ANNUAL ADDRESS BY
EUGENE R. BLACK, PRESIDENT OF THE BANK

It is a great pleasure to be greeting you in New Delhi. I know I speak for all of you in thanking the Government of India for their gracious invitation to us to meet here.

There could not be a more fitting background for our discussions in this eventful year. India has become a symbol of mankind’s hope in economic development—the hope that the material wealth necessary for human dignity and self-respect can be created without destroying individual freedom which is the foundation of human dignity and self-respect.

Indian civilization has survived, unbroken, more than 5,000 years of history. During these many centuries the Indian people have been exposed to every kind of alien influence; they have lived cheek by jowl with famine, flood and pestilence. Yet Indian civilization has never lost its inner strength and identity. It has bequeathed enduring gifts to mankind. Moreover, modern India has not felt the urge to resort to narrow nationalism in earning the important place that she holds in our world of today.

India is now taking economic development into the center of her life, with all the radical changes that economic development inevitably entails. No one privileged to play even a small part in India’s great adventure today can help but feel that the destiny of humanity in the 20th Century will be profoundly influenced by the extent of India’s success in absorbing these changes without sacrificing respect for individual liberty.

The Annual Report of the World Bank which is before you today tells a story of how peoples and governments in many underdeveloped countries are beginning to work out the complicated problems of economic development and beginning to reap the rewards of their efforts. The Report documents a year of activity far in excess of anything we have been able to present heretofore. There has been more progress within our borrowing countries; there has been more cooperation among our member countries.

During the fiscal year which ended on June 30 last, Bank lending amounted to $711 million or over 75% more than the average of the previous three years. This marked increase promises to be sustained in the present year. Already, in the three months that have elapsed since the close of the fiscal year, new loans by the Bank have amounted to nearly $380 million.

We have moved to a new, higher level of lending activity, and the reasons are not hard to find. We are operating in many more countries and territories; membership in the Bank has grown from 44 to 68 countries over the past decade. And we are getting an increasing number of adequately prepared applications from member countries with whom we have been in close relationship for many years. The record shows that member countries are beginning to build up the organizational structure and to adopt the administrative procedures necessary for sustained and rapid growth.

In the past 15 months we were able to conclude nine loans with India amounting to the equivalent of $275 million. We concluded seven loans with Japan, four with Ecuador, and three with Pakistan. We continued lending substantial amounts in Mexico and the Belgian Congo.

At the same time new members of the Bank are coming forward, sometimes remarkably quickly, with bankable development programs. During the year Morocco, Malaya, Tunisia, Sudan, Libya and Spain joined the Bank. A $39 million railway development loan to Sudan has already been successfully negotiated and we have recently announced a $35 million power loan to Malaya. Nigeria, not yet a member of the Bank in its own right, but looking toward its independence next year, also signed its first Bank loan, $28 million for railway development.
Finally, some big projects, which had been under study in the Bank for several years, reached the lending stage. The huge Yanhee power, flood-control and irrigation project in Thailand is an example. It was in 1953 that this project was introduced to the Bank. Since it is by far the largest undertaking ever attempted by Thailand, considerable advance preparation was necessary. Last fall the Bank deemed the preparatory work done, and we signed a $66 million loan to finance the first stage.

This is but one example of several similar projects which are now under consideration. The Bank has no intention of easing its insistence on thorough study and investigation of these large undertakings, but the fact is that more and more of the necessary prerequisites are being met before proposals for financing are made to us.

The Bank's new, higher rate of lending was matched by more borrowing. New borrowings from all investors reached a gross total of $650 million, much the highest figure ever recorded in a single fiscal year.

The bulk of the year's borrowing was again done in the United States market where we floated three issues of dollar bonds totalling $375 million. In connection with these offerings, we were able to identify nearly 200 important institutional investors who were buying World Bank bonds for the first time. This represents a most significant broadening of the market.

I might add that we were very pleased with the reception of our latest bond issue. In August we offered $75 million in two-year dollar bonds. Subscriptions amounting to $127 million were received from investors in 26 different countries. We were sorry that it was impossible to allot the full amount subscribed for in each case, particularly by the central banks of member countries. As it was, the entire issue was placed outside of the United States.

The increasing role being played by the Federal Republic of Germany as a supplier of development capital to the Bank is very gratifying. This year the Deutsche Bundesbank loaned us $250 million. I hope that the Bank can continue to look to the Federal Republic as a substantial source of development capital.

Private participations in Bank lending operations also showed a welcome increase during the year. In all we were able to sell $87 million to private investors either out of portfolio or at the time of loan negotiations. Participations were arranged in 22 of the year's 34 loans, many more than in any previous year, and some of the participations were very large. In our $32.5 million loan to Tata Iron and Steel Company of India, nine American and Canadian private banks took the first five maturities, totalling $15 million. (Incidentally, if I am not mistaken, this is the first time a private Indian company has raised money in the North American markets since World War II.) Then again, twenty private banks, including seven from Germany, participated in our $75 million loan for industrial development in southern Italy.

The Bank continued its policy during the year of joining in investment operations with the market. The Federation of Rhodesia and Nyasaland, for the first time, floated an issue of its own bonds in the United States market, simultaneously with the signing of a World Bank loan. Similar transactions, involving Belgium and South Africa brought the total from issues offered in this way in the United States market to about $75 million in the past year. Other joint operations now being discussed may well amount to a considerably increased figure in the current year.

Finally, member countries during the year, released for lending a further $149 million from their 18% capital subscriptions. Helpful as this has been, I would be remiss in my duty if I did not point out that some half a billion dollars equivalent in 18% capital is still too hedged about with restrictions to be of any use to us. Acute balance of payments situations may make this inevitable in some cases, but I would welcome a more positive approach on the part of member governments toward their responsibilities to the Bank in this particular regard.

The Bank's advisory and technical services were
also more in demand during the year than ever before. The Bank's role as mediator in two international disputes is undoubtedly well known to you. The signing of the compensation agreement between the United Arab Republic and the reorganized Suez Canal Company took place in July. I wish I was able to announce also an agreement between India and Pakistan for a settlement of the Indus waters question. But this still lies ahead. So long as this dispute exists it will be a cause of serious friction between these two member countries. And it is of the utmost importance to their economies that a negotiated settlement should be reached, so that both may be able to proceed with their plans for the improvement of their agriculture in the knowledge that the needed water will be available. Mr. Iliff, who for much of the year was shouldering a large share of the burden of both the Suez and the Indus negotiations, is continuing his efforts to bring the two sides together and in the Bank we consider this a good omen.

The study which the Bank undertook jointly with the Italian Government last year to determine the commercial feasibility of using atomic power for the production of electricity in Italy has been completed. Some of the world's leading experts on nuclear power lent their time and talents to this study. We expect to publish their conclusions in due course. I hope they will be of help to many member governments as they approach the problems presented by the introduction of this revolutionary new source of energy.

The Bank continues to encourage the growth and establishment of industrial development banks. A new private development bank started operations in Pakistan last spring. The World Bank, besides lending the new bank over $4 million in foreign exchange, helped to interest private investors from the United States, the United Kingdom and Japan in joining Pakistani stockholders in the venture. Discussions looking to the establishment of similar banks in several other member countries were carried forward during the year. In May the Bank gathered together, in Washington, the executive officers of industrial development banks in 11 different countries to discuss operating problems and policies of common interest.

Finally, the Bank's regular advisory services to member countries on development problems were also expanded during the year. Resident bank representatives are now at work in nine different countries. Survey missions to Libya and Tanganyika are being organized, and an agricultural mission to Peru, organized jointly by the Bank and FAO, began its field work in June. The Economic Development Institute, our staff college established in 1955 to provide courses on practical problems of economic development for senior administrative officers from the underdeveloped countries, completed its third course in March, and 21 officials from 18 different countries and territories are enrolled for the fourth course which will start later this month. The Bank's general training program for junior officials from underdeveloped countries completed its tenth year. Under this program 82 men and women from 52 member countries and territories have had a year of work in the Bank alongside the regular Bank staff.

From the record I have cited considerable encouragement can be drawn by those who share my belief that the great transformation going on in the underdeveloped world today is the most important fact of the 20th Century. The countries whose efforts and ingenuity have made this record possible have given real substance to our hopes that more economic development is the way out of the whirlpool of ferment and frustration in which so much of the underdeveloped world finds itself.

But if there is encouragement, there are also challenges ahead which command our attention today. In the first place the very progress that has been achieved raises some fundamental problems about the adequacy of present sources of international development capital. In the second place the record is very uneven. While some countries are forging ahead, others are lagging behind or even back-sliding, and there is a real danger in the months ahead that those who are successful may be penalized by those who flounder.
The whole future of economic development depends on a continuing flow of investment capital—domestic and foreign—in and to those countries that undertake the difficult task of organizing for development. The promised rewards are appearing in countries which have shown themselves able to invest development capital effectively: their record of progress stands as testimony to this fact. But will international capital continue to flow in an adequate stream as development gathers momentum in these countries and in others who follow their good example?

Up to now there has been no reason for me to suggest at these meetings that the financial resources available to the Bank were insufficient in amount for the task the Bank is designed to perform. In our earlier experience, the most significant limitation on our operations was the lack of suitable projects; this is still the limitation in some member countries. Later, weakness in fiscal management and its effects on what we in the Bank call "creditworthiness" emerged as another limitation on our lending; it is still a substantial limitation.

But despite the persistence of these limitations, we are now confronted with a situation of another kind. We are approaching the day when the Bank may be getting a larger number of meritorious applications from its member countries than we shall be able to find money for on reasonable terms. As the increased tempo of our lending implies, many of our member countries are satisfying the tests of project preparation and fiscal management; moreover, among our rapidly increasing membership, all our new members are capital hungry. For the first time in the Bank’s existence, the quantity of financial resources available to the Bank may soon be seriously inadequate.

And there is another—a qualitative—aspect of this situation. Some of our rapidly developing member countries, for one reason or another, and for reasons not directly attributable to poor financial and economic management, are approaching the limits of their present capacity to assume additional obligations which, like Bank loans, must be serviced on a fixed timetable and in scarce foreign exchange. To a considerable extent, this is a reflection of the widely observed phenomenon that rapid economic development brings heavy pressure on a country's balance of payments. Export earnings rarely rise at the tempo necessary to serve the expanding domestic economy adequately and measures of so-called "import substitution" are frequently disappointing in their results. In some developing countries this persistent pressure may be accentuated at times through adverse developments in their commodity trade, sometimes (though by no means always) beyond their effective control. In these circumstances, substantial periods of time may be required to carry out the adjustments necessary to convert rising productivity at home into an equally healthy foreign trade position. Meanwhile, it may be imprudent for such countries to undertake additional foreign exchange obligations even for the execution of projects which, taken by themselves, would strengthen the economy and promise eventual beneficial effects. In member countries which find themselves in these situations, further Bank lending may be limited simply because there may be insufficient foreign exchange to service our loans.

These prospects have led us to look with increasing concern at the amount and character of the Bank's financial resources. It would be a sad setback to the efforts and achievements of the past decade if the flow of international development capital should stagnate just when governments in the underdeveloped world have made significant progress in persuading their people to accept the changes and to make the sacrifices necessary for future growth. I can think of no quicker way to destroy the hopes of hundreds of millions of expectant people than that we, to whom they look, should be unprepared and unequipped for new situations as they unfold.

In the past few months, some important proposals have been put forward by prominent leaders who obviously believe that the time for new approaches is in the offing. The President of the United States, and also the Commonwealth Finance Ministers
meeting in Montreal, have asked for decisions leading to an increase in the resources of the Bank and the Monetary Fund. The United States Government, pursuant to a resolution of the American Senate, is studying the possibility of a new form of international development finance. There have been proposals also for regional development institutions in the Middle East and in Latin America.

It would not be appropriate at this time for me to comment specifically on any of these new initiatives. All of them are interesting but some of them raise complicated issues requiring careful study by all of us. But I welcome the widespread awareness of the new need for financial resources which prompts these suggestions, and I applaud the emphasis being placed on international agencies as the means for helping to provide the resources. There is a need for new supplies and sources of international development capital, and I believe that international organization can be the practical, 20th Century way of meeting that need.

When we talk about the need for development capital, we are talking about something that can be measured objectively. Development capital, as we all know, is not just money. It is money applied effectively to the stimulation of economic growth. That means that it is money welded into an amalgam with a very special set of attitudes, institutions and technology.

I do not think I need to dwell on these special requirements again before this audience. Surely there is nothing mysterious in the criteria that should apply to the allocation of development capital in the world today. The criteria are, or by now should be, well understood both at the exporting and at the receiving end.

We have had nearly 13 years of experience in the Bank which have yielded ample evidence that a wide area of agreement does exist about these criteria. We have negotiated loans with borrowers of widely different cultural backgrounds and widely different political philosophies. Yet again and again we have seen doctrinal controversy dissolve into agreement in practice. We have learned a great deal from our borrowers about how the requirements for economic growth can be adapted to fit into the economic, social and political structure of underdeveloped countries. There has been plenty of plain speaking in our negotiations; but the give and take has led to increasing agreement about what it takes to create new material wealth. As a result I think member countries credit the Bank with trying to reach objective conclusions, uninfluenced by political considerations.

Over any long period of time it certainly must be much more difficult to measure objectively the need for development capital outside the framework of an international organization. In the best of circumstances, economic and financial negotiations, when conducted bilaterally between governments, tend to become complicated by extraneous considerations of international politics; an appeal to strictly economic criteria is not easy. At the same time economic and financial negotiations between sovereign nations often tend to irritate normal political relationships. Objectives tend to compete, and even to conflict, with one another, often leading to a deterioration on all fronts.

By removing from the realm of short-term political considerations as much as possible of our long-term concern with economic growth, I think we serve both the ends of economic development and the ends of reduced international tension. For this reason in particular, I hope full consideration will be given in the months ahead to the possibilities of strengthening international organization in the development field. We should remember that we are not engaged here in a short-term exercise, but in a search for arrangements, set in a framework of continuity, for dealing with a set of problems that is bound to be with us for generations.

But whatever the arrangements for channeling capital into the underdeveloped countries, particular care must be taken not to penalize those who are striving to do the job well, out of a misguided concern for countries whose difficulties are not primarily the result of a lack of development capital. As I have said, the development record in the
underdeveloped countries is very uneven. And the principal reason why it is uneven is the tendency in some countries to look on the various sources of development capital as fountains whose bountiful waters will make good, and go on making good, resources which are being allowed to seep away in economic waste—rather than regarding them, as they should be regarded, as reservoirs that will irrigate parched economic fields.

I cannot accept a claim on the limited supply of international development capital which merely demands relief for a government from the unpleasant and politically unpopular necessity of putting its own financial and economic house in order. I particularly cannot accept such a claim when it is supported only by arguments completely irrelevant to development needs—by appeals to sentiment, or by the exploitation of a strategic position in the international political line-up. There is little advantage to be gained if money is poured continually and continuously into a purse, if in that purse there is a great hole.

To condone such claims on the supply of international development capital is to penalize those countries that are making the necessary sacrifices to do the development job well. It must not be forgotten that, ultimately, it is the savings of the people of the capital exporting countries which is the source from which external capital for the underdeveloped world comes. This source is not limitless; indeed, the demands on it already exceed the supply. In these circumstances there is a weighty responsibility on the shoulders of every government that is a recipient of external assistance—a responsibility to create conditions where its capital can be invested wisely and productively. Those governments who fail to recognize this responsibility break faith with those who do.

The Bank's story is a quiet one—very different from the clamorous tales that we have been reading in our newspapers in recent months. Yet in a year characterized by a number of unusually noisy international incidents, there is also a record of notable achievement in the economic field. This, I submit, gives solid ground for hope.

How much more hope there would be if even a fraction of the huge sums being spent on arms and armaments today could be diverted to creating new, real wealth! For centuries, nations have been trying to settle their differences by shooting at one another. And even today nations are still adopting this old-fashioned posture, today when science has given us a new source of energy of unsurpassed power, which, if misused, is capable of destroying whole communities in the twinkling of an eye.

Now economic development, too, destroys as well as creates. It destroys old habits and attitudes towards life even as it fills human needs; what is destroyed is often as important as what is created. And the problems economic development creates are sometimes as inhuman as the problems it solves. Thus, while mankind is slowly being relieved of the plague of chronic disease, he is burdened with the terrible problems of overpopulation.

That modern science and technology can impoverish people as well as enrich them is a profoundly sobering thought for those of us who have been brought up in the optimistic tradition of the modern industrial countries. But it is not inevitable that more good shall be destroyed than is created. In fact, the only certain thing in this world is that science and technology will continue to force fundamental changes on the whole structure of human society. Within broad limits men can decide whether or not these changes impoverish more than they enrich.

As I see it, economic growth is at once the best hope and probably the only real hope for mankind today. But this hope needs constant nourishment if it is to survive this turbulent century. It can die under the weight of arms even if those arms are never actually engaged in warfare. It can be killed by the same bullets that kill men. It can be snuffed out by the misapplication of the very science that boasts that it distinguishes the brave new world from the old-fashioned.

To keep alive this hope, we must ask ourselves: Are we really so ignorant in the midst of all our new knowledge that we cannot see that economic betterment can replace bullets in the affairs of nations
just as the truck replaced the ox cart? There may be many nobler pursuits for man than the creation of new wealth; some may argue that it is nobler to die for his country than to save for it. But if—all around the globe—armaments go on devouring as large a share of the fruits of man's labor as is the case today, the prospects of a rapid emergence of hundreds of millions of people into a tolerable mate-
rial world are doomed to disappointment or frustra-
tion.

In the capacity and willingness of those responsible for the direction of public policy to face this fact lies the hope that—even in the short run—the quiet progress of economic growth will make itself heard ever more clearly over the noise of contention among nations.

COMMENTS OF
PRESIDENT OF BANK ON DISCUSSION OF ANNUAL REPORT

I WOULD BE LESS THAN HUMAN if I failed to be moved by the many warm and kindly sentiments that have been expressed during the past few days. For such success as we may have had would never have been possible without the generous support that I have at all times had from the Executive Directors and the loyal service of every member of the competent staff. On their behalf, as well as on my own, I wish to tender our thanks.

But even more encouraging than your praise has been the tangible evidence of support for the Bank which has been demonstrated in two concrete ways.

I refer, first, to the very general support that has been voiced for the proposal of the Governor for the United States that the capital of the Bank be increased. The additional strength which this will provide should enable us to continue to raise money in the markets of the world at reasonable rates of interest and in amounts commensurate with the lending needs of our institution.

Secondly, I want to express my appreciation for the announcements of so many of our member governments that they are ready to make available to the Bank fuller use of the 18% portion of their capital subscriptions. The willingness to take this step, in some cases in the face of serious development needs of their own, is a gratifying vote of confidence.

I have, of course, been much interested in what has been said about the proposal to establish, as an affiliate of the Bank, a new International Development Association to make loans repayable in whole or in part in the currency of the borrowing countries. This Conference has not provided the occasion for any real discussion of that proposal, because it has not yet taken concrete form. But I do want to say, as I have said on a previous occasion, that I believe the proposal, although it has some complex aspects, is both imaginative and constructive and that it is worthy of the most careful study by all of us. There is an unquestionable and real need in many countries for additional development investment capital on terms which impose little or no burden on their balance of payments. If the Bank should be in a position to make a contribution in this form, I feel confident that we would be able to push ahead with many worthwhile projects which are now held up because they cannot appropriately be financed entirely on a hard loan basis. I venture to express the hope, therefore, that the studies and consultations now to be undertaken by various governments will result in the preparation of a workable plan which will attract wide support among the Bank's member countries.

By coming to India this year to carry on our professional deliberations, I am sure we have all greatly benefited. Many of the concepts that bankers deal with are very impersonal. It is difficult to see the human element in blueprints for a dam or in balance of payments estimates. As a matter of fact, there
often seems to be a wide gap between our technical discussions and our economic forecasts and the ultimate effect which our activities are designed to have upon the realities of the human world. But in India, the human element cannot escape us. There probably is no other place on earth where the realities of this century are more on the surface of everyday life. Those realities are intensely human—the struggle of the people to survive and to preserve their individual dignity and freedom in the face of appalling material problems. We must always keep in mind that it is these men, women and children—and not just abstract technical or financial concepts—which are the real justification for our existence and our work. So, I, for one, am grateful to India for inviting us here and giving us a fresh realization of our real purpose. And as this realization gives our day-to-day tasks new meaning, I am sure it must equally infuse us with new vigor and new courage in discharging our responsibilities.

Before I close, Mr. Chairman, I should like, if I may, to say a word of regretful farewell to someone who, I am sure, must be the dean of our Governors—Sir Arthur Fadden, the Governor for Australia.

Sir Arthur’s downright, vigorous and colorful advocacy of cases, whether in this forum or during the give and take of loan negotiations, has brought to the Bank a taste of the dynamism of that forward looking country that he represents. He is now surrendering the office in which he has served his country so well and I am sure that all of you will join with me in extending to him our good wishes for a happy and congenial future.

It remains only for me to add my tribute to the bountiful hospitality extended to us by the Government of India and by the many Indian friends of the Bank, and also to the outstanding efficiency which has characterized all of the arrangements made for this meeting.