

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Boskey, Shirley - Articles and Speeches (1977)

Folder ID: 1651391

Fonds: Records of Office of External Affairs (WB IBRD/IDA EXT)

Digitized: October 30, 2013

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK
Washington, D.C.

© 2012 International Bank for Reconstruction and Development / International Development Association or
The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

Boskey, Shirley - Articles and Speeches (1977)

L **LASSIFIED**
BG Archives



The World Bank Group
Archives
A1992-007 Other #: 4 1651391 212049B
Boskey, Shirley - Articles and Speeches (1977)



STATEMENT TO THE ECONOMIC AND SOCIAL COUNCIL
OF THE UNITED NATIONS

By Mrs. Shirley Boskey, Director
International Relations Department
World Bank

I am privileged and pleased to represent the World Bank at this 63rd Session of the Economic and Social Council and to address the Council, on behalf of the President of the Bank, during this general debate on the world economic and social situation.

At the summer session of the Council in the Ivory Coast last year, the statement of the Bank's representative focussed on Bank operations in Africa. On this occasion, I shall report to the Council on some broader aspects of the Bank's operations, with some indication of what may lie ahead.

As the institutions of the Bank Group, including the International Development Association and the International Finance Corporation, are financial organizations, it seems appropriate to refer first to the flow of resources.

Resource Flows

The flow of resources has always been a particular concern of the Bank, and the President of the Bank has frequently addressed this issue. He has pointed out that the external assistance needed by the poorest nations over the past few years to achieve reasonable rates of growth, and to move toward meeting the basic human needs of their populations, is within the ability of the wealthy world to supply. And it would have been supplied had all of those nations, not merely a few, met

the 0.7 of GNP target set in 1970 for official development assistance. The middle-income developing countries -- those with per capita income of above \$200 (in 1975 dollars) -- currently receive over half the total of official development assistance. On a per capita basis, the distribution of concessional finance is about 60% higher in the middle-income countries than in the poorest nations. If existing official development assistance were at least distributed equally on a per capita basis between these two groups of countries, it would mean an additional \$1.5 billion a year for the poorest countries. The loss to the middle-income countries of such an adjustment could be offset by broader trade concessions and greater access to non-governmental sources of capital.

IDA is one of the principal instruments for channeling concessional resources to the poorest countries. During the past few years it has been the Bank policy to increase the share of these countries in the allocation of IDA funds. They have for several years been receiving over 90% of all IDA commitments.

In March of this year, after 18 months of negotiations, governments of 26 countries approved the Fifth Replenishment of IDA. Subject to legislative approval, IDA will be provided with commitment authority totalling \$7.6 billion for the three-year period beginning July 1, 1977. Three of the 26 governments participating in the Replenishment are contributing to IDA for the first time: the Republic of Korea, Saudi Arabia and the United Arab Emirates. Kuwait, a participant in previous replenishments, made a special contribution.

This was the largest negotiation of its kind ever undertaken to establish the largest multilateral assistance fund in the world. The level of the Fifth Replenishment represents a substantial increase in

real as well as in nominal terms over the level of the Fourth Replenishment, a significant increase in highly concessional flows at a time of economic difficulty for many countries. It reflects the determination of donor countries, both traditional and new, to give priority to the problems of the poorest nations. We shall be reporting formally to this Session of the Council on the completion of the negotiations, in accordance with General Assembly Resolution 3387.

Resources available to IDA under the Fourth Replenishment have now been fully committed. While the Fifth Replenishment agreement will not become effective until sufficient countries have completed the necessary legislative action. In the interim, many of the contributors are making advance contributions to provide IDA with commitment authority. This "bridging" arrangement will become effective when advance commitment authority totals \$1.2 billion; we hope that this condition will soon be met.

The recent Conference on International Economic Cooperation also added to resources available to IDA. Some members of the Group of 8 announced their intention to channel through a special account in IDA all or part of their shares in the \$1 billion "Special Action" program for the least developed countries mentioned in the communiqué of the Conference. These funds would include the \$385 million pledged by the European Economic Community, and perhaps a portion of the contributions of a few other countries.

The resources available to IFC are also to be enlarged. As a result of actions now being taken by IFC Board of Governors, IFC members will soon be offered new subscriptions totalling \$480 million.

I turn now to the Bank itself. The Bank's Articles place a limit on its outstanding loans: they may not exceed the sum of its subscribed capital and reserves. In anticipation of reaching the legal limit before long, action looking toward a capital increase was initiated in 1976. The Bank's Board of Governors has now approved a selective increase of \$8.3 billion in the Bank's subscribed capital, which will permit Bank lending at about the \$5.8 billion level per annum for the indefinite future. Governments have indicated in various fora, such as the recent meeting of the heads of seven industrialized countries and the EEC in London, and in the Conference on International Economic Cooperation, that a further increase in the resources of the Bank would be desirable, to permit its lending to rise in real terms. Discussions on this matter among the Bank's Executive Directors have begun, and the Directors have agreed that their negotiations should be concluded by the end of the fiscal year 1978. Meantime, they also agreed that the Bank's management might proceed with a level of lending of \$6.1 billion for fiscal year 1978 and assume for planning purposes a level of \$6.8 billion for 1979, the latter figure subject to their review at the start of FY79.

The Bank has successfully completed its world-wide borrowing program for the 1977 fiscal year. During the 12 month period ending July 1st this year, the Bank sold obligations totalling the equivalent of over \$4 billion. This was the highest principal amount of the World Bank bonds to be sold in any one fiscal year. The proceeds will be used in the general operations of the Bank.

But even at the levels noted above, Bank and IDA resources represent a fraction only of the financing required to meet development needs adequately. That is why the Bank has assiduously, and with

considerable success, sought to bring investment from other sources together with its funds. National aid agencies, international and regional financial institutions, export credit agencies, and some private sources of financing have joined the Bank in supporting development projects.

This co-financing is advantageous for all parties. It adds to the external financing for a given project. It may bring the borrowing country into contact with new sources of funds and thereby reduces its dependence on any single source. The co-financiers may benefit from the Bank's experience and expertise in identifying, appraising and supervising development projects, and their special knowledge is made available to the Bank. And finally, co-financing enables the Bank to stretch its resources over a greater number of projects and into more sectors than would otherwise be possible.

Co-financing has thus become an important technique for increasing the flow of capital to the developing countries. To take Africa as an example, project co-financing in Eastern Africa doubled from fiscal year 1976 to fiscal year 1977, adding more than 50% to the total value of Bank and IDA lending in the area. Last year, \$300 million of co-financing was committed for 20 projects. The largest single source was the European Development Fund/European Investment Bank, which provided about \$100 million of Lomé Convention resources, mainly in the form of grants. Other co-financiers included not only traditional sources but some relative newcomers. About the same amount of co-financing funds was committed in Western Africa, for about half as many projects. The \$308 million provided by co-financing was nearly twice the amount of Bank and IDA resources for those projects.

In the fiscal year just ended, the Islamic Development Bank became a co-financier with the World Bank for the first time. The Government of Canada agreed to make available funds amounting initially to Canadian \$35 million for joint financing of projects agreed between the Government and the Bank, the funds provided by Canada to be administered by the Bank.

In recent years, export credits have provided an important source of co-financing, under arrangements in which the borrower deals directly with the export credit agencies to obtain the best possible price and terms. The Bank offers technical assistance to inexperienced borrowers who wish to explore this type of financing. It has already proved successful for the past decade in some of the larger countries of Latin America and is being replicated in many other parts of the world.

Since 1975, the Bank has also pursued a program to stimulate private participation in its operations. The banking community has expressed interest in this type of co-financing and it seems likely to grow.

The Bank is ready to assist potential co-lenders in any reasonable way -- through consultations, exchange of information, efforts to identify projects of mutual interest, joint appraisals, administrative services, etc. Co-financing can be expected, in the years ahead, to remain a significant source of funds for Bank-financed projects. Participants in CIEC recognized the important role of co-financing in providing additional private capital for developing countries and urged its expanded use.

As the Bank and IDA are, above all development finance institutions, let me now turn to some of the purposes to which their resources are being devoted.

Over the last decade, the Bank's activities have expanded and diversified considerably. At the same time, steps were taken to improve the quality of Bank operations, in the sense of relating the lending program more immediately to borrowers' development objectives. Experience has demonstrated that the kind of infrastructure projects which had traditionally accounted for the bulk of the Bank's financing benefitted much of the population in the borrowing countries only slowly or indirectly. Following a critical self examination, the Bank decided to place far greater emphasis on policies and projects which would attack the problems of absolute poverty by increasing the productivity of the poorest 40% of the population of the developing countries among its membership.

This changed emphasis is reflected in the sectoral composition of the Bank's lending. The share of agriculture and rural development in total lending has greatly increased: it is now almost one-third, just below power and transportation, which are down from their former combined one-half share. Now concerned to spread the benefits of projects more widely, the Bank is trying to identify target groups of intended beneficiaries

and to improve directly their productivity and raise their level of income. It has not abandoned projects in the traditional sectors, but they are being reoriented: large infrastructure projects frequently include rural feeder roads and electricity or water supply for poor urban communities; financing for industrial development now includes support for small-scale enterprises. Increasingly, sub-components from other sectors are incorporated in Bank projects. These are sometimes experimental and modest in size so that new techniques may be employed and the benefits of a multi-sectoral approach may be tested. Much more attention is being paid to the social aspects of economic growth, including population, employment, income distribution, health, housing, nutrition and impact on the environment. Within the last few years, the Bank made its first loans for a nutrition project (in Brazil), for an industrial research project (in Spain) and for an urban anti-pollution project (in Yugoslavia).

And, I might add, more attention is being paid to the integration of women in development. In a recent address on the population problem, the President of the Bank stressed the importance of enhancing the status of women socially, economically and politically. While his remarks were made in the context of the problem of reducing fertility, they were directed to a broader horizon. He declared that women represent a seriously undervalued potential in the development process, and pointed out that to relegate them exclusively to narrow traditional roles denies society at large of the benefits of that potential, as well as compounding the problem of fertility reduction. The Bank has appointed an Adviser on Women in Development whose responsibility is to keep under review the Bank's

operational work, particularly project design and implementation, to make sure, at the least, that there is no adverse impact on women and, more positively, that full use is made of their potential in the development process, that their productivity is increased, and that they are assured an equitable share of benefits generated.

Against this background of a reorientation of Bank lending, the Executive Directors of the Bank recently considered a number of policy issues which have implications for the direction of Bank lending. They included a review of progress and experience in rural development, operations in the population sector, and employment creation through the development of small-scale enterprises.

Rural Development

In late 1973, the President of the Bank proposed that Bank lending to agriculture, during the fiscal years 1974-78, be more than 40% greater in real terms than during the previous five-year period. Agriculture's share in total Bank and IDA lending, 15% in fiscal 1972, reached almost twice that proportion in 1976. In that year, the Bank and IDA committed \$1.6 billion to help finance 58 projects in the agricultural sector, 38 of which were focussed on the rural poor. During the fiscal year just ended, another 75 such projects were financed, about three-quarters of the lending being for rural development. It is estimated, very tentatively, that in the period 1975-77 some 50 million persons will stand to benefit directly from Bank-financed projects in the sector.

A rural development project as conceived by the Bank has four key elements. It reaches and raises the incomes of large numbers of low-income producers. It is financially viable. It is relatively low-cost

so that it can readily be extended to additional areas as more resources become available. And it is comprehensive in scope, to include components from several other sectors such as health, education, electricity, water supply and nutrition. From our limited experience with these comprehensive projects, designing them and, more important, implementing them, is anything but easy. Moreover, no rural development project can be successfully undertaken unless there is a national commitment to make rural areas productive. There is still much to be learned and more to be tried, but the Bank is satisfied that a promising start has been made. The Bank continues to be an active participant in the ACC Task Force on Rural Development and is represented on three of the six inter-agency country missions reviewing coordination in rural development at the country level.

Small-Scale Enterprise

To absorb the still unprecedentedly rapid growth of the labor force, development in the agricultural sector must be complemented by industrialization and urban development. The Bank began only about two years ago systematically to assess the nature and extent of urban poverty and its analyses have highlighted the key role that industries and service enterprises can play in both the rural and urban sectors, for creation of employment.

Such enterprises usually generate more jobs per unit of investment than larger concerns, including indirect employment effects. A greater proportion are unskilled jobs accessible to the most disadvantaged. They serve to foster entrepreneurship, to provide opportunities for training and

improvement of technical skills, and to generate savings. And, insofar as they offer jobs in the slack agricultural season, they help to reduce the growing pressures which underemployment imposes on the rural and the urban economies alike.

Only about \$100 million of Bank financing during the five years 1972 to 1976 was explicitly directed to small enterprise development, but the Bank is now giving increased emphasis to this sector. Its support will be channelled through intermediaries in recipient countries, including not only conventional development finance companies, but also commercial banks, investment companies, cooperatives, workers banks, savings and loan agencies and other institutions more specifically oriented toward smaller firms. Technical assistance and advice on practical business problems to small entrepreneurs will normally form an integral part of project packages.

IFC, in the year just ended, made its first investments directed specifically to the financing of smaller enterprises, in Kenya and Korea.

Population

In the seven years in which it has been lending for population, the Bank has committed a total of about \$159 million for 14 population projects in 12 countries, representing about 55% of the total project costs. While over half the Bank's financial support has been devoted to infrastructure needed to expand service-delivery networks, the Bank generally aims at helping borrowers build up comprehensive national family planning programs, with appropriate organization and management, staffing and training, information-education-communication activities, monitoring and evaluation of program activities. Many Bank-assisted population projects include financing for such "software" activities, and their proportion in total project financing has lately been rising.

In 1975, the Bank appointed an External Advisory Panel to review its performance in the field of population and to suggest ways to increase its effectiveness in such field. Against the background of evidence that fertility may have started to decline in the developing countries, the Panel recommended that the Bank should continue its pattern of project lending but, at the same time, address greater efforts to the factors that influence family-size decisions at the family level. The Panel also urged the Bank to increase the awareness of the governments -- and of the Bank's own staff -- about the social and economic costs of high fertility.

The Panel also recommended that the Bank make more use of the comparative advantage offered by its general development activities, to spread its concern about population growth. Consistent with these recommendations, population components are being included in a number of urban, rural development and education projects; health components of projects will normally be expected to make provision for offering family planning services. Economic analyses will include better coverage of population matters. An internal research program will be drawn up. A recent address of the President of the Bank dealt with possible measures governments could take to accelerate the world-wide reduction in fertility which experts believe may have started, so that a net reproduction rate of 1.0 -- necessary condition for eventually ending population growth -- might be reached about 20 years earlier than is projected in their absence. In this, as in other fields, the Bank is working closely with other agencies, national and multilateral, which are active in the sector.

Evaluation

I have mentioned the Bank's concern to monitor the consequences of its projects in the small-scale enterprise sector. This concern with project results permeates all Bank operations. The Bank has had an operations evaluation system since 1970, to generate independent reports to the Bank's members and to its management on operational results in terms of contributions to development, and to identify ways to improve policies and procedures in the light of experience. It has steadily been strengthening this and other mechanisms for self-evaluation and for reviewing and absorbing the lessons of operational experience. In the future, there will be yearly reviews by the Central Projects Staff of experience with completed projects in various sectors. These reviews will complement a regular semi-annual examination of current operational experience conducted by the Bank's operating staff. But however valuable the evaluation function for the Bank, it would be incomplete if the borrowing countries did not themselves play a role. Projects which the Bank finances are projects of the borrower. More and more, monitoring and evaluation functions are being built into such projects themselves. At the same time, more and more countries are introducing monitoring and evaluation systems applicable to their own sectoral or national investment plans, and the Bank is prepared to assist them to do so.

Conclusion

The Bank has just completed a year in which it committed over \$7 billion for 228 projects in developing countries. Its affiliate, IFC added over \$250 million in equity and loan funds authorized for 34 projects in partnership with the private sector. The Bank saw its

membership rise to 129 countries. It borrowed over \$4 billion in world capital markets. Initial steps were taken to increase the capital of both the Bank and IFC, and to provide IDA with a sizeable real increase in resources for the next three years.

The Executive Directors of the Bank will shortly be giving thoughtful consideration to the role of the Bank in the next several years. Whatever the conclusion, the World Bank will continue to work in the closest possible trust and confidence with its member countries. That continuous and informal dialogue is the key to the effectiveness of the assistance, financial and non-financial, which the Bank can provide. The Bank accepts many roads to development. Its own approach to development strategy, over-all and within sectors, will continue to change as it adjusts and adapts to lessons learned from its dialogue with governments, from its operational experience and from its research work. And this flexibility, responsiveness and openness to innovation will continue to be reflected in the policy advice offered to its members and in its selection of projects appropriate to their priority needs.