Jónsson
Advisers:
Vilhjálmur Thór‡
Pétur Thorsteinsson

□°INDIA

Governor ..... Morarji R. Desai
Alternate Governor ..... S. Jagannathan
Alternate Governor ..... I. G. Patel*
Alternate Governor ..... K. S. Sundara Rajan*†
Advisers:
A. K. Banerji
Kantilal Desai
S. Guhan‡
C. S. Swaminathan
V. Y. Tonpe

INDONESIA

Governor ..... Frans Seda
Alternate Governor ..... Djuana Kusumahardja
Advisers:
Muhamad Barmawie Alwie
Byanti Kharmawan
Soegantyo Koesoemodigdo

□°IRAN

Governor ..... Jamshid Amouzegar
Alternate Governor ..... Jahangir Amuzegar
Adviser:
E. F. Chadan

□°IRAQ

Governor ..... Abdul Rahman Al Habeeb
Alternate Governor ..... Sa'adi Ibrahim

□°IRELAND

Governor ..... Charles J. Haughey
Alternate Governor ..... T. K. Whitaker

**Temporary* *†Executive Director* *‡Alternate Director*
□ *IFC Member*
° *IDA Member*

ACCREDITED MEMBERS OF DELEGATIONS AT 1967 ANNUAL MEETINGS (Continued)

□°ISRAEL

Governor ..... David Horowitz
Alternate Governor ..... Jacob Arnon
Advisers:
Shmuel Divon
Gabriel Doron
Moshe Bernhard Gitter
Arnon Shmorak

□°ITALY

Governor ..... Guido Carli
Alternate Governor ..... Paolo Baffi
Advisers:
Lamberto Cantuti Castelvetri
Lionello Fronzoni
Felice Gianani‡
Giovanni Lovato
Rinaldo Ossola
Emilio Ranalli
Edgardo Valle
Alfredo Vernucci

□°IVORY COAST

Governor ..... Gbeho Sibi
Alternate Governor ..... René Amichia*
Advisers:
Charles Gomis
Koffi N'Guessan
Gerhard Rohnfelder

□JAMAICA

Governor ..... Edward Seaga
Alternate Governor ..... G. A. Brown
Advisers:
H. G. Barber
Miss Sybil E. Campbell
D. R. Clarke
R. I. Mason

□°JAPAN

Governor ..... Mikio Mizuta
Alternate Governor ..... Makota Usami
Alternate Governor ..... Yusuke Kashiwagi*
Alternate Governor ..... Haruo Mayekawa*
Alternate Governor ..... Shichiro Murai*
Alternate Governor ..... Haruo Nakajima*
Advisers:
Masaru Fukuda
Taro Hori
Daizo Hoshino
Koichi Inamura
Sadao Inose
Tatsuzo Inoue
Shunzo Kawai
Tarao Maeda
Naoyoshi Matsuo
Yasuo Matsushita
Ichiro Miyoda
Nobuyasu Nishimiya
Shijuro Ogata
Toshio Oshima
Eiji Ozaki
Masaki Shiratori
Hideo Suzuki†
Keijiro Tanaka
Tetsuo Tanaka
Yoshiaki Toda
Tetsuo Yamanaka

□°JORDAN

Governor ..... Hatim S. Zu'bi
Alternate Governor ..... Nijmeddin Dajani

□°KENYA

Governor ..... J. S. Gichuru
Alternate Governor ..... J. N. Michuki
Advisers:
A. T. Brough
J. K. Ilako

□°KOREA

Governor ..... Bong Kyun Suh
Alternate Governor ..... Se Ryun Kim
Alternate Governor ..... Yoon Sae Yang*
Advisers:
Byong Kyu Chun
In Yong Chung
Seung Hi Hong
Hyungkun Kim
Jai Woong Lee
Myong Won Paik
Chung Pum Song‡
Jin Soo Suh

□°KUWAIT

Alternate Governor ..... Abdlatif Y. Al-Hamad

°LAOS

Governor ..... Sisouk Na Champassak
Alternate Governor ..... Oudong Souvannavong
Adviser:
Sitha Sisombat

□°LIBERIA

Governor ..... J. Milton Weeks
Alternate Governor ..... Cyril Bright
Advisers:
George A. Blowers
S. Edward Peal

□°LIBYA

Governor ..... Shamsiddin Mohsen
Alternate Governor ..... Ali A. Attiga

□°LUXEMBOURG

Governor ..... Pierre Werner
Alternate Governor ..... Albert Dondelinger

□°MALAGASY REPUBLIC

Governor ..... Rakotovao Ralison
Alternate Governor ..... Louis Rakotomalala
Adviser:
Jean Kientz

□°MALAWI

Governor ..... J. Z. U. Tembo
Alternate Governor ..... Florian P. Kalilombe*
Adviser:
G. A. Jaffu

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* *Temporary* † *Executive Director* ‡ *Alternate Director*
□ *IFC Member*
° *IDA Member*

ACCREDITED MEMBERS OF DELEGATIONS AT 1967 ANNUAL MEETINGS (Continued)

□°MALAYSIA

Governor ..... Tan Siew Sin
Alternate Governor ..... Chong Hon Nyan*
Advisers:
Lee Hock Lock — Tan Cheng Swee
Lin See Yan

°MALI

Governor ..... Louis-Pascal Nègre
Alternate Governor ..... Tieoule Konate

°MAURITANIA

Governor ..... Birane Mamadou Wane
Alternate Governor ..... Moktar Ould Haiba

□°MEXICO

Governor ..... Antonio Ortíz Mena
Alternate Governor ..... José Hernández Delgado
Advisers:
Carlos Girón — Jesús Robles Martínez
Alfredo Navarrete — José Saenz Asunsolo

□°MOROCCO

Governor ..... Mamoun Tahiri
Alternate Governor ..... Mohamed Benkirane
Advisers:
Ahmed Benabud — Abderrahman Tazi†
Ahmed Osman

□°NEPAL

Governor ..... Kirti Nidhi Bista
Alternate Governor ..... Bhekh Bahadur Thapa

□°NETHERLANDS

Governor ..... H. J. Witteveen
Alternate Governor ..... Count J. H. O. van den Bosch
Advisers:
S. Boomstra — P. Lieftinck†
V. M. de Miranda — Baron A. W. R. Mackay
J. Everts — H. M. H. A. van der Valk
Miss G. A. Koen — D. M. N. van Wensveen

□°NEW ZEALAND

Governor ..... N. R. Davis
Alternate Governor ..... N. V. Lough
Adviser:
E. G. Buckton

□°NICARAGUA

Governor ..... Guillermo Sevilla Sacasa
Alternate Governor ..... Arnoldo Ramírez Eva

°NIGER

Governor ..... Alidou Barkire
Alternate Governor ..... Karimou Goukoye
Advisers:
Robert Julienne — Pierre Sanner

□°NIGERIA

Governor ..... A. A. Atta
Alternate Governor ..... J. A. Adeyeye
Advisers:
J. A. O. Akadiri — Y. A. O. Jinadu

□°NORWAY

Governor ..... Kåre Willoch
Alternate Governor ..... Christian Brinch
Advisers:
Erling Borresen — Karl Skjerdal†

□°PAKISTAN

Governor ..... N. M. Uquaili
Alternate Governor ..... Ghulam Ishaq Khan
Advisers:
Ziauddin Ahmad — Tayeb Uddin Mahtab

□°PANAMA

Alternate Governor ..... Carlos A. Velarde
Alternate Governor ..... Winston Spadafora Franco*
Advisers:
Jaime Ford — José María Gonzáles

□°PARAGUAY

Governor ..... César Romeo Acosta
Alternate Governor ..... Oscar Stark Rivarola

□°PERU

Governor ..... Celso Pastor
Adviser:
Germán de la Melena G.

□°PHILIPPINES

Governor ..... Eduardo Z. Romualdez
Alternate Governor ..... Roberto S. Benedicto
Advisers:
Miguel P. Avancena — Manuel P. Manahan
Francisco Dalupan — Eliseo P. Ocampo
Panfilo Domingo — Ismael Reinoso
Benito Legarda, Jr. — Angelesio C. Tugado
Gregorio S. Licaros — Leon O. Ty
Octavio L. Maloles — Carlos S. Victorino

□°PORTUGAL

Governor ..... Ulisses Cortes
Alternate Governor ..... L. M. Teixeira Pinto
Alternate Governor ..... Ricardo de Faria Blanc*
Advisers:
Fausto Amaral Figueiredo — João Amado de Freitas
Albino Cabral Pessoa — P. Pitta e Cunha

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* *Temporary* † *Executive Director* ‡ *Alternate Director*
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ACCREDITED MEMBERS OF DELEGATIONS AT 1967 ANNUAL MEETINGS (Continued)

°RWANDA

Alternate Governor ..... Leon Mbarushimana
Adviser:
Raymond Miege

□°SAUDI ARABIA

Governor ..... Ahmed Zaki Saad

□°SENEGAL

Governor ..... Habib Thiam
Alternate Governor ..... Ibrahima Tal
Adviser:
Henri Pierre Arphang Senghor

□°SIERRA LEONE

Governor ..... Lt. Colonel B. I. Kai-Samba
Alternate Governor ..... Sheikh Batu Daramy

SINGAPORE

Governor ..... Goh Keng Swee
Alternate Governor ..... Chua Kim Yeow*

□°SOMALIA

Governor ..... Hagi Farah Ali Omar
Alternate Governor ..... Said Mohamed Ali

□°SOUTH AFRICA

Governor ..... N. Diederichs
Alternate Governor ..... T. W. de Jongh
Advisers:
A. M. de Villiers — G. J. Viviers
R. A. du Plooy

□°SPAIN

Governor ..... Juan-José Espinosa
Alternate Governor ..... Mariano Navarro Rubio
Advisers:
Manuel Aguilar — Angel P. Madroñero
Rafael Aguilar — Enrique Manzanares
Agustín Alcocer — Manuel Ortínez
Joaquín Gutiérrez Cano† — Gabriel F. de Valderrama
José-María Latorre

□°SUDAN

Governor ..... Abdalla Siddig Ghandour
Alternate Governor ... Mohammed Abdalla Ghallander*

□°SWEDEN

Governor ..... G. E. Sträng
Alternate Governor ..... Krister Wickman
Advisers:
Hans O. Lundstrom — Lennart Westerberg

□°SYRIAN ARAB REPUBLIC

Governor ..... Mouaffaq Shourbaji
Alternate Governor ..... Abdul Hadi Nehlawi
Adviser:
Hassan Sakka

□°TANZANIA

Governor ..... P. Bomani
Alternate Governor ..... I. M. Kaduma*
Advisers:
G. Akermalm — E. A. Mulokozi
R. H. Green

□°THAILAND

Governor ..... Serm Vinicchayakul
Alternate Governor ..... Mrs. Suparb Yossundara*
Advisers:
Manas Leeviraphan — Vichitr Sachchavedha
Pandit Bunyapana — Yune Huntrakoon
Prasit Ujchin

□°TOGO

Governor ..... Boukari Djobo
Alternate Governor ..... Jean Tevi

TRINIDAD AND TOBAGO

Governor ..... F. C. Prevatt
Alternate Governor ..... William G. Demas
Advisers:
D. H. N. Alleyne — Victor Bruce

□°TUNISIA

Governor ..... Ahmed Ben Salah
Alternate Governor ..... Hédi Ennifer*
Adviser:
Taoufik Smida‡

□°TURKEY

Governor ..... Cihat Bilgehan
Alternate Governor ..... Fahir Tigrel
Alternate Governor ..... Zeki Toker*
Adviser:
Husnu Kizilyalli

□°UGANDA

Governor ..... L. Kalule-Settala
Alternate Governor ..... A. J. P. M. Ssentongo
Adviser:
T. B. Byatike

□°UNITED ARAB REPUBLIC

Governor ..... Hassan Abbas Zaki
Alternate Governor ..... Hamed A. El-Sayeh
Advisers:
Kamal M. Aboul-Kheir — Fikry El Kelliny
Ahmed Farid Aboushady

**Temporary* *†Executive Director* *‡Alternate Director*
□ *IFC Member*
° *IDA Member*

ACCREDITED MEMBERS OF DELEGATIONS AT 1967 ANNUAL MEETINGS (Continued)

□°UNITED KINGDOM

Governor ..... Sir Leslie O'Brien
Alternate Governor ..... Sir Denis Rickett
Alternate Governor ..... E. W. Maude*†
Advisers:

P. R. Baldwin
L. F. Crick
Sir Alan Dudley
D. F. Hubback
J. E. W. Kirby
J. A. Kirbyshire
M. V. Posner
R. E. Radford‡
C. Raphael
W. S. Ryrie
L. P. Thompson-McCausland
D. W. G. Wass

□°UNITED STATES

Governor ..... Henry H. Fowler
Alternate Governor ..... Eugene V. Rostow
Alternate Governor ..... William B. Dale*
Alternate Governor ..... Frederick L. Deming*
Alternate Governor ..... Livingston T. Merchant*†
Advisers:

Gardner Ackley
Robert B. Anderson
Thomas L. Ashley
Francis M. Bator
Michael Bradfield
William E. Broch, 3d
Charles A. Coombs
J. Dewey Daane
Douglas Dillon
Thomas O. Enders
Mark C. Feer
E. Jay Finkel
John F. Ghiardi
Seymour Halpern
Charles R. Harley
Alfred Hayes
Ralph Hirschtritt
Douglass Hunt
Jacob K. Javits
John F. Kane
James F. King
Harold F. Linder
William McChesney Martin, Jr.
Chester L. Mize
William S. Moorhead
Eugene E. Oakes
Donald K. Palmer
John R. Petty
Gustav Ranis
Thomas M. Rees
Henry S. Reuss
Emmett J. Rice‡
Fred B. Smith
John W. Snyder
Anthony M. Solomon
Robert Solomon
Joseph L. Spilman
Frederick L. Springborn
John Tuthill
George H. Willis

°UPPER VOLTA

Governor ..... Pierre Claver Damiba
Alternate Governor ..... Pierre Tahita

URUGUAY

Governor ..... Amilcar Vasconcellos
Alternate Governor ..... Juan Ferrando*
Advisers:

Felipe Amorín Sánchez
Alfredo Castelli
Jorge Delisante
Héctor Díaz
Orlando Dovat
José P. Echevarría
Carlos Fernández Goyechea
Yamandu Fisher
Carlos Fleitas
Jaeteno Pellegrini
Luis M. Pigurina
Mrs. María E. Rocha de Barthabura
Artigas Rodríguez Devicensi
Eduardo Sanguinett
Miss Norma Stefini

□VENEZUELA

Governor ..... General Rafael Alfonzo Ravard
Advisers:

Leopoldo Diaz Bruzual
Roberto Guarnieri
Ernesto Peltzer
Samuel Rieber

□°VIET-NAM

Governor ..... Nguyen Huu Hanh
Alternate Governor ..... Nguyen Bich Hue*
Advisers:

Buu Hoan
Ha Xuan Trung

°YUGOSLAVIA

Governor ..... Janko Smole
Alternate Governor ..... Vladimir Ceric
Advisers:

Milenko Bojanic
Uros Markic
Mirko Mermolja
Milivoj Spasic
Zoran Zagar‡

□°ZAMBIA

Governor ..... U. G. Mwila
Alternate Governor ..... E. B. T. Mbozi*
Advisers:

P. K. Chiwenda
P. Kirthisingha
K. B. C. Mumbalanga
P. M. Ngonnda
J. B. Zulu

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* *Temporary* † *Executive Director* ‡ *Alternate Director*
□ *IFC Member*
° *IDA Member*

EXECUTIVE DIRECTORS AND ALTERNATES

September 30, 1967

Executive Directors	*Alternate Executive Directors*
Muhammad Ayub	Abdol Ali Jahanshahi
Reignson C. Chen	Chung Pum Song
S. Othello Coleman	Iddi Simba
Otto Donner	Joerg Jaeckel
Luis Escobar	Daniel Fernández
Joaquín Gutiérrez Cano	Felice Gianani
L. Denis Hudon	Patrick M. Reid
Mohamed Nassim Kochman	Michel Bako
Pieter Lieftinck	Zoran Zagar
Luis Machado	Alfredo Valencia
E. W. Maude	Robert E. Radford
Jorge Mejía-Palacio	José Camacho
Livingston T. Merchant	Emmett J. Rice
Georges Plescoff	Jean Malaplate
K. S. Sundara Rajan	S. Guhan
Karl Skjerdal	Vilhjálmur Thór
J. O. Stone	T. J. Bartley
Hideo Suzuki	Maung Gyi
Abderrahman Tazi	Taoufik Smida
André van Campenhout	Othmar Haushofer

OBSERVERS AT 1967 ANNUAL MEETINGS

Botswana
Q. K. J. Masire
A. J. Beeby

The Gambia
H. R. Monday

African Development Bank
Ali Kara-Mustapha
Philip Clarence Parker, Jr.

Asian Development Bank
Takeshi Watanabe
Toyoo Gyohten
Howard Farrelly

Bank for International Settlements
Gabriel Ferras
Milton Gilbert
Hans H. Mandel

Center for Latin American Monetary Studies
Javier Marquez
Fernando Rivera

Central African Customs and Economic Union
Charles Onana Awana

Central American Bank for Economic Integration
Jorge Sol Castellanos

Central American Monetary Union
Mario R. Gómez V.

Central Bank of Equatorial African States and Cameroon
Georges Gautier

Central Bank of West African States
Robert Julienne
Pierre Sanner

Commission of the European Communities
Ugo Mosca
Robert Triffin
Roland de Kergorlay

Common Organization of African and Malagasy States
Ambroise Foalem

Commonwealth Secretariat
T. E. Gooneratne

Contracting Parties to the General Agreement on Tariffs and Trade
Eric Wyndham White
Mrs. M. Wilson

European Investment Bank
Ulrich Meyer-Cording
Yves Le Portz
Giandomenico Sertoli
Guy Trancart

Food and Agriculture Organization of the United Nations
Pompeu Accioly Borges

Inter-American Development Bank
Felipe Herrera
T. Graydon Upton
José D. Epstein
Rodrigo Llorente
Javier Urrutia
Francisco Albornoz C.
Antonio Carlos de Castro
Victor da Silva
Carlos Sanguinetti

International Atomic Energy Agency
Robert Najar

International Labor Organization
P. Monteiro de Souza
Antonio Ferreira da Silva

League of Arab States
Adel Youssef

Organization for Economic Cooperation and Development
Thorkil Kristensen
Jean Cottier
Luciano Giretti
Ernest Parsons

European Monetary Agreement
Alexander Hay

Organization of American States
Walter J. Sedwitz
Germánico Salgado
Edward P. Davis

Inter-American Committee on the Alliance for Progress
Carlos Sanz de Santamaría
Walter J. Sedwitz
Germánico Salgado
Paul Harrison
Manuel Trucco

United Nations
Paul G. Hoffman
Carlos Quintana
Sidney Dell
Eduardo Albertal
Raúl Trejos
Daniel Bitran
Clinton A. Rehling

United Nations Educational, Scientific and Cultural Organization
J. Howe

World Health Organization
Raúl Vera

ACCREDITED MEMBERS OF DELEGATIONS AT 1966 ANNUAL MEETINGS (Continued)

□°CHILE

Governor ..... Carlos Massad
Alternate Governor ..... Jorge Marshall
Advisers:
Luis Escobar
Enrique Vial

°CHINA

Governor ..... Ching-Yu Chen
Alternate Governor ..... Kuo-Hwa Yu
Advisers:
Felix S. Y. Chang
Pao-Chuan Chao
R. C. Chen†
C. L. Chow
Yung-Chuan Chu
W. Y. Hui
Martin Wong
Nelson G. Y. Yu

□°COLOMBIA

Governor ..... Abdon Espinosa Valderrama
Alternate Governor ..... Jorge Mejía Salazar
Adviser:
Hernando Gomez Otalora

°CONGO, REPUBLIC OF (BRAZZAVILLE)

Governor ..... Bernard Banza Bouiti
Alternate Governor ..... Jean Moumbouli

°CONGO, DEMOCRATIC REPUBLIC OF

Governor ..... J. J. Litho
Alternate Governor ..... Jean-Martin Mondjobe
Alternate Governor ..... Paul Mushiete
Advisers:
Jacques de Groote
Louis Lamonzie
Edouard Mambu
Domenico Paolillo
Lievin Zangadi

□°COSTA RICA

Alternate Governor ..... Guillermo Gonzalez*
Alternate Governor ..... Rodolfo Lara*
Adviser:
Bolivar Salas Castillo

□°CYPRUS

Governor ..... Renos S. Solomides
Alternate Governor ..... A. I. Ioannides*

°DAHOMEY

Governor ..... Christian Vieyra
Alternate Governor ..... Stanislas Kpognon*
Adviser:
Jean Charpentier

□°DENMARK

Governor ..... Ivar Nørgaard
Alternate Governor ..... Otto Müller
Advisers:
Flemming Agerup
Svend Andersen
Otto Schelin
Steen Secher
Max Soerensen

□°DOMINICAN REPUBLIC

Governor ..... Diógenes H. Fernández
Alternate Governor ..... Hector Garcia Godoy*

□°ECUADOR

Governor ..... Pedro José Arteta Martínez
Alternate Governor ..... Gustavo Larrea
Adviser:
Jacinto Benalcazar

□°EL SALVADOR

Governor ..... Francisco Aquino h.
Alternate Governor ..... Abelardo Torres
Advisers:
Mauricio Ernesto Martínez
Tomas Alfonso Medina

□°ETHIOPIA

Governor ..... Yilma Deressa
Alternate Governor ..... Bulcha Demeksa
Adviser:
Asfaw Damte

□°FINLAND

Governor ..... Mauno Koivisto
Alternate Governor ..... Esko Rekola
Advisers:
Olavi Munkki
Pentti Uusivirta

□°FRANCE

Governor ..... Michel Debré
Alternate Governor ..... Bernard Clappier
Advisers:
Gilbert Bouchet
Louis Bruneau
Jean Carriere
Daniel Deguen
Jean du Pré de Saint Maur
Pierre Esteva
Jean-Yves Haberer
René Larre†
Jean Malaplate‡
Claude Pierre-Brossolette
Robert Raymond
Gérard Teyssier
Jean Vallet

°GABON

Governor ..... André-Gustave Anguilé
Alternate Governor ..... Michel Abessolo
Adviser:
Boutamba

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* Temporary † Executive Director ‡ Alternate Director
□ *IFC Member*
° *IDA Member*

□°GERMANY, FEDERAL REPUBLIC OF

Alternate Governor ..... Wolfram Langer*
Alternate Governor ..... Hans Rannow*
Alternate Governor ..... Fritz Schiettinger*
Advisers:
Walter Baeumer
Bernhard Braubach
Otto Donner†
Klaus Flachmann
Miss Lore Fuenfgelt
Rolf Gocht
Walter O. Habermeier
Hilmar H. Hartig
Heinrich Irmler
Ernst Jirka
Harald Joerges
Guenter Keiser
Helmut Koinzer
Gerhard Laske
Gustav Adolf Sonnenhol
Miss Helga Steeg‡
Erich Stoffers
Horst Ungerer
Ernst vom Hofe
Friedrich Wilhelm von Schelling

□°GHANA

Governor ..... Colonel A. A. Afrifa
Alternate Governor ..... K. Gyasi-Twum*
Advisers:
P. K. Anane-Binfoh
B. K. Mensah

□°GREECE

Alternate Governor ..... Nicholas N. Porphyrogenis
Advisers:
Costa P. Caranicas
F. H. Mahon
A. D. Sismanidis

□°GUATEMALA

Governor ..... Alberto Fuentes Mohr
Advisers:
Mario Gómez Valencia
Armando Gonzalez-Campo
Manuel Mendez Escobar
Gert Rosenthal
Manuel Rubio Sánchez

GUYANA

Governor ..... P. S. d'Aguiar
Alternate Governor ..... W. P. D'Andrade
Adviser:
C. E. Douglas

GUINEA

Governor ..... Moussa Diakite
Alternate Governor ..... Mohamed Lamine Toure
Adviser:
Paul Stephen

□°HAITI

Governor ..... Leon Mirambeau
Alternate Governor ..... Edouard Francisque*

□°HONDURAS

Governor ..... Manuel Acosta Bonilla
Alternate Governor ..... Alberto Galeano M.*
Advisers:
Ricardo Alvarez R.
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□°ICELAND

Governor ..... Gylfi Gíslason
Alternate Governor ..... Magnús Jónsson
Advisers:
Johannes Eliasson
S. Frimannsson
Vilhjálmur Thor†
Petur Thorsteinsson

□°INDIA

Governor ..... Sachindra Chaudhuri
Alternate Governor ..... C. S. Krishna Moorthi*
Alternate Governor ..... I. G. Patel*
Advisers:
J. J. Anjaria
P. K. Banerjee
A. K. Banerji
S. Guhan‡
M. G. Kaul
R. G. Nayak
A. U. Ratwani
K. S. Sundara Rajan†

□°IRAN

Governor ..... Jamshid Amouzegar
Alternate Governor ..... Jahangir Amuzegar
Advisers:
Nader Akrami
Parviz Behroozi
Amir Goudarznia
M. Sadegh Parand

□°IRAQ

Governor ..... Saleh Kubba
Alternate Governor ..... Saadi Ibrahim

□°IRELAND

Governor ..... John Lynch
Alternate Governor ..... T. K. Whitaker

□°ISRAEL

Governor ..... David Horowitz
Alternate Governor ..... Jacob Arnon
Advisers:
Avner Cassuto
M. Lador
Eli Nevo
Nachum Shamir
S. Sitton

□°ITALY

Governor ..... Guido Carli
Alternate Governor ..... Paolo Baffii
Advisers:
Carlo Ciampi
Lionello Fronzoni
Felice Gianani‡
Florio Gradi
Silvano Montanaro
Rinaldo Ossola
Emilio Ranalli
Edgardo Valle
Alfredo Vernucci

□°IVORY COAST

Governor ..... Konan Bédié
Alternate Governor ..... Mohamed Diawara
Advisers:
Daba Agoussi
Jean Batigne
John C. Elliott
Charles Gomis
Pierre Laigroz

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* Temporary † Executive Director ‡ Alternate Director
□ *IFC Member*
° *IDA Member*

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September 30, 1967

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