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The World Bank
1818 H Street NW
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October 26, 1971

Paul Danquah

Mr. Bihute's Speech to the 'Congress of African Peoples'

Mr. Donatien Bihute enquired whether it would be necessary to clear (with this department) a speech on the role of the Bank in Africa which he is to deliver this week at Seton Hall University, South Orange, N.J. After consultation with Mr. Lind I informed Bihute that the speech does not require this department's clearance, but that we would be interested to see the text and glad to give any assistance he might require. I have edited the text and he has included a statement that the views expressed are his own and not the Bank's.

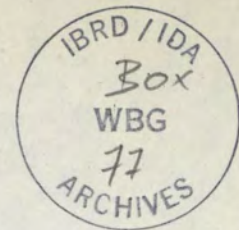
PD/rv

Attachments

cc. : Mrs. Doris Bomstein ✓

*Monsieur
général pour Paris*

1 sent to Paris.



A SPEECH DELIVERED BY MR. DONATIEN BIHUTE TO THE 'CONGRESS OF
AFRICAN PEOPLES' - SETON HALL UNIVERSITY, SOUTH ORANGE,
NEW JERSEY, OCTOBER 27, 1971

Subject: THE ROLE OF THE WORLD BANK GROUP IN AFRICA

Mr. Chairman, distinguished guests,

It is a great pleasure to be among you today and it is a privilege for me to be able to talk about the role of the World Bank Group in Africa to an audience which I know is very much interested in what is happening in that continent.

I accept with enthusiasm the chance to speak to you today on a subject about which the general public, through no fault of its own, knows very little. Ten years ago the great majority of the people in North America knew practically nothing about Africa. I think that this has improved now but not very much. As for the World Bank, it is particularly astonishing how little outsiders know of its existence and what it does. Therefore, the material and subject matter of my talk may be unfamiliar to some of you. You will, therefore, forgive me if I don't succeed in arousing passions. Of course, it will be a good thing for me because it will mean that you won't ask me many difficult questions!

I wish, of course, to point out from the beginning that although

I am a Bank official, this talk expresses personal feelings and does not necessarily reflect the views of the World Bank Group.

I would like to start with a short description of the aims and organizational structure of the World Bank. Towards the end of the Second World War, the question of post-war reconstruction became a burning issue. Attention shifted from fighting to how the devastated economies of the European countries could be built up again. It was then decided to create an international institution that would have resources to lend to countries in need of financial assistance on purely economic grounds. The institution which was finally established for that purpose was the World Bank - officially, the International Bank for Reconstruction and Development. My statement is limited to the World Bank and does not cover the International Monetary Fund, a sister institution which was created at the same time. The purpose of the International Monetary Fund is to foster trade and payments among member countries by encouraging them to ease exchange regulations and to establish and maintain fixed parities of their currencies vis-a-vis other currencies. Like the United Nations, all independent countries were free to subscribe to the capital of the World Bank and to become members. Initially, therefore, the Bank's membership consisted largely of Western Europe and North American countries. Two Eastern European countries, Poland and Czechoslovakia were original members, but due to the cold war ideology they ceased to be members of the Bank. Yugoslavia is the only Eastern European country to be member. Cuba was member but she withdrew in 1960. In Africa, Egypt, Ethiopia, Liberia and the Republic of South Africa were among the original members.

The Bank started effective operation in 1946, and it lent almost exclusively to the Western European countries to help re-build their shattered economies.

During the end of the 1950s and the beginning of the 1960s significant development took place in both the membership and orientation of the Bank's operations. Most of the colonial countries in Asia and Africa gained their political independence during that period and they applied to become members of the Bank. Almost at the same time the European reconstruction needs were decreasing and the Bank then began to devote its attention to the needs of its new and poor members, from Asia, Africa, and Latin America. It was a time of major change over from "reconstruction" to "development".

Up to date the Bank's membership is 116 of which 90% represent developing countries. African members are 42 in number, which is just over one-third of the total membership. Each member country has subscribed to the capital of the Bank. The Bank's subscribed capital is divided into three parts:

- 2% paid in gold or U.S. dollars
- 18% paid in local currency but usable by the Bank with the consent of the member country.
- 80% callable by the Bank.

Since 1946 the World Bank membership has increased from 30 to 116. The subscribed capital has increased from 7.6 billion to 23.5 billion; over the same period, the cumulative volume of lending increased to 15 billion; the number of staff members increased from 72 to 3,000.

Although countries from the poorer areas of the world constitute an overwhelming majority of the membership, they command only about 30% of the total voting power at the Board. The reason is because the Bank operates on the principle of "one dollar one vote" and not "one man one vote" or "one country one vote". Since it is the richer countries which subscribe the bulk of the Bank's capital their voting power is correspondingly greater. The five largest shareholders - United States, Britain, France, Germany and Japan - alone hold almost 50% of the Bank's capital.

All powers in the Bank are vested in a Board of Governors which consists of one Governor appointed by each member country. The Governor is generally the Minister of Finance or Minister of Planning of the member country. The Governors have delegated their authority to a Board of Executive Directors residing in Washington, DC. The President of the Bank serves as Chairman of the Executive Directors. There are 20 Executive Directors, 5 of whom are elected by the 5 largest shareholders; the 15 remaining are elected by the other member countries which, of course, have to form 15 groups. The Executive Directors carry out the day to day operations of the Bank on behalf of the Governors.

The World Bank was set up to lend money to governments for development purposes at a commercial rate of interest. This statement has two implications. In the first place, the Bank cannot lend to individuals or to the private sector. In the second place countries coming to the Bank for money must be prepared to pay the going rate of interest. The current Bank rate is 7 1/4%.

As many developing countries joined the Bank, it soon became obvious that they needed a type of assistance that was more concessionary than the Bank could offer under its Articles. Also the importance of the private sector in the developing countries slowly came to be recognized. As a result, the member governments decided in the early 1960s to create two other institutions under the leadership of the World Bank which would concern themselves respectively with the private sector and the poorer member countries. The first of these is the International Finance Corporation (or the IFC). The International Finance Corporation lends only to, or take equity participation in private sector enterprises. The other institution is the International Development Association (IDA). International Development Association lends to poorer member countries on "soft terms" - i.e. 50 years repayment period, 10 years grace period, and no interest payment but a service charge of 3/4 of 1%. We have therefore within the World Bank building three institutions - the World Bank itself (IBRD) which lends on "hard terms", International Development Association which lends on "soft terms" and International Finance Corporation which specializes in investments in the private sector. Together the three are termed the "World Bank Group" and they are under one President and a common staff. The World Bank borrows from the capital markets to finance its lending operations. During fiscal year ending June 1971, the World Bank borrowed \$1.3 billion from various capital markets in developed countries. The primary lending resources of the International Development Association have been initial subscriptions and regular contributions by member countries, chiefly the most developed. The World Bank has also made grants to International Development Association out of its net income.

I have so far tried to give some background to the World Bank Group of institutions in Washington. I will now come to their operations in Africa. The Bank Group's involvement in Africa was until recently confined to provision of basic economic infrastructure - i.e. transport and communications, power and water supply. However, in the last three or four years it has become very clear that one cannot go on building roads and dams without attention to some of the more fundamental issues such as education, and rural development. Accordingly, the Bank has in recent years begun to give some attention also to improvement in the education systems in these countries, as well as to agricultural development. In the last financial year which ended on 30th June 1971, the total financial aid given to Africa by the three World Bank Group institutions amounted \$474 million. The previous year's figure was \$460 million and the five year average for the earlier period 1964-1968 was only just over \$160 million. While one may say that African member countries should be much more satisfied with development aid now compared with five years ago, I think one must first compare Africa's share of the total aid input with Asia and Latin America to get a full appreciation of the present position.

In the financial year ending June 1971, Latin America received \$746 million from the World Bank Group, and Asia \$900 million. In the previous year the share of Latin America was \$748 million and Asia \$825 million. In the five-year period 1964-1968 the average respective shares of Asia and Latin America were around \$600 million and \$320 million. Thus, Africa has consistently received far less than what Latin America and Asia tend to receive, and it is disappointing to those of us concerned

with the problems of African development to see that Africa's share is the smallest.

This leads me to comment briefly, not only on aid from the World Bank Group but also external official aid to Africa. Whatever economic criteria we use to define the allocation and distribution of foreign aid - whether on the basis of poverty, life expectancy, malnutrition, urban un-employment or rural under-employment - Africa would unquestionably qualify for a higher level of aid than it currently receives. In 1965, the total official aid to Africa from the Western world (including Japan) amounted to \$1,940 million. On the other hand, the African countries paid to the donor or richer countries a total of \$467 million to service their external debt. There was, therefore a net transfer of resources to Africa in that year equal to about \$1,473 million. Now in 1969, five years later, total official aid only reached \$1,540 million out of which \$725 million was paid out in debt service. The net transfer therefore amounted only to \$815 million - considerably lower than in 1965. You will therefore see that Africa's share of aid has not only been insufficient, but in recent years even had the tendency to reduce, due mainly, I fear, to a lessening interest in the continent.

The slump which has occurred in official assistance has not, on the other hand, been compensated by the input of private capital. The major reason for this is that private capital has tended to go largely into extractive industries, especially mining, leaving the broad industrial sector (i.e. manufacturing) neglected. Again the foreign investor's attitude so far has been to acquire maximum profit within the shortest possible time, instead of a gradual accumulation, and re-

investment in the country in line with the development aspirations and needs of the governments in those countries. Further, private investors have, until now, shown reluctance to participate in joint ventures with governments in Africa.

In spite of the relatively little encouragement from outside, it is encouraging to observe how much the African economies have accomplished during the last decade. Economic and social infrastructure has been expanded, school places increased, the industrial sector whose base was previously so small has been expanded to produce many of the small basic requirements as cement, matches, soap, etc., and significant development has also been achieved in agriculture, especially in export crops; e.g. coffee, cocoa, tobacco, groundnuts, and timber exploitation.

Nevertheless, looking to the future one cannot avoid a rather gloomy feeling. The most critical areas for development now are the small farmer sector and the small-scale industrial sector. The bulk of Africa's population live by small farming and therefore it is only by concentrating attention on these sectors that increasing urban un-employment and rural-underemployment can be controlled. Unfortunately, the way in which external aid is administered seems to reflect a diminishing concern with these crucial problems. International and bilateral donors seem most inclined to finance large projects which tend first to be capital intensive, and secondly involve large expenditures in foreign exchange which increase the indebtedness of these countries. It seems to be that a significant portion of the resources needed to develop the small-scale agricultural and industrial sectors will have to come from within the countries themselves. But to achieve this the countries must have the opportunity to

earn more foreign exchange through trade. And here too they are handicapped. There is a tendency for the terms of trade to move more against primary commodities vis-a-vis industrial goods with the result that in time, the African countries get less for the same volume of their exports. Worse than this, protectionist policies of the developed countries tend to penalize exports and especially exports of manufactured goods from the developing countries. For these reasons, I don't find the future prospects to be too bright for development growth in the African countries if they are looking to developed countries as their major source of development aid.

Operations of the World Bank Group and the other multilateral lending organizations at present suggest that African countries cannot look to them for substantial assistance for either the small farmer or the small-scale industrial establishment. Therefore, I think that these institutions should endeavour to make substantial resources available for regional and national development institutions in Africa which are better equipped to go to the aid of the small man.

At present, besides national development banks in various countries, we have in Africa two very important regional development banks; namely, the African Development Bank and the East African Development Bank. I think we need other regional banks also for West Africa, North Africa and Central Africa. With proper organization and sufficient financial support from the rich countries and the international lending institutions, these regional banks could become a major force in promoting economic development and integration in their respective geographical

zones; regional and national banks in developing countries have an advantage over the big multilateral institutions in that they are in closer touch with small borrowers. The role of large institutions could then shift from financing development projects directly, to providing and channeling funds to regional banks and, of course, providing technical assistance and managerial skills to those regional banks. Direct lending operations by large multilateral institution could then concentrate on large infrastructure projects as dams, railways, roads, ports, etc.

Mr. Chairman, I have perhaps taken more time than I expected. But I think you will agree it is difficult to limit any discussion on African development problems and especially on external aid to Africa.

Thank you.

DB/ba

"BUILDING FOR AFRICA"

(An Address by Donatien Bihute on housing in Africa)



INTRODUCTION

Mr. Chairman, ladies and gentlemen ...

I am delighted and honored to have been invited to address you on the endless and absorbing subject of African development. One of the most urgent problems of the Continent -- now 'the Continent of the future' -- is urbanisation, which means much more than the provision of sufficient and adequate housing and other accommodations for decent living, but in fact is a most vital feature of the exciting and dynamic process we still call 'development' -- a term which over the last ten or fifteen years however, has taken on a whole new connotation. Development used to mean -- more or less -- "helping to make the poor countries more like us". It is one of those abused terms, like "Minority" which is subject to so many different connotations. Minority is demonstrated here today by the very fact of our attendance at this important convention. ...

But the term Development in the context of a young and continuously emerging Africa I think, really means growth, not mere economic development nor becoming what we used to call 'civilised'. It means growth of the nation -- and there are now about 50 separate states on the Continent of Africa. It means the growth of the individual inhabitants of a country, as well as nation-building.

Part of this pattern of growth of young nations, is the inevitable and predictable fact that country people, our farmers and villagers who represent about 80% of Africa's population are, drawn to the cities and towns in search of a new world, the richer life, hope, political activity and for many other good reasons. But these migrations create heartrending problems; shanty

towns on the edges of cities, greater dangers of disease, lack of employment, desperation of the spirit, hunger, crime and much acute suffering which might have been less intense in the simpler background and slower pace of the country villages.

The large and complicated set of problems which we include within the term "urbanisation" means the provision of public services; drainage, water, power, fuel, the need for public and private buildings and all the other appurtenances of community living, and the well-being of the individual.

Because I think, ladies and gentlemen, your professions, and the organisations represented here indicate an undoubted interest in the problems of building the developing world and of building Africa particularly, I decided that urbanisation should be my main theme. But my task in addressing you is not to bully or cajole or reproach you about our rights and our duties in Africa. It is simply this, I am well aware that the only valid reasons for public speaking are either to persuade to inform, or to amuse. I think that the most useful thing I can do here today Mr. Chairman is to try to inform, and perhaps stimulate and enlarge your existing concern for the peoples and the nations of the Continent of Africa.

I am well aware that most of you will know much of the history of Africa, especially the recent 100 years or so, which is a story of the privileged few -- the minority, in another sense of that term! Colonial, imperialist rulers, conquerors, adventurers and missionaries came to our Africa and influenced and dominated and intimidated and exploited.... However, not always with greedy or evil intent, they brought to the Continent -- rightly or wrongly -- new traditions, standards of achievement, growth, and political awareness and social and moral values which conflicted with the traditional and simplistic values of rural life, and created the desire, if not the need,

for standards which both the developing and developed world consider the Ideal. African ideas of 'a-way-of-life' have been corrupted, spoiled or changed; or gradually hewn away by foreign education systems. The result is an increased need for goods and materials which are such that Africans, (like us in the West) are almost unable to survive without. But today with the new awareness of the ecology (a term which none of us had heard 10 years ago) and protection of the environment, our attitudes on this side are changing; the view about what is the Ideal is changing, and the concept of development, now carries an element of respect for "the quality of life". Those of us, which includes most of you present I'm sure, who have some interest and concern in the needs of the developing world especially Africa, must now consider the problems of urban development more carefully, with more sensitivity, and with more respect for ancient traditions.

Thus "Urbanisation", in the context of development as growth in the wider sense, involves large questions about the input and value of financial aid and technical assistance, the uses of indigenous labor and know-how, and respect for local needs and local values. The question is, how can we or rather how should we -- from the vantage point of our rich, spoiled, over-productive world, provide the facilities for the building of towns and new villages so urgently required in African countries which sometimes have nothing upon which to build, except their urgent needs, their willingness to work, their hopes, and the human spirit?

RURAL-TO-URBAN MIGRATION IN AFRICA

Besides intensification of the movement to the modern towns, population migration occurred for other reasons in African history; there was always some movement in the search for new agricultural lands, the escape from enemies and the threat of natural disaster; famine, drought, and epidemics.

Again, in early colonial times there was forced labor migration which was even between different countries, or even Continents. (Some of the effects of this are painfully seen in Eastern Africa today). But labor migration was comparatively rare; there was no natural compulsion nor motivation among the African population towards wage labor, but there is some evidence that moral and puritanical themes from the 'strangers' sought to implant concepts of the nobility and dignity of regular paid labor.

When the pace of independence began to increase labor migration quickly gave place to the voluntary attraction to the urban centers, which were quickly proliferating in the new states. Rural-to-urban migration has increased steadily and brought not only the social distress I described earlier, but also acute economic problems. The creation of employment opportunities in the cities and towns has failed to keep pace with the increasing population from migration. The urban areas have been financially ill-equipped to meet the increasing demand for social services, which has usually led to a quick deterioration in the quality of urban life for the bulk of the inhabitants, and worse, the growth of slums and shanty towns, for the thousands and thousands who are forced to live at the very limit of meagre existence.

HOUSING PROBLEMS

Central issues of the problem of urbanisation are housing and planning. Modern thinkers on development, and the international agencies, not to mention the former metropolitan powers, have been forced over recent years to look upon the social distress and other urbanisation problems with such alarm, that most authorities now consider that the investment of huge resources and planning is not only justified but essential. Arguments for economic justification include the presumption of increased productivity and as I hope

to illustrate later, the creation of employment, a demand for building materials, and also the industrialisation of the building industry itself.

AFRICA'S NEEDS

(Training, planning, the encouragement of African entrepreneurship and the provision of capital)

INVESTMENT PROSPECTS

(Partnership should be the key-note for building in Africa)

THE ROLE OF THE WORLD BANK GROUP

My own interest in urban problems of course stems largely from my work with the World Bank, and the intensified interest that the Bank itself has shown in attempting to solve some of the problems. In recent years the Bank has supplemented its activities in other sectors in order to provide a more direct focus on the problems of urbanisation. But even before this, Bank lending was inevitably oriented towards urban requirements. Lending for power, transportation, communications, water services and industry could only have validity if linked to the needs of growing cities especially among the African member countries.

When the World Bank was created in the late forties it was designed to deal with some of the world's problems of reconstruction after the second World War, and latterly as its philosophy evolved and changed, with world development. It was structured for lending for economic growth, and lent only for economically viable projects to help establish the infrastructures of its member countries. But over the last few years its philosophy has sharply changed and, inevitably has been effected by the universal awareness of the needs of development in the larger sense. The change is such that there is now a greater concern with the majority; to achieve benefits for the largest number of persons. Perhaps one could even say that we who work in the field of international development are as much concerned with the majority as the old guard used to be concerned with the privileges of the minorities!

A good illustration of the new philosophy and the Bank's evolving approach to the problems of urbanisation and the provision of housing, is the recent Senegal project. The International Development Association (which is part of the Group) has approved a loan, on concessionary terms of eight million dollars to help finance a plan to alleviate the effects of tremendous urban growth, in Senegal's two largest cities. This project which was approved last June is called a site and services project. It forms the first phase of a larger national program and involves the preparation of building sites on which the participating population can build their own dwellings with provision under the terms of the same project for social services, technical assistance in construction and community development institutions. The Government of Senegal is participating in the project which is to cost over twelve and a half million dollars. Well over a thousand acres of land have been acquired, and the dwellings when completed will house about a hundred and sixty thousand people. The project is considered a breakthrough in this sector and will certainly be a blueprint

for more lending aimed at solving some of the world's problems of urbanisation. It also matches the World Bank's lending policy in the other sectors, agriculture for example where again there is a big effort to finance projects that can provide an integrated package of services such as feeder roads, farmers' credits, rural development, and irrigation equipment, all geared towards a concept of benefit that look to the improvement in the quality of life for as many people as possible.

CONCLUSION

The assistance which is required in Africa is for the needy majority, which you ladies and gentlemen, representing a certain distinguished minority -- might help to supply with know-how, training and other forms of aid input, or perhaps even some form of partnership. It is worth remembering that the continent of Africa has a population of about two hundred million, which is about the same as your United States. I hesitate to mention to you ladies and gentlemen the enormous urban needs and housing requirements here at home, but I do ask you to imagine how much greater must be the problems and, the needs when considering Building for Africa

Thank you very much.
