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IT MIGHT BE WELL if I began with a look at the growth of our institution. As yet we are only 15 years old; but we have grown in stature, and I would hope in wisdom, considerably beyond the normal expectations at that tender age.

Ten years ago, 48 nations were members of the Bank. Loans amounting to some $800 million had been made to help to finance projects in 14 countries.

Five years ago, 56 nations were numbered among our members, and we had invested about $2,300 million in 37 different countries.

Today, our membership embraces 68 nations; our commitments exceed $5,000 million in 53 different countries.

This year’s lending total is slightly below that of last year. But this is an accident of the calendar, rather than any sign of a slackening pace. If the year had closed but one loan later, this would have been a record lending year. The significant statistic is the fact that in the last three years our lending has almost equalled the total of our first ten years.

Bank loans during the year under review conformed, in type, to our usual pattern, with heavy emphasis on transportation and electric power. For the fifth year in succession, Asia and the Middle East, taken together, received the largest part of the total. This year, Africa was second. Mauritania and the United Arab Republic became Bank borrowers for the first time. In Latin America, our lending during the year brought our total investment in that part of the globe to over $1,000 million.

The time is not far off when new countries entering the community of independent nations will have brought the total number of sovereign states to more than 100. Most of these new nations will be ill supplied with development resources and determined to do something about their poverty. Most of them, therefore, will probably become members of the World Bank. Accordingly, little skill in clairvoyance is needed to predict a broader membership in this institution and an increasing demand on its resources.

Our growth record, of course, would not have been possible if our funds available for lending had failed to keep pace.

Ten years ago, our available funds came almost entirely from the paid-in capital of the United States and Canada and from $250 million in borrowed money, all of which had been raised in the American market.

Five years ago, while the Bank’s sources of finance had taken on more of an international complexion, the paid-in subscriptions of the United States, amounting to $635 million, exceeded the sum of all usable subscriptions from our other members.

Today, the international character of the Bank’s finances is thoroughly established. Members’ paid-in capital available for lending—exclusive of the United States’ subscription—amounts to more than $1,000 million. Of the Bank’s outstanding funded debt which now exceeds $2,000 million, more than half is held outside the United States—a very remarkable change from the situation five years ago.

Ten years ago—even five years ago—we were still largely a dollar bank; today we are in every sense of the word an international bank.

The Bank’s securities have been established in the money markets of Belgium, Canada, Germany, the Netherlands, Switzerland, and the United Kingdom, as well as the United States. Investors in more than 40 different countries are holders of Bank securities.

An indication of how deep, as well as wide, are the international sources of funds available to the Bank came to us shortly after the close of the last fiscal year. On July 13 last, the Bank was able to announce a borrowing from the Central Bank of Germany of the equivalent of $240 million, part in dollars and part in deutsche mark, with a 12-year maturity. This is not only our largest borrowing ever.
undertaken outside the United States; it is by far the largest single borrowing we have made anywhere since we floated an issue of $250 million in the United States market in the summer of 1947.

Over the past three years, Germany has been our most important source of borrowed funds.

There have been three other issues since the end of the fiscal year under review; first, a roll-over operation, which continued for another three years a $30 million issue that matured July 11 last. Secondly, the sale outside the United States of $100 million in two-year 3 1/2% bonds; this issue was heavily oversubscribed; and finally, a public issue in Switzerland of 4%, 15-year bonds amounting to 60 million Swiss francs; this issue also was oversubscribed. Taking into account this last Swiss issue, the aggregate of World Bank bonds and notes outstanding in Swiss francs will amount to about Sw. Frs. 690 million.

Increased interest in the Bank's own obligations has been accompanied by a widening interest in the purchase of World Bank loans on the part of investors around the world. During the fiscal year under review, sales of parts of our loans, without our guarantee, amounted to the record figure of almost a quarter of a billion dollars. These sales have brought back to the Bank more than $800 million over the past decade — and of this, $500 million came from outside the United States. They are, in effect, equivalent to repayments to the Bank before maturity, and this speedy replenishment of our lending resources means, of course, that our need to go to the market for new funds is correspondingly reduced. More important, these sales — being without the Bank's guarantee — are an encouraging sign of confidence on the part of private investors in the unsupported credit of our borrowing member governments.

It is worth noting in passing, that the over-all financial position of the Bank continues to grow stronger. A further $86.5 million was added to our reserves during the past fiscal year and these reserves now stand at more than half a billion dollars.

So far as the future is concerned, it is not always as easy to see new sources of capital as it is to see the needs for it. But there does not appear to be any shortage in sight of development capital prepared to move on conventional terms. The volume of private international lending and investment in foreign securities has been growing; foreign bonds publicly issued in the major capital markets during 1958 and 1959 amounted to more than three times the total floated in 1952 and 1953. And this is exclusive of refunding operations.

This expansion has been marked by an increase in the number of countries able to invest abroad, notably, of course, those countries of Western Europe where sustained improvement on domestic and foreign account has come about.

Even the present pattern of interest rates suggests the possibility of a continuing growth in the supply of conventional development capital. While attention today is directed to the recent rise in long-term interest rates in Europe, it should not be overlooked that European interest rates in general are significantly lower now than they were at the peak of the earlier European boom in 1957. Moreover, since 1957, controls over capital movements have been eased. These are indications that the supply of capital in Europe has expanded substantially in the past three years, giving still further support to the view that capital flows to the low income countries can continue to increase.

The past decade has brought to the Bank a steady stream of new members, new borrowers and new lenders. It has also brought some new problems which are taxing both our resources and our ingenuity.

Ten years ago, the international financial community was still concerned primarily with recovery and reconstruction in the nations which had been belligerents in World War II. Development in the underdeveloped lands was then a second priority claim on the supply of investment capital.

Five years ago, the emphasis had already changed, but the scope and complexity of modern development problems were not fully appreciated by any of us. True, some of the fundamentals of the development business had become well known, and were
being actively discussed. In this institution we were absorbed with many borrowers in dealing with the problems of adequate project preparation and, together with our sister institution, the Fund, of preventing an unhealthy evaporation of effort and resources through inflation. We are still absorbed in these matters and, no doubt, we shall continue to be so, as long as there is an International Monetary Fund and a World Bank.

But today we have two new categories of problems to add to the old.

First, we have the problem of what I will call the New Countries — those countries to whom national independence, and sometimes a fundamental social revolution, has come, in some instances, with little or no preparation or warning. The striking examples, of course, are the new countries of Africa. In some of these countries we know now that the first roadblocks on the path to development are the lack of the most basic services of government, particularly adequate education. Somewhere, somehow, men and women must be found, or trained, to build the very foundations of government without which economic and social progress cannot be built.

Here is a category of problems which obviously has not been fully anticipated by the community of nations. The human resources available to be brought to bear on these situations are pitifully meager. All development agencies, national, regional and international, will have to stretch to the limit their resources — and their ingenuity — to meet the demand. In the Bank, we hope, and expect, to be able to do our share. Many countries, struggling with the new realities of national independence are coming to us now for technical assistance in a wide variety of forms, and we are doing our best to provide what help we can. But something more than the existing forms of technical assistance is required. The New Countries present the United Nations, the Bank, and all other agencies interested in development with a new kind of problem. Collectively, we have not yet managed to fashion an adequate response.

The other problem that begins to confront us arises from this circumstance: once a country embarks on a development program in earnest, and sets out to find capital to finance it, that country can, with great rapidity, reach the point where its ability to borrow foreign capital on conventional terms is very limited in comparison with the amount that it could effectively employ. This is certainly the case with India and Pakistan today; it may already be the case with some other countries also.

For example, assuming India's proposed Third Five-Year Plan to be a fair and realistic estimate of the development progress that can be made in India over the next five years, then the financing of the Plan will require a substantial acceleration of foreign aid. India's external debt already creates an onerous burden on her economy, and, if hard loan continues to be piled upon hard loan, the service and repayment burdens will very quickly reach an intolerable level.

Clearly this is a situation in which, if the tempo of progress in the underdeveloped world is not to be dangerously retarded, some other forms of development financing must be made available on a substantial scale. The Free World has begun to realize this, and, accordingly, we are experimenting with a whole orchestra of novel financial instruments — bilateral and multilateral — which, we hope, will provide orderly and constructive ways of dealing with financial imbalances that arise primarily from the momentum of a country's development effort. The objective must be to bring some harmony out of these new instruments. The risk is that — if we are not careful — we could produce not an orchestra, but nothing more than a haphazard ensemble making quite discordant noises.

In considering these new problems one can discern a trend in the international community—a trend in the direction of greater reliance on the multilateral approach. Today's trend differs importantly from similar trends in the past; the search now is not for once-and-for-all solutions to the broad problems of development; rather it is a search for solutions to specific problems — solutions which can be fitted together like pieces of a jigsaw puzzle to make a more hopeful prospect for a picture of peace and human betterment.
The historic transformation which is going on in the underdeveloped world today defies any general "solution"; but it does offer infinite possibilities to the practitioners of economic development. By marrying the needs of development with international cooperation, more and more statesmen the world over are trying to make something of these infinite possibilities. Instead of searching for an elusive grand design, they are seizing on specific development opportunities, and trying to use these opportunities as a means of promoting harmony and tranquility within and among the nations.

This trend is immensely encouraging to us in the Bank. We have always believed that the way to put muscle on the skeleton of international cooperation is to make real in as many specific situations as possible the prospect of economic growth. While we claim no special place, we have been one of the pioneers in this endeavor and are privileged today to be given new and exciting tasks to perform.

Of special importance to us, of course, is the new International Development Association. As you, Mr. Chairman, announced yesterday, the Articles of Agreement of IDA are now in force, the specified minimum amount having been subscribed by member governments. IDA will soon be ready to start operations.

Member governments have given to the World Bank the responsibility for administering IDA. Its birth is a milestone in our career. Here, multilateral administration will be tested in a new field. And here will be a rare opportunity to demonstrate how new kinds of financial instruments can make possible the new approaches which the development problem today demands. IDA's initial resources are very modest, compared with the needs of the underdeveloped world. But I feel sure that those resources will be augmented over the years, and that the Bank and IDA together will be able to assist their less developed member countries with greater effectiveness and on a broader front than the Bank has hitherto been able to do alone.

The Executive Directors and the President of the Bank use the word "flexibility" to set the tone for IDA's future operations. On the financial side, IDA will be able to venture further than the Bank is able to go in countries which, through no fault of their own, have only a limited capacity to service conventional foreign debt. On the project side, IDA can support whatever development undertakings appear to hold the most promise, provided that they can pass the test of careful and adequate preparation which the Bank is accustomed to apply. With this proviso, IDA can be expected to finance all types of investment financed by the Bank and a broader range besides.

Beyond these generalizations, a discussion at this time of IDA policies would be premature. It is only through tackling specific operations that we can adapt the various techniques and policies possible under IDA's charter to the urgent needs of its less developed member countries. Our aim is to get off to a quick start now — to get some concrete projects before us.

We realize that our administration of IDA will be watched carefully. We have to demonstrate that a bank can handle monies soundly and effectively where an orthodox financial return is not a first consideration. It is our hope that, through IDA, we shall be able to reach peoples hitherto inaccessible to the Bank, and to give them the prospect of better, healthier and more productive lives.

IDA is but one of several new departures in the field of development which will be tested in the time immediately ahead of us.

Several regional organizations, notably in Latin America, are about to strike out in a parallel direction. The formation of the Inter-American Development Bank and the possible future development activities of the Organization of American States both forecast the new wind of change which is beginning to blow across the Latin American continent. Hoping that this will be a wind favorable to development, we in the World Bank expect that the effective demand for basic development services in this part of the world will increase importantly, and we shall be ready to play our part beside the new institutions. In the past year, studies to which the Bank and other
organizations contributed have been concluded in Argentina and Venezuela, and indications are that the Bank may soon be able to initiate lending programs in these two countries.

Improved opportunities for lending have already opened up in Chile, Colombia and Mexico. In general, the prospects for development throughout Latin America appear quite hopeful.

The Bank is also following with interest the movement to amend the function and membership of the Organization for European Economic Cooperation. Among other objectives, this movement aims at giving to the Atlantic Community a means of increasing and coordinating their collective assistance to underdeveloped countries. A review of the Bank's role in this movement is contained in the Annual Report before you.

Not all the new approaches to the development problem today are as formal as these. For example, for some time now a group of governments, who have been providing large-scale development assistance to India, are holding informal discussions with the Bank to exchange information about assistance programs and intentions, and to achieve some coordination of effort. A meeting was held this month in Paris to give preliminary consideration to India's Third Five-Year Plan and to India's estimation of the foreign exchange assistance which that plan would require. A further meeting will probably be held next spring.

A similar consortium will meet in Washington next week to review assistance to Pakistan in the light of Pakistan's development plans. A few other countries have approached the Bank with a view to holding meetings of the same sort.

Here again is an effort to marry the needs of development with international cooperation to the end of more effective development assistance. This is not, may I say, a device whose application can be made universal. If these consortia are to serve development over the long run they must not be regarded primarily as a fund-raising exercise or as a means of securing temporary accommodations in political and economic crises. The need is not just for finance, but for efficient and effective development programming. If international cooperation is really to serve the desired objective, it must encourage the orderly programming of projects and resources, primarily by the recipient country itself. Where this vital condition is met, these credit consortia can provide further convincing evidence of the worth of the international approach.

Finally, in this general context, it is perhaps appropriate to mention the Indus Waters Treaty between India and Pakistan, which was signed last week. This will have been welcomed by the Governors as a solution of a critical and long-standing dispute between these two important members of our organization.

The settlement contemplates the construction of a system of works in Pakistan at a cost of over $1,000 million — the largest of its kind ever to be undertaken anywhere. It would not have been possible without the generous financial assistance extended by the Governments of Australia, Canada, Germany, New Zealand, the United Kingdom, and the United States.

This assistance — apart from a conventional loan from the Bank — will be entirely in the form of grants or in loans repayable in local currency. It will be channelled through an Indus Basin Development Fund established by an international agreement. This Fund will be administered by the Bank. The contracting for the works will be thrown open to international bidding in accordance with the Bank's usual procedures.

The arrangements for the financing of this vast undertaking offer another example of the possibilities that exist for developing multilateral techniques in the financing of economic development; and may I add, Mr. Chairman, that membership in the Indus Club, as well as in the international consortia that I have mentioned, is still open to any aspiring candidates willing to contribute the entrance fee.

I believe that what we are undertaking today in the World Bank, and what we have been asked to undertake through the International Development Association, promises to grow enormously in importance and
in scope in the years immediately ahead. Development techniques implemented through international cooperation are, I am convinced, about to emerge as a much more significant force in the thinking of those who are honestly concerned with the promotion of economic and social progress and with the maintenance of peace.

But we cannot be so ambitious, or so presumptuous, as to offer any ready-made over-all solution to problems which, by their very nature, can only be effectively tackled step by step and one at a time. It seems to me that there is no over-all solution to the broad problems of development any more than there is an over-all solution, in present world circumstances, to the broad problems of peace.

The task to which we ought to devote ourselves today is to try, by dealing with specific situations as we find them, to improve the material lot of our less fortunate fellowman. Our task is to live with the world problems of today so that we may kindle, and not kill, hope in a better future. And if the needs of development can rely on the presence of international cooperation we shall be able to serve the ends of peace and freedom in the most tangible way open to us, and with the most effective tools to our hand.