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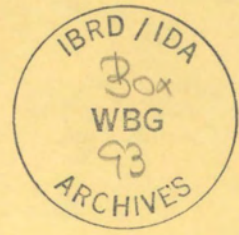
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RIST

June 1962

ADDRESS to the FOURTH S E A N Z A

MEETING

Tokyo

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INTERNATIONAL COOPERATION IN DEVELOPMENT AID

The subject which has been assigned to me has two different aspects. One is the cooperation between the aid providing countries and the aid receiving ones. The other is the cooperation among the countries and institutions which are the sources of aid and the coordination of their action. It is, however, not very convenient to deal with these two aspects separately and I shall, therefore, begin by an attempt to define the sources of aid - and this, by the way, is a very complex picture - consider after that the problems confronting the developing countries, and, finally, the problems confronting the governments and institutions which provide the aid.

It might be well, however, to dispell from the beginning an illusion which seems to be widespread.

We have become so accustomed to associate development with economic and financial aid from abroad, that we sometimes tend to forget that economic growth and industrialization have taken place in several parts of the world without important inflow of capital. The European countries are the outstanding example, although, of course, freedom of movements of capital was the rule in the XIXth century. The same is true of Japan before World War I; its remarkable development was based on internal savings. More recently, the Soviet Union has achieved both reconstruction and development without foreign assistance but at a tremendous cost in terms of standard of living. In all these cases substantial benefits could be drawn from the advanced techniques available elsewhere. Our discussion today will be limited to the numerous cases where the underdeveloped countries count on foreign assistance not only in terms of techniques but also in terms of capital.

Still another remark should be made at the outset. Our discussion will inevitably deal largely with so-called official aid. It looms large in the total amount made available to underdeveloped countries and its motivations, although complex, are fairly easy to

define. In any case, official aid is given as the result of government or institutional decisions. This is a fairly new phenomenon. It has started on a large scale after the Second World War. Until then, official aid was prevalent only in the relations existing between metropolitan countries and their colonial or trusteeship territories, or, of course, in the relations between military allies during periods of warfare. But if we deal mostly with this aspect of international movements of capital, we should never forget that private movements of capital have always been and still are extremely important. It is through bond issues in the financial markets and through direct investment from industries or individuals that capital imports have taken place in underdeveloped countries for two centuries. The United States and Canada are obviously outstanding examples, but they are only instances: all over the world, the same phenomenon could be observed and after a long interruption or rather slowing down period, which covers the great depression, the Second World War and a few years thereafter, the movement has picked up again and most underdeveloped countries have drawn some benefit from it, not only in terms of capital but in terms of technical advance,

production and employment.

While movements of private capital do result in an increase in the savings available for investment, or directly in new investments, their motivation is not essentially the wish to assist in the development of the host country, but the desire to take advantage of investment opportunities. It is on the basis of a comparison between the financial yield and the risk involved (or rather the absence of it), that the bonds of Australia, Japan and New Zealand are being purchased in the financial markets of the world. It is on the basis of profit expectations that private investors establish new oil wells, new factories, new plantations away from their home country. One cannot compell private investors to buy bonds or create new establishments for any other motive than their own interest.

Bilateral and multilateral development aid have other purposes. But those responsible for it will always have to keep in mind that official aid is only necessary to the extent that movements of private capital are clearly insufficient and that, furthermore, they are somewhat unpredictable in this sense that they may lack continuity.

I

If we now turn to official aid, we find it today so natural that it is difficult to remember that it has grown only since World War II. The great depression and the slow down which it imposed on the progress of underdeveloped countries, the disruption of private financial markets and, finally, a newly acquired but generalized feeling of solidarity among nations, can be considered as being at the root of this new approach.

The word "solidarity", or interdependence, implies of course some degree of self-interest: you cannot sell your own products unless the purchaser has a means to pay, and you cannot expect your exports to grow if the other countries remain stagnant. On the other hand, you cannot count on stable sources of supply if the country which provides you with raw materials or food is subject to internal or external political strifes. Commercial interest, therefore, cannot be ignored but this is not sufficient to explain that countries contributing to development aid should today openly and publicly compare their contributions in terms of percentage of their national income. Right after the war, the main contributors were the United States and Canada, but when

reconstruction became an accomplished fact, and the industrialized countries began to show distinct signs of quick economic progress, development aid became one of the common purposes of the industrialized world.

Today, the sources of bilateral aid are numerous and varied. Practically each industrialized country has at its disposal a number of procedures or institutions to deal with it. A few instances may be in order.

The United States of America has an Agency for International Development (AID), which gives loans and grants and technical assistance. It also has a "Food for Peace" program. Furthermore, it has maintained the activities of the Export-Import Bank.

The French have a special fund, called FAC (Fonds d'Aide et de Coopération) for assistance to their former colonies and trust territories, mainly in the form of grants. They also have a "Caisse Centrale de Coopération Economique" for loan operations. In addition, either the Treasury or other government institutions are empowered to grant loans to foreign countries.

In the United Kingdom, assistance can be provided to the colonies through the Colonial Development

and Welfare Act or through Exchequer loans. In addition, the Colonial Development Corporation (CDC) grants loans for projects in the same territories. Insofar as other countries are concerned, whether members of the Commonwealth or not, the U.K. has the possibility of either making direct government loans or giving its guarantee to loans originating in the private sector. Finally, the Commonwealth Development Corporation, a joint public and private organization, may give loan financing to projects situated in the Commonwealth.

In Germany, the Kreditanstalt für Wiederaufbau can make loans to underdeveloped countries largely with the direct assistance of the Federal or State budgets. The government can also guarantee credits abroad made by private interests.

Japan, as you well know, has at its disposal an Export-Import Bank which can give medium-term credits either to foreign countries purchasing Japanese goods or to Japanese firms investing abroad. It has also an Economic Cooperation Fund.

Italy, through various institutions, is in a position to grant foreign loans or to guarantee credits abroad. It also provides grants to its former trust

territories.

Canada can make loan and grant assistance available, first and foremost to the Colombo Plan countries, but to others also.

One should also mention here bilateral assistance by the Soviet Bloc, and bilateral aid between certain underdeveloped countries, such as the credits granted to some African countries by Ghana and Egypt.

This list, of course, is far from exhaustive. In each of the countries mentioned, several other institutions should have been added and a number of other countries have also granted credits abroad in one form or another.

It is important to note that, not infrequently, the credits or grants given through bilateral channels are for the purpose of purchasing the products of the donor countries. This is known as "tied credit operations". No hasty generalization should, however, be made. Although the trend towards tied operations has been on the whole rising, it cannot be said to be generally true of all bilateral aid.

One form of credit is tied by definition. This is the export credit guarantee, a mechanism which

has been established in all the Western European countries, the U.S. and Canada, Australia, Israel, India and Japan and under which the state gives its guarantee to credits granted by suppliers to the importers. In this case the negotiations are usually carried out not between governments but between importers and representatives of exporters who, in turn, negotiate with their government the terms of the guarantee.

Two remarks may be made here. Tied loans and credits may sometimes have an unfortunate result, namely that the importer cannot purchase in the cheapest market. He has to accept the prices prevailing in the credit giving country. As long as this is done in the form of grants, the effect on the economy at large cannot be serious. When this takes the form of loans, it may create some embarrassment for the importing country. Most of the time, however, the latter feels that without the credit it would have not been able to purchase the goods even if a better price could have been obtained and that therefore the operation is to its advantage.

Another remark should be made with respect to suppliers credits: as long as they apply to goods or equipment which depreciate during the period of the

credit, the operation is a perfectly healthy one. If, however, the period of depreciation of the equipment imported or of the construction financed by that means is extended over a longer period than that of the credit, some embarrassment may result for the importing country. Debts become repayable before the economic benefit of the import has been reaped. In practice, the easy availability of export credits has sometimes induced countries to pile up short-term or medium-term debts to a point where consolidation became inevitable.

II

So much for bilateral aid. If we have discussed it at some length, it was merely to show the complexity of choices which confront the developing countries. Multilateral financial aid originates mainly with two international institutions established right after the war: the International Monetary Fund, which operates in the monetary field, and the World Bank, which together with its two newly-created affiliates, the Association for International Development (IDA) and the International Finance Corporation (IFC), provides loans

for investment purposes to underdeveloped countries.

The fact that both the IMF and the IBRD started operations as early as 1946 clearly shows that, at that time already, international cooperation in the financial field was considered of the utmost importance. True, there had been monetary agreements among certain central banks before the war. True, the European banks of issue had organized a Bank for International Settlements in 1931. True also, the League of Nations had assisted in the rehabilitation of certain countries, such as Austria, by sponsoring international bond issues with the guarantee of the main creditor countries. But these were isolated cases and the idea of pooling the resources of the industrialized world in terms of cash and of credits^{standing}, of placing them at the disposal of the developing countries, moreover, the idea of giving the underdeveloped members a voice in the management of these organizations: all this was new and, frankly, at the time when it was started, it appeared quite risky.

Since the International Monetary Fund is not supposed to deal directly with development problems, it may not be necessary to refer to it here. But the success of the World Bank and its affiliates is attested

by the fact that they have until now contributed roughly six and a half billion dollars to development investment. These institutions have been discussed before and I shall not refer to them in detail. Let me just point out that the amounts of the IBRD lending are geared to the economic position and prospects of the borrowing country, and that the loans and credits it provides are made for periods and at terms which are related to the period of depreciation of the imports financed by it. Insofar as IDA is concerned, the terms are adapted to the low debt servicing capacity of the borrowing country. Finally, international competitive bidding is the rule for all procurements financed by them.

In addition, several regional organizations are active in the financial field.

The Inter-American Development Bank (IADB) was established in 1960 among the Latin American countries (except Cuba) and with the participation of the U.S.A. It operates generally in the same field as the International Bank. Through various funds placed at its disposal, it can make loans either on conventional terms or on particularly flexible terms. These terms are geared to the economic position of the countries as well as to

the type of projects. Dollar loans made by IADB are not tied to procurement in any particular country.

The European Economic Community has organized a European Development Fund (FEDOM). Out of resources contributed by the SIX, the Fund makes grants to the associated states and territories of the EEC. While competitive bidding is the rule, it is limited to the member states and the associated countries.

Finally, another regional organization may soon enter the field of international credits. According to press reports, the European Investment Bank, which was originally limited to lending to the Six members of EEC, may soon be empowered to extend loans to underdeveloped countries.

The picture I have drawn concerned only financial assistance available to underdeveloped countries. It is already confusing enough. It becomes still more complicated when technical assistance is taken into account. Nearly all industrial countries are in a position to provide technical assistance on a bilateral basis, be it for project preparation, for economic studies or for development planning. The same is true of practically every international organization, begin-

ning with the United Nations agencies. Each of them, the U.N. Secretariat and the U.N. Special Fund, the IMF, the World Bank and the other agencies may either provide experts or assist in financing consultants. Although each international organization has a fairly well defined field in which it specializes, there still can be several sources of technical assistance if both multilateral and bilateral aid are taken into account.

III

It has sometimes been contended that the multiplicity of sources of foreign assistance actually increased the amounts placed at the disposal of the developing countries. Nothing is less certain. New institutions do not create new means, they just help channelling the available funds in different directions. In the last analysis, the amount of aid available from the industrialized world rests (1) on the budget appropriations that these countries are willing to contribute directly or through the channels of international organizations, (2) on the amounts which these organizations can borrow in the markets, and (3) in the amounts which private investment feels confident enough to

contribute on its own. In spite of that, the impression prevails that there is a certain amount of competition among countries, among international organizations and as between bilateral and multilateral aid. This impression is unfortunate but is the inevitable result of several years of experience.

The industrialized countries do not hide the fact that their export credit guarantee system is intended to foster their commercial interests and, while they have made many attempts to adjust the terms of their credits among themselves so that price rather than credit competition should become the primary factor, the fact remains that from the importers' standpoint there is a choice among suppliers: they are naturally induced to give a contract to those who offer the better credit terms.

But as soon as one deals with development aid in the strict sense of the word, the creditors, or rather the donor countries, find that, here also, some order is necessary. Their choice is often suspected to be guided by considerations which are not entirely economic. They may be tempted to finance investments which are not a first priority because they are considered

popular in the recipient country. They may wish to contribute aid for reasons of prestige, or simply traditional friendship, in order to oblige. They may also be suspected to contribute aid for the purpose of exporting their own equipment or providing markets for their contractors. Most of these criticisms may be unfair. But it should be recognized that when the governments of industrialized countries go to their parliament to obtain additional appropriations for foreign aid, they are driven into giving arguments which seem to confirm precisely these criticisms. Moreover, the underdeveloped world is comprised of a great number of countries. Few among the industrialized nations can claim thorough knowledge of all of them; long standing relations are necessary to establish not only the climate of confidence but the basis for long-term judgments of the real needs of the developing country. It is not surprising, therefore, that some of the industrialized countries should feel hesitant when they make decisions on the type of assistance which they shall grant.

International organizations have, in this respect, a distinct advantage. Their political relation-

ship with their own member countries is that of a cooperative organization with its members. Everybody knows that their purpose is to serve the interests of the underdeveloped countries and none other. They cannot be suspected of favoring one supplying country against another, since they always insist that purchases should be made at the cheapest sources. In addition, in the choice of projects, their objectivity cannot be suspected. They have to pass judgment not on which project is the easiest to carry out, or the most likely to be popular, but on which project is the most really useful for the country. Finally, they can take it upon themselves to give advice on development policies and on certain aspects of the economic and financial management of their member countries without being accused of political interference.

IV

This does not solve the problem from the point of view of the developing country. No international organization either claims or holds a monopoly in the field of development assistance. The amounts of financial aid available through international organiza-

tions are not sufficient to cover all their needs. Most of them will, therefore, have recourse not only to multilateral assistance but also to direct bilateral aid. For some of them who have traditional ties with their former metropolitan territories, the first call will be on the latter, but even that may not be enough. In any case, a combination of multilateral and bilateral aid may be said to be almost the rule.

Confronted with the array of choices which I have listed at the outset, the government seeking financial assistance would have to make a thorough investigation in the functions, operations and limitations of each of the possible sources. This is, however, not the most difficult task. Information is usually easily available. Much more important, the responsibility for choosing the investment to be undertaken, for establishing a proper list of priorities and for selecting the supplier rests squarely with the developing country itself. Otherwise, if no such decisions have been made, if the government has not made up its mind as to what it will undertake right away, and what it will postpone, as to how much debt it can assume now, as to what sectors it proposes to develop, and what increases in production it

expects to foster thereby, it runs the risk of accepting not what is the most useful, but merely what is the most easily available. It runs the risk of duplication, of building a road next to an existing railway, or having two harbors or two electric plants where one would be enough, while the available local resources and foreign credits could have been put to better use. As one distinguished African statesman told me, "haste makes waste", but he added immediately "a stitch in time saves nine"...

Technical assistance is available on international and bilateral basis to assist governments for this programming of operations. It is in some ways as important as financing itself. Once the decisions are made, once the potential creditors or donors are convinced that the program is sensible and likely to be successful, once the former gap in foreign exchange needs has been determined, then foreign assistance is easier to come by and to organize.

V

But even so, coordination among sources of financial aid is indispensable. A word on this

subject may perhaps be said in closing. There is no doubt that information about the needs and prospects of the underdeveloped countries is not so abundant or familiar to everyone that it can be considered readily available. In this respect, exchange of information has been growing among international institutions and as between these institutions and the capital exporting countries. But information is not enough: judgments are even more necessary. Judgment as to the adequacy of the policies followed by the underdeveloped countries, judgment as to their debt carrying capacity, judgment as to their capital absorptive capacity, etc. He would be a very wise man who could decide on all these matters all by himself. Information, therefore, should be supplemented by confrontations of judgments. These also can be carried out in an informal manner between governments, and here I want to include both the governments of underdeveloped countries and the governments or institutions which may provide the assistance.

Sometimes, these exchanges of information have been made somewhat more formal. At the request of one or two countries, the International Bank has organized what is known as a "consultative group", where

the Bank and IDA on the one hand, the potential contributing governments on the other, exchange views on the foreign assistance needs of the countries involved. The same is true of the so-called DAC. As is well known, the former OEEC - now OECD - has a special committee called "Development Assistance Committee" (DAC). Its purpose is precisely to allow for these exchanges of information among the industrialized countries, including Japan which is a full member of that Committee. Its purpose is somewhat similar to that originally ascribed to the Colombo Plan.

There are a few cases, however, where an even more formal and actually more exacting organisation has been set up. In the case of India, Pakistan, and for the purpose of carrying out the Indus Valley Plan, so-called "Consortia" have been established, where the plans of the individual countries or the area plans are being examined, where the gap of foreign financing implied by these plans is measured and where the amounts of assistance expected to be contributed by each of the participating countries are actually announced. The consortia, therefore, in a sense have a perhaps more operating meaning than a consultative group, which has

a more informative character.

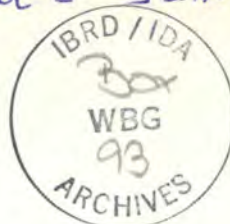
Anybody who has been associated with economic development is convinced that coordination of aid is indispensable. Waste of efforts and resources in the underdeveloped countries is not tolerable but the same is true of any waste of the scarce funds available for development in the form of foreign assistance. One can go even further, any appearance of waste would tend to reduce the parliamentary appropriations for aid purposes. In addition, it would be a great pity if well intentioned assistance worked at cross-purpose and if thereby the underdeveloped countries did not have the full benefit of the sacrifices which they make, and of the sacrifices which are made on their behalf by the creditor or donor countries.

I have spoken earlier of the "solidarity" or, if you prefer, "interdependence" which links together more advanced and less advanced nations. It is no less true that countries in the process of development are equally solidary. It is their common interest to benefit by the experience of others, to trade with one another and to make sure that development aid in the world as a

whole be as well distributed as possible. As a French
philosopher has said "All that rise shall meet".⁽¹⁾

(1) Teilhard de Chardin: "Tout ce qui monte converge".

*Paper - SEANZA meeting, Tokyo
June 1-6*



Leonard Rist

June 1962

THE INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
AND ITS AFFILIATES

The International Bank for Reconstruction and Development, popularly known as the World Bank, started operations in 1946. Its two affiliates, the International Finance Corporation (IFC) and the International Development Association (IDA), started operations in 1956 and 1961, respectively. Each of them was created by international charter (Articles of Agreement among its member countries). Each is associated with the United Nations, having the status of a Specialized Agency. Each member country nominates a Governor to each institution's Board of Governors, which meets once a year and has delegated most of its powers to the Board of Directors. In turn the Executive Directors are appointed or elected by the member countries. The voting power is based on the amount of subscriptions. The institutions are managed and staffed by persons from over 50 different countries.

The affiliation between the three institutions is best exemplified by the fact that membership in IFC or IDA is reserved to IBRD member countries, that the same persons serve as Governors and Executive Directors for all three, that the same staff serves both the World Bank and IDA, and that part of the staff of IFC is common to the three organizations. On the other hand their purposes and operations are different, and they are each endowed with their own independent financial resources and capital structure. It is best, therefore, to deal with each of them in turn.

I. The World Bank

A. Financial Resources. The World Bank is the biggest and the oldest of the three institutions. It was founded, together with the International Monetary Fund, at the United Nations Monetary and Financial Conference held at Bretton Woods, U.S.A., in July 1944. At that time it was clear that two of the dominating problems of the postwar era would be first to find the means to provide for the stability of currencies and to facilitate current payments and transfers between nations, and second to provide investment capital both for the reconstruction of economies disrupted by the war and for the economic development of underdeveloped areas. It was the task of the International Monetary Fund to deal with the first set of problems, and of the World Bank to deal with the second.

The amount of long-term capital which would be needed for reconstruction and development could not, of course, be determined, but it was clearly going to be quite large. In addition, development was a continuing task, and it was necessary to see to it that the institution which would take part in it should have a stable and permanent character. Recourse to private investors, the traditional source of international finance, did not seem to be practicable. The market for foreign bonds in the main financial centers of the world had not recovered from the great depression of the 1930's, when so many of these bonds had run into difficulties, and a further deterioration of international credit had been brought about by World War II. As a matter of fact, of all foreign countries, the only one which could

borrow in the private market in the United States right after the war was Canada. On the other hand, the founders of the Bank did not want to rely entirely on government-to-government financing. They therefore conceived of an institution which would avail itself of the credit of its member countries to mobilize the savings of the investors. In other words, the purpose of the World Bank was to issue bonds in the private market or markets on the basis of the credit of its members which, for a few years, meant really the credit of the United States and Canada. This was 16 years ago. There is no doubt that today the credit rating of many more members of the World Bank is an important consideration in its ability to mobilize private savings.

This explains the peculiar capital structure of the Bank which, as of March 31, 1962, had a total subscribed capital of roughly \$20.5 billion, of which only \$2.05 billion was subscribed in cash, while \$18.5 billion represented what one could call the "guarantee capital" of the organization. This guarantee capital is available to the Bank to cover its own obligations. As a matter of fact, this guarantee feature is so important that when in 1959 the capital was doubled (to reach the present amount), this increase affected only the guarantee capital and did not imply additional cash subscriptions.

A cash subscription of two billion dollars is substantial, however. It has been paid in as follows: 1% of each capital subscription was contributed by the member countries in convertible currencies, and 9% in their own local currencies.^{1/} The Articles of Agreement

^{1/} According to the Articles of Agreement, the figures are 2% and 18%, respectively. The percentages given in the text above result from the 100% increase in capital which took place in 1959 and affected only the "guarantee capital".

provide that the local currency part of the cash subscription can only be utilized by the Bank with the consent of the member country itself. The U.S.A. granted permission to use the full amount at the very beginning of the Bank's operations. The other countries, still preoccupied by their own balance of payments problems, delayed the release of their local currency subscriptions by several years. Today, some four-fifths of all such subscriptions have actually been released. Among the countries represented at this conference, Japan and Malaya have released all of it, Australia 75%, Ghana about 70%, Thailand about 42%, the Philippines and Burma 30%.

Aside from its own cash capital the Bank has at its disposal the proceeds of its bond issues. As explained earlier, the guarantee capital stands behind the Bank's obligations. In other words all member countries can be called upon, within the limits of 90% of their total capital subscription, to provide money to satisfy the claims of the creditors of the Bank, i.e., its bondholders. It is largely on that basis that the first bond issues were placed on the private market. Progressively the policies of the Bank have contributed to increasing the confidence of the market in the Bank's own credit, and bond issues became easier as recourse to the guarantee of the members became less and less likely. No default has yet been experienced on loans made by the Bank, and its reserves have reached respectable figures.

The first bond issues date back to 1947. Since then the gross amount issued has risen to \$3.9 billion, and as of March 31, 1962 the net outstanding amount, after repayments and refundings, was \$2.5 billion. The currencies of issue are as follows:

| | |
|--|-----------------------|
| U.S. dollars | \$1,903 billion |
| Belgian francs | 10 " |
| Canadian dollars | 35 " |
| German marks | 275 " |
| Italian lire | 24 " |
| Netherlands guilders | 32 " |
| Pounds sterling | 51 " |
| Swiss francs | 198 " |
| Total dollars, or dollar equivalent | <hr/> \$2,528 billion |

This table shows the financial markets in which bond issues have been sold. It does not, however, give a picture of the actual international distribution of the bonds. It is estimated that over 40% of the dollar bonds are in fact held outside the U.S.A.

The third source of funds of the Bank is its own reserves. They amounted, as of March 31, 1962, to \$676 million, of which \$460 million could be reinvested in lending operations.

A fourth source of funds is the repayments accruing to the Bank on outstanding loans. They are now running at the rate of well over \$100 million a year.

Finally, the Bank has still another way of securing additional financial means, namely the sale out of its portfolio of obligations of its borrowers. This will be discussed in some detail below.

B. Operations. The first few loans of the Bank were devoted to European reconstruction, and amounted to nearly half a million dollars. France, Holland, Denmark and Luxembourg were the beneficiaries. All these loans were signed at the beginning of 1947, but it soon became evident that the magnitude of the task of reconstruction was far beyond the means at the disposal of the Bank. Interim Aid and the Marshall Plan

then took over, which allowed the World Bank to concentrate entirely on economic development.

The total amount committed by the Bank up to March 31, 1962, in 311 loans to 44 different countries, was \$6.5 billion, of which \$4.7 billion had actually been disbursed. The rate at which these commitments have been made was around \$600-750 million a year during the last five years. It is expected to reach around \$1,000 million in 1961-62.

All these loans were for the purpose of investment, and were mostly directed towards the infrastructure (power, transportation, etc.) industry and agriculture. The terms on which Bank loans are made vary accordingly to the type of project to be financed, and range in general between 15 and 25 years. As to the interest rate, it is based on the cost of the money to the Bank (now $4\frac{1}{2}\%$), to which a so-called "statutory commission" is added (1%), plus a fee to cover the operating expenses of the Bank ($\frac{1}{4}\%$). As a result, recent loans have been made at the rate of $5\text{-}3\frac{1}{4}\%$.

The criteria applicable to the lending operations of the Bank are in part spelled out in the Articles of Agreement. The others derive directly from the Articles. The Bank can only lend to a government, or with the government's guarantee. It must lend for productive purposes, and normally finances only the foreign exchange requirement of a specific project. The merits of all projects financed must be carefully studied, and arrangements must be made to insure that the most useful and urgent projects receive priority, and that the

proceeds of each loan are used only for the purposes for which the loan is granted. As regards the borrowing country, the Bank must be satisfied that, in the prevailing market, it would be unable otherwise to obtain the loan under reasonable conditions. In other words, the Bank does not compete with private capital. On the other hand, due regard must be paid to the prospect that the loan will be repaid.

This means that in the first place a judgment must be made of the creditworthiness of the country concerned, i.e., of its ability to service foreign debt without undue strain. This entails appraising the country's economic and financial position and prospects, as well as its policies, including of course its external debt record. It is normal practice for the World Bank to inform loan applicants who are in default on publicly-held external obligations that it is unable to assist until they have taken steps towards a fair settlement. After these broad economic issues have been satisfactorily settled, it becomes necessary to assess priorities in the different sectors of the economy, and within those sectors to select a project which appears, after thorough examination, to be sound from economic, technical and organizational viewpoints.

It is not the purpose here to go into the details of each of these aspects of project appraisal. Suffice it to list them as background. There are one or two aspects, however, which deserve some more detailed comment. The first relates to procurement. The Bank requires the goods purchased with its loans to be subject to broad international competition. At the beginning, of course, U.S. goods and equipment

being more easily obtainable than others, U.S. dollars were used for most of the earlier disbursements. But other currencies are being increasingly used. At present well over 50% of the disbursements are in non-dollar currencies.

The second point relates to the requirements in the Articles that the Bank should not compete with the private market. This provision means in fact that it is one of the Bank's purposes to facilitate the free access of its borrowers to the private market. It has therefore progressively limited its assistance to those countries which have been able to reestablish their credit satisfactorily in the private market. It may be worth mentioning, for instance, that countries like Australia and Japan have been able to issue their own bonds in the market, and that as a result the financial assistance of the World Bank has been progressively limited to the fraction of their justified borrowing needs which they could not satisfy on their own. Another more subtle way of achieving the same purpose was to encourage so-called combined operations, in which a World Bank loan was associated with borrowings in the market. Quite frequently, also, private financial organizations will take participations in Bank loans at the very time when those loan agreements are being signed by the Bank. Finally, the Bank has made it a practice to make available to private investors the bonds it holds in its own portfolio, and which represent the loans made by it. In all these cases, of course, the bonds are purchased by the investor without the World Bank guarantee. The great practical advantage of these mechanisms has been that the signatures of a number of

member countries of the Bank have now become familiar again in financial circles. In fact, sales out of the portfolio have an additional advantage -- they really amount to the same thing as if the Bank were borrowing new money, since they allow it to replenish its liquidities.

With time it became clear that some deserving projects were not eligible for financing by the Bank in view of its Articles of Agreement. Certain industrial companies were unable or unwilling to secure their government's guarantee for their borrowing abroad and, in spite of the fact that the project was worthwhile, the Bank could not consider it. It was in order to give some assistance to this type of project that the International Finance Corporation was set up. Another difficulty arose in the case of some countries which had attractive programs or projects, but were unable to undertake the burden of servicing additional indebtedness on World Bank terms. To overcome this difficulty, the International Development Association was organized.

II. The International Finance Corporation

Not all of the members of the World Bank belong to IFC, but it is necessary to belong to the World Bank to become a member of IFC.

The resources of the Corporation are at present limited to its own capital, which is a little less than \$100 million (\$96.5 million). Its purpose is to assist the industrial development of its less advanced member countries through investments in productive private enterprise. These investments are made, in association with private investors, only where sufficient capital is not available on reasonable terms. The

Corporation therefore cannot compete with private capital. The private investors just mentioned may be either nationals of the country where the enterprise is situated, or foreign investors, or both. The loans are in foreign exchange. They are made on the basis of the credit of the enterprise itself, without government guarantee.

During the first few years after its organization in 1956, IFC was limited to lending operations. It sought, however, a participation in the earnings of the enterprises by inserting in the agreements clauses which allowed it to benefit from increased earnings or by share purchase options which could then be sold. Since 1961, an amendment in its Charter allowed it to buy shares of stock, and it is expected that this particular type of investment will develop in the future. Quite recently it has purchased shares in two of the private development banks in South America, which it will presumably hold for a certain period. It is also considering participating in the distribution of securities, including shares of stock in countries where the financial market is not particularly active, and where the development of security distribution should be encouraged.

Until now IFC has committed about \$61 million in 47 different investments which include, in Asia, two in India, one in Iran, three in Pakistan, and one in Thailand. The effective amount actually disbursed is \$40 million.

Two considerations are foremost in the choice of projects made by IFC. First they must make a useful contribution to the private sector of the economy; second the project must be profitable, properly

engineered, managed and financed. In fact, except for the two development banks referred to, most IFC investment has been in industrial enterprises. The conditions under which the loans were granted have varied considerably from project to project.

It may be worth pointing out two specific features of IFC's policy. One of its purposes is to revolve its portfolio of investments by selling participations to private interests or private institutional investors, and it may be said that it has achieved a fair measure of success in this respect. The other major preoccupation of the Corporation is that its assistance should in fact promote international movements of capital and promote private investment. It has, on every occasion, tried to provoke greater participation by private interests than was originally anticipated, and has quite often been successful in this respect.

III. The International Development Association

As indicated earlier, the Bank Charter made it impossible for the institution to finance deserving projects in countries where the capacity to assume an increased debt servicing burden was open to question. During the decade of the '50s, an ever-greater number of countries found themselves in a position to borrow abroad, either from private or from official sources, or both. As a result, the amount of international indebtedness increased considerably at the very time when development prospects appeared fairly well assured. Furthermore, a certain number of countries, which were not able to borrow on conventional terms, seemed nevertheless to deserve financial assistance from

international sources. This is the origin of the International Development Association.

Roughly its purpose is to provide credits which, although repayable in foreign exchange, would be made on terms which would impose a much lighter burden on the debtor country than conventional loans. Fifty years' maturity, a period of grace of 10 years, no interest charge but a small commission on the outstanding amount -- these are the terms on which credits have been made up to now.

Obviously it was not possible to obtain in the market the resources necessary for this kind of operation. The funds had to be secured from official sources, and indeed a number of industrialized countries, among them Australia and Japan, agreed to participate in the capital subscription without expecting any credits from the institution. This group of member governments is known as "Part I Countries", and they are to pay their whole subscription in gold or freely convertible currencies. Their total subscriptions amount to nearly \$740 million, to be paid over a period of five years. As to "Part II Countries", their subscriptions are payable up to 10% only in gold or freely convertible currencies, the balance being payable in the national currency of the member. Here also the subscription is due only over a period of five years. The total amount subscribed by both Part I and Part II countries is equivalent to \$917 million (as of May 3, 1962). In other words, the amount available to IDA in gold and foreign exchange will, when all subscriptions have actually been paid in, be \$757 million on the basis of present membership. Here also it may be pointed out that

not all members of IBRD belong to IDA, but that it is necessary to belong to the World Bank to become a member of IDA.

The types of projects which IDA will be able to finance are on the whole the same as those of the World Bank, with two important qualifications. The first one has already been mentioned: the creditworthiness requirements are substantially different. In fact IDA credits can be granted to countries which would not be eligible for World Bank financing because the burden of servicing a conventional loan would be, by World Bank standards, excessive. This does not only mean that certain member countries which may not have access to World Bank resources have access to IDA credits. It also means that certain countries can obtain financial assistance from both institutions at the same time. The best known instances are, of course, India and Pakistan.

Another qualification is that IDA is also empowered to finance certain types of projects which are not currently financed by the Bank, i.e., projects which have been traditionally considered as having perhaps more of a social than a direct economic impact. Water distribution projects have already been accepted by IDA, and the organization is now considering providing assistance to investment in the field of education.

It is hardly an exaggeration to say that the Bank and IDA differ in one fundamental respect. Financial resources are fairly easily available to the World Bank, which can call on the bond market when the need arises; on the other hand not every country can actually safely borrow from the Bank on conventional terms. The reverse may be

true in the case of IDA, whose resources are limited by the amount of its members' subscriptions, although it is likely that the number of projects which could be submitted to it is practically unlimited. As a matter of fact, right from the beginning the originators of the new institution have been conscious of the fact that IDA would require additional funds within a short period of time. The subscriptions as defined by the Articles are carefully described as "initial subscriptions", and provision has been made for further increases in capital. The President of the Bank, in an address to the United Nations Economic and Social Council on April 5, 1962, pointed out that the Association had already committed \$202 million in 20 credits to 11 countries, and that from the amount of operations in the pipeline it was clear that IDA would have committed all of its initial capital well before the end of the five years during which these funds become available for disbursement. "The need for replenishment of IDA's resources and lending authority", he added, "will soon warrant earnest consideration". And it may be worth mentioning in this respect that the Swedish Government has recently requested from Parliament authority to contribute an additional amount to IDA, over and above its initial subscription.

IV. Technical Assistance and Other Services

The World Bank and its affiliates have extended responsibilities in the development field beyond the provision of money alone.

The World Bank has on several occasions been approached by member governments to assist in the settlement of important international issues, for example: the settlement of the compensation to be paid by

the United Arab Republic for the nationalization of the Suez Canal; the mediation between the City of Tokyo and the holders of the French tranche of its external bonds; the settlement of the Indus Water Treaty between India and Pakistan for the sharing of the Indus waters.

Another important service is that which is rendered to member governments in the way of technical assistance. This extends from full-scale economic surveys, which are designed to assist governments in formulating long-range development programs (Nigeria, Thailand) to regional investigations or advice on particular projects. The Bank has recently established a "development advisory service" which is designed to provide a range of top level services in the economic field. Furthermore, in particular for private industrial development banks, it may be expected that the specialist services of IFC will be in increasing demand. The Bank is also offering technical and financial assistance on an increasing scale in order to assist in the preparation of studies of development projects or programs which might eventually be financed with Bank or IDA assistance, and frequently these studies can be undertaken in cooperation with other specialized agencies of the U.N. In several instances the Bank has acted as executing agency for the Special Fund of the United Nations.

In 1956 the Bank established the Economic Development Institute in Washington with the financial support of the Ford and Rockefeller Foundations. This is a kind of staff college for senior officials of the less developed countries. The principal courses at the Institute, which last six months, provide a useful background and experience for

participants who will return to their own countries with a wider understanding of the World Bank group and its resources as well as of the problems with which they must deal. Additional shorter courses in languages other than English or on more specialized subjects or both are now being undertaken.

Conclusion

It will be seen from the foregoing summary description that the three institutions are really pursuing the same aim, namely the financing of development, and that the principal features of each of them are merely the reflection of the variegated problems which financing of development can raise. It is hoped that these three instruments now provide enough flexibility to allow "the Bank and its affiliates", considered as a unit, to play not only the role which was originally assigned to the Bank in 1944, but also to fulfill the additional functions which experience has shown to be desirable.

Banco Internacional de Reconstrucción
y Fomento

La Capacidad de los Países
para Atender a los Pagos
de Deudas Exteriores

Por
Leonard B. Rist



Julio de 1962

LA CAPACIDAD DE LOS PAISES PARA ATENDER A LOS PAGOS DE DEUDAS EXTERIORES

INTRODUCCION

El tema que voy a abordar hoy es uno nos ha preocupado en el Banco Mundial desde la fundación de éste, y si he dado a mi exposición un título que alude a las decisiones que debe adoptar el prestatario, es debido a que en el Banco estimamos, al juzgar la capacidad crediticia de un país, que nuestro punto de vista como prestamistas debe ser idéntico al del prestatario. Los intereses de este último están tan en juego como la seguridad de los créditos que nosotros podamos conceder.

Quiero señalar, desde un principio, que estamos refiriéndonos a préstamos de carácter corriente u ordinario y no a créditos como los que concede la Asociación Internacional de Fomento. Nos referimos a la capacidad de los países en vías de desarrollo para atender al pago de deudas exteriores sujetas a tipos de interés y otros recargos normales, y no a los créditos concedidos por la AIF con sus recargos excepcionalmente bajos.

No siempre se ha apreciado debidamente la razón por la que el Banco se ha preocupado de esta cuestión desde su fundación. Ustedes recordarán sin duda alguna que, en virtud de lo dispuesto en el Convenio Constitutivo del Banco, no podemos conceder préstamos si de dispone de otras fuentes de financiamiento; es decir, si el país que solicita el préstamo tiene libre acceso a los mercados financieros. Esto elimina, desde un principio, a los países cuyo crédito en los mercados internacionales se considera suficientemente bueno para que puedan financiar préstamos en forma de emisiones de bonos. En realidad, cuando el Banco se estableció inmediatamente después de la guerra, Canadá era el único país comprendido en esta categoría. La Gran Bretaña, Francia y Holanda tuvieron que recurrir a préstamos directos del gobierno de los Estados Unidos o a préstamos del Banco Mundial, a fin de poder atender a sus necesidades para la

reconstrucción y, como ustedes saben, el Plan Marshall proporcionó asistencia a todos los países europeos que sufrieron las consecuencias de la guerra.

Han pasado los años, y en la actualidad puede considerarse que la mayoría de los países industrializados de Europa pertenecen a la misma categoría que el Canadá; es decir, pueden obtener créditos, en escala razonable, en alguno de los mercados financieros.

He dicho "en escala razonable," ya que en casos de emergencia excepcional es probable que se necesite alguna clase especial de asistencia, en forma de transacciones intergubernamentales o bien por intermedio de organizaciones como la nuestra. Por consiguiente, ya tenemos una primera limitación: no podemos conceder préstamos a países cuyas necesidades pueden ser atendidas en el mercado financiero.

La segunda limitación consiste en que hemos de tener la seguridad de que hay probabilidades razonables de que los préstamos que concedemos serán reembolsados en la fecha de vencimiento. No he de ocultarles que ciertos países no han sido considerados como suficientemente fuertes en este aspecto para que pudiéramos darles acceso a los recursos del Banco. Por lo tanto, nos hemos visto limitados a actuar en lo que yo llamaría "la zona gris," es decir, en los países que, aun no teniendo acceso a los mercados financieros, podrían atender, a nuestro juicio, al pago de la deuda en que incurrieran. De todo ello deducirán inmediatamente que, en consecuencia, nos vemos forzados a adoptar decisiones independientes por nuestra propia cuenta, diferentes de las que, en circunstancias semejantes, se suelen tomar en el mercado financiero, pero que no obstante, hemos de adoptar con toda cautela.

Como ustedes saben, no hemos tenido motivo alguno, hasta ahora, para lamentar las decisiones que hemos adoptado, ya que no hemos experimentado ni un sólo incumplimiento de pago, y en mi exposición de hoy voy a describir el proceso por el que se llega a una decisión esta naturaleza. He de repetir una vez más que si no le interesa al Banco prestar fondos sin tener una seguridad razonable de que el prestatario puede atender al pago de su deuda, lo mismo ocurre con este último; es indudable que tiene interés en establecer su crédito, paso a paso si es necesario,

pero en forma tal que, con el transcurso del tiempo, se vea reforzado más bien que debilitado en ese aspecto. Se ha dicho que se requiere una generación para establecer un crédito, pero que éste puede quedar destruido en un minuto; esto se puede aplicar tanto a las naciones como a los individuos o empresas.

En consecuencia ¿qué factores hay que tomar en cuenta al tratar de determinar la capacidad de un país en vías de desarrollo para reembolsar un préstamo exterior? En primer lugar, el país en cuestión debe ser capaz de ahorrar suficientes fondos para atender al pago de la deuda. En segundo lugar, debe estar en condiciones de poder convertir dicha cantidad en divisas extranjeras. En el curso de mi exposición voy a concentrarme esencialmente en estos dos puntos, pero como conclusión deseo llamar la atención de ustedes sobre otros aspectos que son de un carácter no tan rigurosamente económico, pero que no hay que olvidar al examinar estos problemas.

En primer lugar, dentro del propio país prestatario se debe disponer de la cantidad necesaria para atender al pago de los intereses y la amortización de la deuda. En el caso de un proyecto industrial o minero, es probable que ésto no presente mayores dificultades. Cuando se ha decidido que conviene a una empresa obtener un préstamo con el fin de ampliar sus actividades, o de construir un ferrocarril para transportar los productos de una mina desde ésta al puerto de embarque, es evidente que los ingresos suplementarios que han de obtenerse de esas nuevas actividades servirán para atender a los pagos de la deuda.

En el caso de una empresa privada que obtiene un préstamo sin la garantía de su Gobierno, un error de cálculo en ese aspecto puede colocar en situación embarazosa a los acreedores y producir el fracaso de la empresa pero, aparte de las suspensiones de trabajo y del consiguiente desempleo a que ello daría lugar, no es probable que la economía en conjunto, o el Estado, sufrieran grandes inconvenientes. Si, por otra parte, el Estado ha garantizado el préstamo, un error de cálculo por parte de la empresa equivaldría a forzar al Gobierno a cumplir con sus obligaciones y, en consecuencia, le impondría una carga imprevista.

Mencionemos otro ejemplo: las empresas de servicios públicos—puertos, transporte, electricidad, comunicaciones—obtienen préstamos en el extranjero con el fin de ampliar o mejorar sus servicios. Cabe suponer que las tarifas impuestas a los usuarios serán suficientes para atender a los costos ordinarios de la organización, más el del financiamiento. Como ustedes sin duda saben, el Banco Mundial suele pedir que dichas tarifas sean suficientemente elevadas para que permitan la acumulación de ingresos adicionales con el fin de asegurar de que no habrá interrupción alguna en el proyectado programa de expansión general de los servicios públicos. También en este caso, si los ingresos directos del organismo no son suficientes para cubrir los intereses y la amortización del préstamo, el Estado tendrá que asumir esta obligación. Al fin y al cabo, tanto en el primer caso como en el segundo, si el Estado tiene alguna obligación directa respecto a préstamos obtenidos por empresas, o indirecta como

consecuencia del funcionamiento de éstas, es natural que se adopten antes todo género de precauciones para asegurar que la inversión resulte remunerativa.

En términos más generales, los Estados recurren a préstamos para una serie de otras clases de inversiones, tales como la construcción de carreteras, planteles de enseñanza (cuyos ingresos son virtualmente inexistentes), riegos, abastecimientos de agua (cuyos ingresos fluctúan considerablemente y requieren con frecuencia subvenciones). En este caso, se trata de los ingresos del Estado en conjunto. Los ingresos fiscales han de cubrir los pagos correspondientes a la deuda, y por consiguiente, dichos ingresos, incluidos los procedentes del proyecto, han de ser suficientes para atender a dichos pagos. Por lo tanto, es preciso que se produzca un incremento automático de los ingresos fiscales. En ese caso, el problema de ahorro se presenta en una nueva forma: ¿cuáles son las perspectivas de aumentar los ingresos fiscales? Así, pues, bien sea que los proyectos resulten remunerativos en principio o sean improductivos en sí mismos, si al tomar parte en ellos el Estado asume un riesgo, es preciso considerar la cuestión del progreso económico del país en general; es decir, la totalidad de las inversiones que proyecta efectuar y el probable aumento en su renta nacional. Por tanto, ni el prestatario ni el acreedor pueden pasar por alto las siguientes preguntas: ¿Cuál es el programa de inversiones del país? ¿Cuáles de sus inversiones serán directamente productivas? ¿Cuáles son, en consecuencia, las probabilidades de incrementar la renta nacional y, en segundo lugar, los ingresos fiscales?

Esta cuestión tiene suma importancia, toda vez que las facilidades crediticias no están limitadas, por lo general, a una sola fuente. Se suelen hacer ofrecimientos de ayuda financiera a un gobierno para una serie de obras cuyas posibilidades económicas y financieras no siempre se conocen con exactitud o tal vez ni siquiera existen (por ejemplo, en el caso de edificios públicos). En esas circunstancias, la política crediticia en su conjunto, en comparación con la política de inversiones considerada en conjunto, ha de ser el primer punto de investigación.

No todos los países tienen, para su consideración, un plan o programa perfectamente articulado; la realidad dista mucho de

ello. Pero todos se sienten obligados a actuar como si lo tuvieran, y por consiguiente se encuentran ante una serie de posibilidades entre las que no es fácil elegir. No deseo entrar en una discusión a fondo sobre la "planificación," pero permítaseme mencionar una de esas alternativas: inversiones que rinden beneficio inmediato, e inversiones que resultan productivas a largo plazo. Los economistas, al observar la evolución de países industrializados durante largos períodos, han llegado a la conclusión de que, en conjunto, una inversión de 3,5 produce un ingreso anual de 1 aproximadamente. Esto es lo que nosotros llamamos la razón capital/ingresos. No hay que olvidar que ésta es una fórmula que se puede aplicar a economías algo complejas y que, en economías relativamente simples, la razón capital/ingresos puede ser totalmente diferente. Hace algunos años, ciertos economistas bien intencionados, deseando sinceramente prestar ayuda a los países subdesarrollados, lanzaron la hipótesis de que, en los países menos desarrollados, dada la importancia de la infraestructura y de los servicios públicos, cuyos ingresos no son considerables, debía presumirse que la razón capital/ingresos sería aproximadamente de 4,5 : 1 más bien que 3,5 : 1. En realidad, de nuestras repetidas observaciones se deduce que no está justificada una generalización de esta clase; al contrario, han habido numerosos casos en que un país subdesarrollado, como consecuencia de una inversión de menos de 3 ha visto aumentar sus ingresos anuales en más de 1. Y en la esfera de la agricultura, que muchas veces es un sector muy importante en los países menos desarrollados, no es necesario que las inversiones sean particularmente elevadas para poder obtener un notable aumento en el rendimiento.

Pero si podemos dejar de lado esas generalizaciones como método para determinar una política general de inversiones, no podemos dejar de hacer comparaciones más precisas, y una de las tareas más difíciles es la de tener que elegir inevitablemente entre las inversiones con un beneficio rápido y aquéllas que resultan productivas al cabo de varios años.

Un importante proyecto de riego o una gran presa para la producción de energía eléctrica que permita el establecimiento de nuevas industrias, son empresas que no rendirán beneficios durante muchos años. Por otra parte, la instalación de una

factoría, la construcción de un ferrocarril entre una mina y un puerto, son empresas que resultan productivas casi inmediatamente. Como los recargos correspondientes al préstamo comienzan a regir bien sea a partir de la firma del mismo o gradualmente y en relación con los desembolsos efectuados (éste es el caso de los préstamos que concede el Banco) es probable que en el caso de inversiones cuyos beneficios comienzan a obtenerse a largo plazo, los pagos de la deuda empiecen antes de que se obtenga beneficio alguno de la inversión. En el otro ejemplo, cabe suponer que los intereses y la amortización del préstamo deberán comenzar a pagarse precisamente al mismo tiempo que se obtienen los primeros beneficios de la inversión. Pero esto no constituye justificación suficiente para concentrar los recursos exclusivamente en inversiones que rinden beneficios a corto plazo. Y en este aspecto se plantea una nueva cuestión: la de mantener un *equilibrio* entre las distintas clases de inversiones.

No creo que haya sido superfluo señalar esos distintos aspectos del mismo problema, ya que con frecuencia se pasan por alto. Estos son algunos de los problemas con los que los planificadores del desarrollo (como son ustedes o lo serán en el futuro) tendrán que enfrentarse inevitablemente, pero he de subrayar el hecho de que existe una relación directa entre el programa de inversiones que sigue un país y su capacidad para absorber el financiamiento exterior. El incremento probable en sus ingresos fiscales y la probable expansión de las empresas financiadas por el préstamo deben constituir la justificación de sus solicitudes de créditos en el extranjero o, en caso contrario—y no hay que olvidarlo—los pagos de la deuda deberán efectuarse con los ingresos procedentes de la producción; es decir, en realidad, vienen a mermar el consumo efectivo del país.

Así, pues, dentro del marco de los ahorros internos exclusivamente, cargarse excesivamente de deudas, u obtener préstamos por razones que desde el punto de vista económico no están justificadas, resulta inevitablemente en una carga excesiva sobre el consumo del país. Y esto nos conduce al segundo problema.

II

Habrán observado que me he referido solamente a préstamos destinados a financiar inversiones. Creo que la descripción que he hecho es suficiente para excluir la posibilidad de que se obtengan préstamos del extranjero destinados a financiar artículos de consumo. Es indudable que cabe imaginar algunos casos excepcionales en que un país—duramente afectado por el hambre, por ejemplo—estime necesario solicitar un crédito para aliviar sus dificultades temporales; pero en este caso el prestatario debe estar percatado de que en realidad se está comprometiendo a restringir el consumo futuro del país. Este es, además, el motivo por el que el Banco Internacional se ha negado siempre a prestar fondos para financiar la importación de artículos de consumo.

Pero sólo hemos examinado una parte del problema: cuando se trata de préstamos del exterior no basta con que los ingresos aumenten en cuantía suficiente para atender a los pagos correspondientes a la deuda, sino que también hay que tener la seguridad de que dichos pagos pueden ser transferidos al extranjero. Y en este aspecto tenemos que enfrentarnos con un problema de divisas y de balanza de pagos. Los ingresos en divisas destinados al pago de la deuda exterior, no pueden utilizarse para otra finalidad. Por consiguiente, si un país no desea ver reducidas sus importaciones, es preciso que consiga un aumento en sus ingresos de divisas cuando haya de comenzar a pagar los intereses y la amortización de la deuda.

Por lo tanto, la primera cuestión que se plantea es la siguiente: ¿Cuáles son las probabilidades de que aumenten los ingresos de divisas extranjeras? Volveremos a ocuparnos más adelante de este aspecto, pero hay una segunda cuestión, que es la siguiente: todos sabemos que la renta nacional y los ingresos fiscales varían en sentido ascendente o descendente, pero que estas últimas variaciones raramente son muy pronunciadas. Por el contrario, las fluctuaciones en los ingresos de divisas, o con mayor frecuencia en la balanza de pagos, pueden ser, proporcionalmente, mucho más serias. El segundo problema consiste, por tanto, en saber en qué elementos de flexibilidad cabe confiar por lo que se refiere a la balanza de pagos.

Volvamos a la primera cuestión, es decir, las posibilidades de incrementar los ingresos procedentes del exterior. La respuesta es sencilla: depende de las perspectivas del país para exportar sus productos, así como de sus perspectivas de ingresos de fuentes invisibles. En la mayoría de los países en vías de desarrollo es limitado el número de productos exportables. Ahora bien, esta es una generalización excesiva y todos sabemos que hay casos en que la producción es suficientemente variada para descartar cualquier idea de que los productos de la economía del país tengan sólo un acceso limitado a los mercados extranjeros. Pero hay numerosos países para los que la comercialización de cacao, azúcar, café, cacao, cereales, algodón o madera constituye una constante preocupación. Incluso si algunos productos industriales o artículos de artesanía ocupan un lugar relativamente importante en el cuadro de las exportaciones, con frecuencia dos o tres materias primas o productos alimenticios desempeñan un papel preponderante en aquéllas. Es muy natural que esos países se preocupen no sólo del desarrollo de la producción en sus propios territorios, sino también de los costos de ésta y, además, de las perspectivas que ofrece el mercado mundial.

Nada es más fácil que incurrir en errores al tratar de proyectar los resultados del pasado en la pantalla del futuro. Hablando desde el punto de vista estadístico, no tenemos casi nada que nos pueda servir de orientación, salvo la historia más o menos reciente, cuando se trata de la comercialización internacional de materias primas. En realidad, es preciso actuar con cautela y los prestatarios y acreedores deben proceder con mucho cuidado cuando traten de pronosticar a qué precio y en qué cantidad un país determinado podrá colocar sus productos principales de exportación en los mercados extranjeros, no sólo el próximo año, sino en los cinco o diez años siguientes, es decir, durante el período que dure la amortización del préstamo que se le conceda.

La respuesta es más fácil cuando se trata de productos con un mercado asegurado, como ocurre, por lo general con los de las minas.

Si con frecuencia uno tiende a sobreestimar las perspectivas de ingresos de divisas procedentes de la exportación de mercancías, por otra parte no es raro subestimar los ingresos de fuentes in-

visibles. Es indudable que los servicios bancarios y de seguros, que representan una importante proporción de las fuentes invisibles de ingresos de los países industrializados, no son con frecuencia importantes en los países menos desarrollados. Pero el turismo es una fuente indudable de ingresos respecto a la que nos manifestamos en ocasiones demasiado pesimistas. He dicho "a veces," porque no todos los países son igualmente accesibles a los turistas ni resultan tan atractivos. La competencia en este aspecto es sumamente intensa y las inversiones destinadas a mejorar los medios de transporte y las instalaciones hoteleras para esos "ociosos" que son los turistas no siempre parecen ser las más urgentes o las más necesarias. Pero si se tiene en cuenta que un país como México debe la mitad de sus recursos en divisas al turismo, cabe pensar que en diez o doce años muchos otros países podrán obtener considerables ingresos de esa fuente.

Pasemos ahora a examinar los elementos de flexibilidad que hay que tener en cuenta al estudiar la balanza de pagos. Muchas veces hay la tendencia a creer que las nuevas inversiones encaminadas a aumentar la producción de artículos que anteriormente se importaban, permitirán una reducción en las importaciones. Esto es cierto como principio, pero en la práctica hay algunas falacias contra las que es preciso prevenirse; el efecto que las nuevas empresas pueden tener en el volumen de las importaciones ha resultado ser ilusorio en ocasiones porque, además del equipo, es preciso importar las materias primas o productos semielaborados, o algunos componentes de los artículos producidos localmente. Si a esto se añaden los pagos de la deuda exterior contraída para el establecimiento de la nueva industria, con frecuencia se corre el riesgo de que el resultado sea desfavorable. El hecho de que la mano de obra en un país sea más barata que en otro, no significa forzosamente que sea más productiva. Recuerdo que cuando visité una fábrica de acero en Asia, me explicaron que aunque el salario de un trabajador era aproximadamente la cuarta parte de lo que se hubiera pagado a un obrero inglés, el número de trabajadores empleados era más de cuatro veces mayor que el que se hubiera utilizado en Inglaterra. . . . En este caso, por lo menos, la supuesta ventaja de una mano de obra barata era ilusoria.

Supongamos, no obstante, que sea posible reducir el valor

global de las importaciones mediante la producción en el propio país de ciertos artículos que anteriormente se adquirían en el extranjero. Pero hemos de recordar también que es más fácil imaginarlo en casos en que los procesos de producción son sencillos, tales como en la agricultura, la industria textil o la refinación de azúcar, y que es preciso actuar con cuidado para no tener que proteger a las nuevas industrias hasta el punto de que sus precios de venta sean tales que estimulen el contrabando.

Hay otro aspecto de la balanza de pagos al que muy raramente se hace referencia. La demanda de importaciones es un factor variable. Si en cualquier momento la renta nacional se ve afectada por una crisis (que bien puede ser una crisis de exportaciones en un país en vías de desarrollo), es probable que se reduzca la demanda de importaciones. En el caso de dificultades en la balanza de pagos, la mayoría de los Estados tratarán de reforzar su posición por medio de medidas administrativas encaminadas a restringir la importación de artículos de lujo y esto puede tener repercusiones en los gastos que efectúen en el extranjero incluso los consumidores más ricos. Pero hablando en términos generales, no siempre es cierto que la demanda de artículos de consumo sea la que resulte afectada en primer lugar, ni siquiera la demanda de importación de productos no elaborados para abastecer a las industrias locales; con frecuencia ha ocurrido que la demanda de bienes de producción, de maquinaria o de instalaciones para la expansión de las industrias de un país, ha sido directamente afectada por el deterioro de las perspectivas en el mercado local. Sería un error considerar las importaciones de maquinaria o plantas industriales como partida fija en la lista de importaciones de un país en vías de desarrollo. Al contrario, excepto cuando se trata de una economía completamente controlada, en que el Estado puede forzar a los consumidores a aguantar todos los efectos de la depresión económica es muy probable que el sector del desarrollo industrial tendría que sufrir temporalmente las consecuencias de la misma.

Por consiguiente, el primer elemento de flexibilidad es la posibilidad de sustituir las importaciones por productos locales. Esto puede ser solamente una operación a largo plazo y de

volumen relativamente limitado. El segundo elemento es el fenómeno que acabo de describir: en una situación de crisis se tiende a reducir ciertas clases de importaciones. Un tercer elemento, que no deja de tener importancia, es el de las reservas de divisas extranjeras.

La finalidad concreta de estas reservas es la de que un país pueda hacer frente a las fluctuaciones temporales en la balanza de pagos. El grado en que un país puede pedir ayuda del extranjero está en proporción directa con la importancia de dichas reservas.

III

Podemos suponer *a priori* que cada nación que trata de obtener préstamos en el extranjero tendrá en cuenta esos aspectos que acabo de examinar. Tratará de facilitar y acelerar las inversiones que parecen de mayor utilidad para el país, sin correr el riesgo de incumplir sus obligaciones exteriores o incluso de tener que afrontar una crisis en su balanza de pagos. Pero es indudable que hay uno o dos aspectos de esos problemas respecto a los cuales el acreedor será tal vez más exigente que el prestatario potencial. Apenas hay lugar a diferencia de opinión cuando se examinan los antecedentes de la producción y de la balanza de pagos: los hechos—suponiendo que se conozcan—hablan por sí mismos. Pero cuando se trata de hacer previsiones, es inevitable que se produzcan tales diferencias. ¿Qué cuestiones planteará entonces el posible acreedor? Merecen, tal vez que las examinemos brevemente.

La primera será la siguiente: ¿hasta que punto está dispuesto el país prestatario a cumplir con sus obligaciones, pase lo que pase? En segundo lugar, ¿que sacrificios ha hecho el país en el pasado para superar las dificultades de su balanza de pagos? ¿Estaría dispuesto a realizar sacrificios similares en el futuro? En tercer lugar: la política general financiera y económica del país, ¿permite evitar la posibilidad de una grave crisis o, por el contrario, puede acarrear graves peligros? En cuarto lugar: ¿hasta qué punto podrá resistir el país prestatario la tentación de incurrir en deudas excesivas?

En el primer punto, en cuanto se refiere a las obligaciones exteriores, la historia puede servir de guía. En muchísimos casos la forma en que se han pagado antiguos préstamos o, en el caso de catástrofe, en la que se han liquidado los pagos en mora, son dos ejemplos que puedan considerarse que constituyen precedentes. Como ustedes tal vez sepan, el Banco se ha negado, en ciertos casos concretos, a prestar fondos a países que se encontraban en mora hasta que lograron llegar a un arreglo satisfactorio con sus antiguos acreedores.

La segunda y tercera preguntas están relacionadas entre sí. La capacidad para realizar sacrificios a fin de hacer frente a una crisis en la balanza de pagos o la política financiera general y su influencia en la estabilidad económica del país, son dos aspectos del mismo problema. No es raro que en tiempos de crisis—por ejemplo una crisis en las exportaciones—la reacción del Gobierno consista en tratar de mantener las actividades normales por medio de la inflación. Desgraciadamente tampoco es raro, incluso en un período de prosperidad, que el Gobierno tolere y estimule una economía inflacionaria. Es evidentemente cierto que nada estimula más la demanda de importaciones que una política de esta naturaleza. Pero inevitablemente tiene como consecuencia, si se mantiene durante un período demasiado largo, de reducir las reservas monetarias a cero y de dar lugar a una verdadera insolvencia exterior así como promover corrientes sociales que son muy peligrosas ya que a menudo están justificadas. Mencionemos, de pasada, que una política de inversiones mal dirigida, que produzca un derroche de recursos, evidentemente escasos en un país subdesarrollado, puede tener casi el mismo efecto. Si las autoridades encargadas de la planificación pueden ser acusadas a menudo de actuar con demasiada lentitud, la precipitación excesiva resulta a veces tan perjudicial.

He hecho mención anteriormente a la política financiera: supone una política tributaria racional, una política de presupuestos equilibrados, el estímulo del ahorro y una política de inversiones que no acarree demasiadas cargas para el consumidor o estimule el consumo excesivo.

Es bien natural, y hay que decirlo con franqueza, que un país que trata de obtener préstamos en el extranjero se considere a sí mismo en esta materia, de una manera más favorable y más in-

dulgente que la haría cualquier posible acreedor. Y si ustedes me permiten insistir de nuevo sobre lo que dije al iniciar mi exposición, en relación a estas cuestiones, el Banco Mundial, por su parte, se ha mostrado más favorablemente dispuesto hacia los países prestatarios que los mercados financieros. El Banco ha afrontado riesgos que los mercados financieros se han negado a asumir. Dictaminar sobre la política financiera y económica, pasada y futura, de un país es indudablemente un acto de suma gravedad y una de las cuestiones más delicadas que debe considerar el acreedor.

Y ahora la última cuestión: ¿podrá el Estado deudor resistir la tentación de incurrir en deudas excesivas? Caer en ello supone asumir la obligación de tener que atender a los pagos de una cantidad excesiva de deuda exterior; supone verse forzado a restringir el consumo—el consumo interno y las importaciones—con el fin de cumplir penosamente con las obligaciones contraídas; y a veces puede suponer que ha habido una mala inversión de los recursos de que se dispone. Sin embargo, las fuentes crediticias son muchas. Algunas de ellas, como las de ayuda bilateral de los Gobiernos, o la asistencia del Banco Mundial, tienen como motivo fundamental el deseo de ayudar a los países insuficientemente desarrollados a que incrementen sus inversiones. Incluso cuando, como en el caso de la ayuda bilateral, los fondos puestos a disposición del prestatario están sujetos a la obligación de efectuar compras en el país prestamista—lo que puede suponer a veces pagar más por las importaciones necesarias—es evidente que, en términos generales, esta clase de ayuda resulta atrayente.

Pero es improbable que el Banco Mundial o los Estados que ofrecen aportaciones en forma de préstamos deseen forzar a sus prestatarios a que incurran en deudas excesivas.

¿Rigen las mismas reglas por lo que respecta a todas las fuentes de financiamiento? Probablemente no. El financiamiento ofrecido por los propios contratistas es, por lo general, a plazo más corto y en consecuencia los pagos a atender en concepto de intereses y amortización del préstamo, son más elevados. Los exportadores o empresarios que ofrecen créditos, tienen, como objetivo inmediato, la venta de sus productos. No están a menudo en situación de poder juzgar la capacidad de su deudor

para pagar sus deudas; es en esta clase de transacciones en las que el prestatario ha de actuar con mayor sentido de discriminación.

Todo esto nos recuerda inmediatamente un punto: los países subdesarrollados son, evidentemente, importadores de capital. Podemos suponer, entonces, que se les ofrecerán nuevos préstamos para financiar inversiones a medida que reembolsan sus préstamos anteriores, de tal suerte que sus transferencias de capitales netos, salientes y entrantes, arrojarán una cifra positiva. Desgraciadamente no se puede dar esa seguridad. Es natural que un país subdesarrollado vea con desaliento la posibilidad de convertirse en exportador de capitales, es decir, de tener que reembolsar más de lo que recibe en préstamos. Pero todo esto es una cuestión de grado, y en las economías de carácter no muy complejo, en las economías en que las inversiones son grandes en un año y pequeñas en el siguiente, en los países en que la corriente de importaciones es relativamente irregular, es casi imposible esperar que las ofertas de préstamos permanezcan a un nivel estable.

El verdadero riesgo que corren los prestatarios es una interrupción en la corriente de importación de capitales. Evidentemente cabe concebir con facilidad una salida extraordinaria, por motivos políticos o económicos, de capital privado del país prestatario, y tal vez no sea posible compensar esa pérdida mediante préstamos obtenidos en el extranjero. Pero no es exactamente a ese peligro concreto al que me refiero en este momento. Pienso más bien en el error que se cometería al suponer que, porque un país ha podido obtener préstamos este año, pueda continuar haciéndolo durante el tiempo y en la medida en que tenga necesidad de efectuar reembolsos. Esta es, en conjunto, una hipótesis justificable, pero no responde a la realidad existente de un año a otro. Así, pues, volvemos automáticamente al problema planteado antes: el de los elementos de flexibilidad en la balanza de pagos y en las reservas de divisas extranjeras.

¿Existe una fórmula para poder determinar qué constituyen deudas excesivas? En realidad no existe ninguna. Todo depende de la estructura tanto de la economía como de la balanza de pagos del país de que se trate. Hemos convenido—contra nuestra voluntad porque somos opuestos a fórmulas—que cuando

del 6 al 7% o más de los ingresos exteriores es absorbido por las obligaciones financieras en el extranjero, está justificado proceder a un estudio especial. No quiero decir que el 7% sea el máximo absoluto; afirmo sencillamente que es preciso proceder a un estudio especial para justificar que se exceda ese porcentaje relativamente modesto.

Permítanme unas consideraciones como conclusión. Me he referido a préstamos ordinarios por períodos llamados normales, entre 15 y 25 años y a tipos de interés considerados también normales, es decir, en la actualidad, de más del 5%. Me permito recordar a ustedes que la Asociación Internacional de Fomento se creó precisamente con vistas a evitar que los países incurrieran en deudas excesivas. La AIF es la solución, en la medida que permiten sus recursos, al problema planteado por los países que tienen programas de desarrollo bien concebidos y proyectos tentadores, pero que no están en situación de poder solicitar préstamos ordinarios para financiarlos, por temor a asumir una carga excesiva y encontrarse un día en dificultades inextricables o verse forzados a efectuar arreglos poco satisfactorios para liquidar sus deudas anteriores.

En resumen, señores, el panorama que he presentado es bastante complicado, pero las cuestiones que he abordado no son precisamente sencillas. No hay que olvidar nunca que los factores varían no sólo de un país a otro, sino también de una fase a otra y hasta de un año a otro. El criterio que tenemos hoy sobre la capacidad crediticia de un país como la India no es el mismo que teníamos hace diez años. El criterio que tenemos hoy sobre México es distinto del que teníamos en 1948. En ambos casos se han realizado inmensos progresos; también en ambos casos han surgido nuevos problemas. La política crediticia de un país subdesarrollado no se puede fijar de una manera definitiva. Ha de ser flexible, ha de adaptarse a las circunstancias cambiantes pero, lo que es más importante, ha de ser siempre prudente.

1962

Session spéciale
en langue française

Sessions spéciales
Session 5

Sessions Spéciales

Session 5: Lundi 9 juillet à 16:00

Sujet: La capacité d'emprunt à l'extérieur des pays
en voie de développement.

Conférencier: M. Léonard Rist, Représentant Spécial pour
l'Afrique de la Banque Internationale.

Texte de présentation joint.



9 juillet 1962

SESSION DE LANGUE FRANCAISE
DE L'E.D.I.

LA CAPACITE D'EMPRUNT A L'EXTERIEUR DES PAYS
EN VOIE DE DEVELOPPEMENT

INTRODUCTION

Le sujet que je voudrais aborder avec vous est de ceux qui nous ont préoccupé à la Banque Internationale depuis l'origine, et si je lui ai donné un titre qui fait allusion aux décisions à prendre par le pays emprunteur, c'est que nous estimons à la Banque lorsque nous jugeons la capacité d'emprunt d'un pays que notre point de vue, en tant que prêteur, doit être identique à celui de l'emprunteur. C'est son intérêt qui est en cause autant que la sécurité des crédits que nous pouvons consentir.

Je voudrais vous rappeler au départ que nous parlons aujourd'hui de prêts de caractère classique ou conventionnel et non pas des crédits consentis par l'AID. Nous parlons de la capacité des pays en cours de développement de faire appel à des emprunts extérieurs comportant une charge normale et non pas les charges exceptionnellement allégées que comportent les crédits de l'AID.

La raison pour laquelle la Banque a eu à se préoccuper de cette question depuis l'origine n'a pas toujours été appréciée à sa juste valeur. Vous vous rappelez sans doute qu'aux termes de nos statuts nous ne pouvons pas prêter si d'autres sources de financement sont disponibles, et nous avons toujours admis que cela voulait dire: si le pays emprunteur avait libre accès aux marchés financiers. Ceci élimine d'emblée les pays dont le crédit est considéré comme suffisamment bon sur les grands marchés internationaux pour qu'ils puissent y placer des emprunts sous forme d'émissions d'obligations. A vrai dire, cela n'éliminait à l'origine de la Banque, tout de suite après la guerre, que le Canada. La Grande Bretagne, la France, la Hollande ont dû avoir recours à des prêts directs du gouvernement américain ou à des prêts de la Banque Internationale pour faire face à leurs besoins de reconstruction et vous savez que le Plan Marshall est venu aider tous les pays d'Europe qui avaient subi les effets de la guerre.

Les années ont passé et aujourd'hui la plupart des pays industriels d'Europe peuvent être considérés comme faisant partie de la même catégorie que le Canada, c'est-à-dire que pour des montants raisonnables ils peuvent avoir accès aux marchés financiers les uns des autres. Je dis "pour des

montants raisonnables", car si des besoins exceptionnels se manifestaient, il est vraisemblable qu'une aide extraordinaire, sous forme de transaction inter-gouvernementale, ou par l'intermédiaire d'organismes tels que le nôtre, deviendrait nécessaire. Ainsi, première élimination: nous ne pouvons pas prêter à des pays dont les besoins peuvent être couverts par le marché financier.

Deuxième élimination: nous devons nous assurer que les prêts consentis par nous ont une chance raisonnable d'être remboursés à l'échéance. Je ne vous cacherai pas qu'un certain nombre de pays ont été considérés comme trop faibles pour pouvoir avoir accès à nos ressources. Nous étions donc limités à ce que j'appellerai "la zone grise", à savoir les pays qui n'avaient pas accès au marché financier mais dont nous pouvions estimer qu'ils pourraient faire face au service de la dette qu'ils encouraient. Il vous apparaîtra tout de suite que ceci nous obligeait à porter un jugement autonome, différent de celui que pouvait porter le marché financier, mais que, néanmoins, nous devons agir avec prudence.

Ainsi que vous le savez, nous n'avons pas eu jusqu'à présent à regretter les jugements que nous avons portés puisque nous n'avons eu à souffrir d'aucune défaillance, et ce que je voudrais retracer aujourd'hui c'est le raisonnement par lequel on arrive à un jugement de cet ordre. Laissez-moi seulement répéter encore une fois que s'il n'est pas de l'intérêt de la Banque de prêter sans avoir une assurance raisonnable que le débiteur fera face au service de son emprunt, il en va de même pour l'emprunteur: il a tout intérêt à établir son crédit, s'il le faut progressivement, mais d'une manière si solide qu'au cours des années celui-ci se renforce au lieu de s'affaiblir. On disait autrefois qu'il fallait une génération pour établir son crédit et qu'on pouvait le détruire en une minute: ceci est tout aussi vrai des nations que des individus ou des entreprises.

Quels sont donc les éléments dont nous devons tenir compte pour essayer de porter un jugement sur la capacité de remboursement d'un pays en cours de développement? Il faut d'abord que le pays en question puisse épargner un montant correspondant au service de sa dette. Il faut en second lieu qu'il puisse transférer en monnaie étrangère cette épargne. C'est sur ces deux points essentiellement que portera mon exposé et en conclusion je voudrais attirer votre attention sur un certain nombre d'éléments qui sont moins strictement économiques mais que l'on peut difficilement passer sous silence dans un tel domaine.

I

Il faut en premier lieu que la charge que représente le service de l'emprunt puisse être épargnée dans le pays. Quand il s'agit d'un projet industriel ou minier, ceci ne présente pas de difficultés particulières, en apparence tout au moins. Puisque l'entreprise a estimé qu'il était de son intérêt d'emprunter pour étendre ses opérations ou pour construire le chemin de fer qui mènera son produit de la mine au port d'embarquement, on peut admettre que le revenu supplémentaire qu'elle attend de ces opérations nouvelles sera précisément la source des sommes nécessaires au service de l'emprunt.

S'il s'agit d'une entreprise privée qui emprunte sans la garantie de son gouvernement, une erreur de calcul dans ce domaine peut causer des embarras aux créanciers et entraîner la faillite de l'entreprise, mais, en dehors du chômage que cela pourrait entraîner, on ne peut pas dire que l'économie dans son ensemble ou l'Etat en éprouverait des inconvénients considérables. Si, par contre, l'Etat est garant, une erreur de calcul de la part de l'entreprise équivaldrait à forcer le gouvernement à honorer ses engagements et, par conséquent, lui imposerait une charge imprévue.

Autre exemple: les services publics -- ports, transports, électricité, communications -- empruntent à l'étranger pour étendre ou améliorer leurs services. On peut s'attendre à ce que les tarifs appliqués aux usagers soient suffisants pour faire face aux frais courants de l'organisme en question plus les frais financiers. Ainsi que vous le savez sans doute, la Banque Internationale demande en général que ces tarifs permettent même d'accumuler quelques réserves afin qu'il n'y ait pas d'interruption dans les travaux d'expansion généralement à prévoir dans les services publics. Ici encore, si les revenus directs de l'organisme ne suffisent pas à couvrir les charges d'emprunt, c'est à l'Etat que cette charge sera transférée.

En définitive, dans le premier comme dans le second cas, dès lors que l'Etat est responsable soit directement des emprunts contractés par les entreprises, soit indirectement de leur fonctionnement, il est naturel que toutes les précautions soient prises à l'avance pour éviter que l'investissement ne soit pas rémunérateur.

D'une manière plus générale, les Etats ont recours à l'emprunt pour toute une série d'autres investissements, qu'il s'agisse de routes, d'établissements scolaires dont les revenus sont pratiquement nuls, irrigation, adduction d'eau, dont les revenus sont parfois aléatoires ou qui font parfois l'objet de subventions. Ici, c'est l'ensemble des revenus de l'Etat qui est mis en cause. Le service de l'emprunt devra être prélevé sur les recettes fiscales et il faut donc que ce service, ou une partie de celui-ci soit couvert par les recettes fiscales. Il faut

donc pouvoir compter sur leur augmentation automatique. Le problème de l'épargne se pose dès lors sous une forme nouvelle: quelles sont les perspectives d'accroissement des recettes fiscales? Ainsi, qu'il s'agisse de projets rémunérateurs en principe ou de projets non rémunérateurs en soi, dès lors que l'Etat risque d'être engagé, on ne peut éviter de poser sur un plan très général le problème même du progrès économique du pays, c'est-à-dire de l'ensemble des investissements qu'il entreprend, et de la croissance probable de son revenu national. Il n'est donc pas possible pour l'emprunteur éventuel, comme pour le créancier éventuel, d'éviter la question suivante: quel est le programme d'investissement du pays? Quels sont ceux de ses investissements qui seront directement rentables? Quelles sont, par conséquent, les chances d'accroissement du revenu national et, par deuxième conséquence, les chances d'amélioration des recettes fiscales?

Cette question est d'autant plus sérieuse que les possibilités d'emprunt ne sont généralement pas limitées à une seule source. Des offres de facilités financières sont faites au gouvernement pour toute une série de travaux dont la rentabilité économique et financière n'est pas toujours bien connue, ou même peut-être nulle lorsqu'il s'agit de bâtiments publics. Dès lors, c'est l'ensemble de la politique d'emprunt, comparée à l'ensemble de la politique d'investissement qui doit être le premier sujet d'enquête.

Tous les pays n'ont pas devant eux un plan ou un programme parfaitement articulé, loin de là. Mais ils sont tous obligés d'agir comme s'ils en avaient un et ils se trouvent alors devant toute une série de solutions entre lesquelles il n'est pas aisé de choisir. Je ne veux pas entrer dans une discussion approfondie de la planification mais laissez-moi mentionner seulement l'un de ces choix: les investissements immédiatement rentables et les investissements rentables à long terme. Les économistes, en observant l'évolution des pays industrialisés sur de longues périodes, ont conclu que, dans l'ensemble, un investissement de 3,5 avait donné environ un revenu annuel de 1. C'est ce que nous appelons le rapport capital/revenu. Il ne faut jamais oublier qu'il s'agit là d'une moyenne s'appliquant à des économies déjà complexes et que dans des économies relativement simples le rapport capital/revenu peut être complètement différent. Il y a quelques années, certains esprits, à vrai dire désireux de faciliter l'aide aux pays sous développés, ont émis l'hypothèse que dans les pays moins développés, étant donné l'importance de l'infrastructure et des services publics dont le revenu n'est pas considérable, il fallait admettre que le rapport capital/revenu serait de l'ordre de 4,5 à 1 au lieu de 3,5 à 1. En fait, il ressort de nos observations répétées qu'une généralisation de cet ordre n'est pas justifiée, bien au contraire. Nombreux sont les cas où un pays sous développé pour un investissement d'un ordre inférieur à 3 a vu son revenu annuel augmenter de l'unité. C'est qu'en effet, dans le domaine agricole, qui souvent est très important dans les pays moins développés, les investissements n'ont pas besoin d'être très lourds pour obtenir un accroissement sensible du rendement.

Mais si nous pouvons écarter ces généralisations pour déterminer la politique d'ensemble d'investissement, nous ne pouvons pas éviter de faire des comparaisons plus précises, et l'une des plus lourdes de conséquences est le choix inévitable entre les investissements qui rapporteront rapidement et les investissements dont le rendement se fera attendre plusieurs années.

Un projet important d'irrigation, ou un important barrage destiné à produire de l'électricité, laquelle permettra peut-être de créer de nouvelles industries: voilà des entreprises dont la nation ne recueillera les fruits qu'après plusieurs années. Par contre, l'installation immédiate d'une usine, la construction d'un lien ferroviaire entre la mine et le port, sont des entreprises dont le rendement est quasi immédiat. Comme les arrérages des emprunts commencent à courir soit au moment où ils sont contractés, soit au fur et à mesure des décaissements, (ce dernier cas est applicable à la Banque), il est vraisemblable que pour les investissements à rendement lent, le service financier commencera à courir avant que l'économie n'en ait les bénéfices. Dans le cas contraire, on peut imaginer que les arrérages commenceront à courir précisément quand les bénéfices commenceront à apparaître. Mais ce n'est pas une justification suffisante pour consacrer ses ressources exclusivement aux investissements dont le rendement sera rapidement perçu. Ceci pose une nouvelle question: celle de l'équilibre à maintenir entre les divers types d'investissements.

Je ne crois pas superflu de vous avoir signalé ces divers aspects d'un problème fréquemment ignoré. Ce sont des problèmes auxquels le planificateur que vous êtes ou que vous serez se consacre par définition, mais je tenais à souligner qu'il y a un rapport direct entre le programme d'investissement que suit un pays et sa capacité d'emprunt extérieur. La croissance probable de ses recettes fiscales et la croissance probable des entreprises financées par l'emprunt doivent être la justification des appels au crédit extérieur, sinon, ne l'oublions pas, c'est sur la production actuelle que le service de l'emprunt devra être prélevé, c'est-à-dire en réalité sur la consommation actuelle.

Sur le plan même de l'épargne, se surcharger de dettes ou emprunter pour des raisons non économiques a inévitablement pour résultat un écrasement de la consommation. Ceci nous amène au deuxième problème.

II

Vous remarquerez que je n'ai parlé que d'emprunts destinés à financer des investissements. La démonstration que je crois vous avoir donnée est suffisante, je pense, pour écarter la possibilité d'emprunts extérieurs destinés à financer la consommation. On peut, certes, imaginer des cas exceptionnels où un pays, touché par la famine, se voit contraint de faire appel au crédit pour pallier des difficultés passagères, mais il doit savoir que dans ce cas il s'engage en réalité à limiter sa consommation

de demain. C'est d'ailleurs la raison pour laquelle la Banque Internationale s'est toujours refusée à prêter pour l'importation de produits de consommation.

Mais nous n'avons parlé que de la moitié du problème: dès lors que nous envisageons des emprunts à l'extérieur, il ne suffit pas que nos revenus s'accroissent suffisamment pour en assurer le service: il faut encore que ce service puisse être transféré à l'étranger. Ici nous avons affaire à un problème de change et de balance des paiements. Toute recette de change affectée au service d'un emprunt extérieur devient indisponible à toute autre fin. Il faut donc, si nous ne désirons pas voir nos importations se réduire, que nous puissions compter sur une augmentation de nos recettes de change lorsque la charge du service de la dette commencera à se faire sentir.

Première question, par conséquent: quelles sont les chances de voir les recettes de change s'accroître? Nous y reviendrons dans un instant, mais il y a une deuxième question qui est la suivante. Nous savons tous que le revenu national et les recettes fiscales subissent des variations dans les deux sens mais qu'il est rare que les variations en baisse soient extrêmement fortes. Par contre, les fluctuations des recettes de change, ou plus généralement de la balance des paiements, peuvent être proportionnellement infiniment plus sérieuses. La deuxième question se posera donc de savoir sur quels éléments de souplesse on peut compter dans la balance des paiements.

Revenons à la première question, les chances d'augmentation des recettes extérieures. La réponse est simple: cela dépend des perspectives des produits d'exportation et des perspectives de recettes invisibles. Les produits d'exportation pour la plupart des pays en voie de développement sont en nombre limité. Ceci est une généralisation excessive et nous savons tous qu'il y a des cas où les produits sont suffisamment variés pour qu'on ne puisse pas parler de dépendance étroite de l'économie à l'égard du marché extérieur. Mais nombreux sont les pays pour qui le marché de l'arachide, du sucre, du café, du cacao, des céréales, du coton, du bois est une préoccupation constante. Même si des produits industriels ou les produits de l'artisanat jouent un rôle non négligeable dans le tableau des exportations, il y a fréquemment deux ou trois matières premières ou alimentaires qui y jouent un rôle prépondérant. Il est tout naturel alors que ces pays se préoccupent non seulement du développement de la production sur leur propre territoire mais du coût de production et en outre des perspectives du marché mondial.

Rien n'est plus aisé que de faire des erreurs en essayant de projeter sur l'avenir les résultats du passé. Statistiquement parlant, on ne possède guère d'autres éléments que l'histoire récente ou même parfois à long terme des grands marchés de matières premières. En fait, la prudence s'impose et emprunteurs comme créanciers se doivent de faire preuve de circonspection lorsqu'ils essaient de prévoir à quel prix et en quelle quantité un pays donné pourra disposer sur le marché extérieur de ses

principaux produits d'exportation, non seulement l'année prochaine, mais dans cinq ans ou dans dix ans, c'est-à-dire pendant la période durant laquelle l'amortissement de l'emprunt devra courir.

La question est plus aisément résolue lorsqu'il s'agit de produits dont le débouché est assuré, ce qui n'est pas rare lorsqu'il s'agit de produits miniers.

S'il est assez fréquent que l'on tende à exagérer les perspectives de recettes provenant des exportations marchandises, il n'est pas rare, en sens inverse, que l'on sous-estime les recettes probables sur le plan des invisibles. Certes, les services bancaires ou d'assurances qui représentent une portion importante des invisibles des pays industrialisés, sont rarement importantes dans les pays moins développés. Mais le tourisme est incontestablement une des recettes sur l'avenir desquelles on est parfois trop pessimiste. J'ai bien dit "parfois", car tous les pays ne sont pas également accessibles au touriste ou également attrayants pour celui-ci. La concurrence dans ce domaine est extrêmement forte et les investissements destinés à faciliter l'établissement de ces oisifs que sont les touristes, qu'il s'agisse de transport ou d'hôtellerie, ne paraissent pas toujours des plus urgents et à juste titre. Mais si l'on songe qu'un pays comme le Mexique doit au tourisme la moitié de ses ressources de change, on ne peut pas s'empêcher de penser que dans dix ou quinze ans d'ici bien d'autres pays du monde trouveront dans le tourisme un appui non négligeable.

Passons aux éléments de souplesse que peut comporter la balance des paiements. On a souvent tendance à croire que les investissements nouveaux destinés à produire des marchandises qui jusqu'alors étaient importées, permettront de réduire les importations. Il va de soi que ceci est, en principe, vrai mais, en pratique, il faut se garder d'un certain nombre d'illusions: l'économie d'importation que les entreprises nouvelles peuvent entraîner s'est révélée parfois illusoire parce que les matières premières ou les produits semi-finis, ou parfois les pièces détachées qui doivent entrer dans la marchandise produite localement, doivent, eux, faire l'objet d'importation. Si à cela on ajoute le service de la dette extérieure contractée pour établir la nouvelle entreprise, on risque souvent d'aboutir à un bilan mal équilibré. Il ne suffira pas que la main d'oeuvre soit meilleur marché chez moi pour qu'elle soit aussi productive que celle de mon voisin. Je me rappelle avoir visité en Asie une aciérie où on m'a expliqué que si le salaire de chacun des ouvriers était d'environ un quart de celui qu'il aurait été en Angleterre, le nombre de ces ouvriers était de plus de quatre fois celui qu'il aurait été en Angleterre ... L'avantage d'une main d'oeuvre bon marché, dans ce cas tout au moins, se révélait illusoire.

Admettons néanmoins qu'il soit possible de réduire la valeur globale des importations en produisant sur place un certain nombre de produits jusqu'alors achetés à l'étranger. Rappelons-nous que ceci est plus aisé à imaginer dans les domaines où le processus de la production est simple, par exemple agriculture et textiles ou raffinage du sucre, et prenons garde de ne pas nous forcer nous-mêmes à protéger des industries naissantes au point où leur prix de vente est tel que la contrebande est encouragée.

Il y a un autre aspect de la balance des paiements dont on parle trop rarement. La demande d'importation est un facteur variable. Si le revenu national est affecté par une crise qui peut être dans un pays en voie de développement une crise d'exportation, la demande d'importation baissera très vraisemblablement. En cas de difficultés de balance des paiements, la plupart des Etats s'efforceront par des mesures administratives de réduire les importations de luxe et ceci peut affecter les consommateurs les plus aisés. D'une manière générale, il n'est pas certain que ce soit la demande de produits de consommation qui baisse la première, ni même que ce soit la demande d'importation de matières premières destinées à alimenter les industries locales, mais il est fréquemment arrivé que la demande de biens d'investissement, de machines ou d'outillage destinés à l'expansion de l'industrie du pays soit, elle, affectée directement par la détérioration des perspectives du marché local. Ce serait une erreur de considérer les importations de machines ou d'outillage comme l'élément fixe dans le tableau d'importation d'un pays en voie de développement. A moins qu'il ne s'agisse d'une économie totalement dirigée, que l'Etat soit capable de faire subir au consommateur tous les effets de la récession, il est vraisemblable que c'est, au contraire, le développement industriel qui en subira temporairement les effets.

Le premier élément de flexibilité était donc la possibilité de substituer des produits locaux pour des produits importés. Ceci ne peut être qu'une opération à long terme et d'une portée relativement limitée. Le deuxième élément est le phénomène que je viens de décrire: en cas de crise, certaines catégories d'importations ont tendance à baisser. Un troisième élément, qui n'est pas sans importance, est celui des réserves de change.

Le but même des réserves de change est de permettre de faire face à des fluctuations temporaires de la balance des paiements. La mesure dans laquelle on pourra y faire appel est exactement proportionnelle à l'importance de ces réserves.

III

Nous pouvons admettre a priori que tout Etat qui cherche à emprunter à l'extérieur se posera lui-même les questions que je viens d'exposer. Ce qu'il cherchera avant tout c'est à faciliter et à hâter les investissements qui lui paraissent les plus utiles sans courir le risque d'une défaillance dans ses engagements extérieurs, même au cas où une crise devrait survenir dans sa balance des paiements. Mais il y a certainement un ou deux aspects des problèmes sur lesquels le créancier sera peut-être plus sévère que l'emprunteur éventuel. Sur l'histoire de la production et de la balance des paiements, il ne peut guère y avoir de discussion: les faits, à

supposer qu'ils soient accessibles, parlent d'eux-mêmes. Mais dès qu'il s'agit de prévoir l'avenir, il est inévitable que des divergences de jugement se fassent jour. Quelles sont alors les questions que pose le créancier éventuel? Elles méritent peut-être qu'on s'y arrête un instant.

La première sera: Dans quelle mesure le pays emprunteur est-il décidé à faire face à ses engagements coûte que coûte? Deuxièmement: Quels sacrifices le pays a-t-il fait dans le passé pour faire face à ses difficultés de balance des paiements? Serait-il disposé à en faire de semblables à l'avenir? Troisièmement: La politique générale financière et économique du pays est-elle de nature à écarter les chances d'une crise grave ou au contraire entraîne-t-elle des dangers sérieux? Quatrièmement: Dans quelle mesure l'état emprunteur saura-t-il résister aux tentations de surendettement?

Sur le premier point, respect des engagements extérieurs, l'histoire peut servir de guide. Dans bien des cas la manière dont les emprunts antérieurs ont été honorés ou, en cas de catastrophe, la manière dont les dettes sur lesquelles il y avait eu défaillance ont été effectivement réglées: voilà deux éléments que l'on peut considérer comme constituant des précédents. Je ne vous cacherai pas que la Banque a refusé dans quelques cas précis de prêter à des pays qui étaient en état de défaillance avant que ceux-ci ne soient parvenus à un arrangement avec leurs créanciers antérieurs.

La deuxième et la troisième question sont presque liées. La capacité de faire des sacrifices pour faire face à une crise de balance des paiements, ou la politique financière générale et son influence sur la stabilité économique du pays: ce sont deux aspects du même problème. Il n'est pas rare qu'au moment où une crise -- par exemple une crise d'exportation -- vient frapper un pays, la réaction de son gouvernement soit d'essayer de maintenir l'activité par l'inflation. Il n'est, hélas, pas rare non plus que même en période de prospérité une économie inflationniste soit admise et encouragée par un gouvernement. Il est bien certain que rien n'encourage plus la demande d'importation qu'une politique de cet ordre. Elle a pour effet inévitable, si elle est poursuivie trop longtemps, de réduire à néant les réserves monétaires et d'entraîner, outre des remous sociaux particulièrement dangereux parce que souvent justifiés, une véritable insolvabilité extérieure. Notons en passant qu'une politique d'investissement mal dirigée, entraînant un gaspillage de ressources par définition rares dans un pays sous développé, peut avoir pratiquement le même effet. Si la lenteur peut souvent être reprochée aux planificateurs, une hâte excessive est parfois tout aussi nuisible.

Politique financière, cela veut dire une politique d'impôts, cela veut dire une politique d'équilibre budgétaire, cela veut dire un encouragement à l'épargne, cela veut dire une politique d'investissement qui n'entraîne ni l'écrasement du consommateur ni l'encouragement d'une consommation excessive.

Il est tout naturel, et il faut le dire sans ambages, qu'un pays qui cherche à emprunter à l'extérieur porte en ces matières un jugement sur lui-même qui soit plus favorable et plus indulgent que celui que peut porter le créancier éventuel. Et si vous me permettez de revenir pour un instant aux quelques mots d'introduction par lesquels j'ai commencé, la Banque Internationale a dû en ces domaines prendre de son côté une position plus favorable aux pays emprunteurs que ne désiraient le faire les marchés financiers. Elle a pris des risques que ceux-ci refusaient. Porter un jugement sur la politique financière et économique passée et à venir d'un pays, c'est incontestablement un acte d'une grande gravité et il est certain que c'est un des éléments les plus délicats de la décision du créancier.

Dernière question: l'Etat débiteur saura-t-il résister à la tentation du surendettement? Se surendetter, c'est se mettre dans l'obligation de faire face au service d'un montant d'emprunts extérieurs excessif; c'est s'obliger à restreindre sa consommation de façon douloureuse pour faire face à ses engagements; c'est parfois avoir mal investi les ressources que l'on avait à sa disposition. Or les sources d'emprunt sont multiples; certaines, comme l'aide bilatérale provenant des gouvernements, ou l'aide de la Banque Internationale, ont pour moteur principal le désir d'aider le pays sous développé à investir plus. Même si dans l'aide bilatérale les fonds mis à la disposition de l'emprunteur sont assujettis à l'obligation d'achat dans le pays prêteur -- ce qui peut augmenter parfois le prix de revient des importations -- il est clair que, d'une manière générale, ce genre d'aide reste attrayant.

Mais qu'il s'agisse de la Banque Internationale ou qu'il s'agisse d'Etats qui apportent leur contribution sous forme de prêts, il est vraisemblable que les uns et les autres n'auront pas intérêt à pousser leur emprunteur au surendettement.

En va-t-il de même de toutes les sources de financement? Probablement pas. Le financement offert par les fournisseurs eux-mêmes est généralement à un terme plus court et représente, par conséquent, une charge d'emprunt plus lourde. Pour l'exportateur et l'entrepreneur qui offrent de livrer à crédit, l'objet immédiat est la vente de leurs produits. Ils ne sont souvent pas en mesure de porter un jugement sur la capacité d'endettement de leur débiteur: c'est là sans doute que le plus de discernement s'impose à l'emprunteur.

Une objection vient aussitôt à l'esprit: les pays sous développés sont, par définition, importateurs de capitaux. Ne faudrait-il pas admettre qu'au fur et à mesure qu'ils remboursent leurs emprunts passés, de nouveaux apports de fonds leur seront offerts pour entreprendre par exemple des investissements nouveaux, si bien que leur transfert de capitaux net, sortie et entrée, se traduira par un chiffre positif. Malheureusement, il est impossible d'obtenir des assurances dans ce sens. Il est naturel qu'un pays sous développé envisage avec effroi la possibilité de devenir exportateur de capitaux, c'est-à-dire de rembourser plus qu'il n'emprunte.

Mais tout ceci est une question de mesure et dans des économies qui sont peu complexes, dans des économies où les investissements sont une année très lourds, une autre année très faibles, dans des pays dont le courant d'importations est relativement irrégulier, une stabilité dans les offres de prêts est peu vraisemblable.

Le vrai risque que courent les emprunteurs est de voir le flot d'importation de capitaux s'interrompre. Certes, on peut imaginer aussi que pour des raisons politiques ou économiques les capitaux privés quittent le pays et que les emprunts extérieures ne suffisent pas à compenser cet appauvrissement. Mais ce n'est pas exactement à cela que je fais allusion actuellement. Je pense à l'erreur qui consisterait à croire que si l'on a pu emprunter cette année, on pourra emprunter autant au fur et à mesure que les remboursements deviendront nécessaires. En moyenne, c'est une hypothèse justifiée. Mais d'année en année, ce n'est probablement pas conforme à la réalité. Nous revenons automatiquement au problème posé plus haut: celui des éléments de souplesse dans la balance des paiements et de la réserve de change.

Y a-t-il une formule qui permette de déterminer exactement quelle est la limite du surendettement? A vrai dire, il n'y en a pas. Tout dépend de la structure économique et de la structure de la balance des paiements du pays en cause. Nous avons admis à contre-cœur, parce que nous sommes hostiles aux formules, que dès lors que 6%, 7% ou plus des recettes extérieures sont absorbés par des engagements financiers à l'extérieur, une étude particulière est justifiée. Ne me faites pas dire que 7% est la limite maximum: je dis seulement qu'une étude spéciale doit justifier un dépassement de cette proportion relativement modeste.

Un mot en conclusion. Je n'ai parlé que d'emprunts conventionnels, portant sur des périodes dites normales, entre 15 et 25 ans, à des taux d'intérêt dits normaux, c'est-à-dire au-dessus de 5%. Dois-je vous rappeler que c'est précisément en vue d'éviter le surendettement que l'Association Internationale de Développement a été fondée? Elle doit répondre, dans la mesure de ses moyens, au problème que posent les pays qui ont des programmes de développement bien étudiés, des projets tentants, mais qui ne sauraient faire appel aux crédits conventionnels pour y faire face, de peur de se trouver surchargés et un jour acculés à des difficultés inextricables ou à un aménagement de leur dette.

Voilà, Messieurs, un tableau un peu compliqué mais la matière dont je vous ai entretenus n'est pas des plus simples. n'oublions jamais que les éléments en varient non seulement de pays à pays mais de période en période, sinon d'année en année. Le jugement que nous portons aujourd'hui sur la capacité d'emprunt d'un pays comme l'Inde n'est pas le même que celui que nous portions il y a dix ans. Le jugement que nous portons sur le Mexique aujourd'hui n'est pas celui que nous portions en 1948. Dans

les deux cas, des progrès immenses ont été accomplis; dans les deux cas aussi, des problèmes nouveaux ont surgi. La politique d'endettement d'un pays sous développé ne saurait être fixée une fois pour toutes. Elle doit être variable. Elle doit s'adapter aux circonstances mais avant tout elle doit toujours rester prudente.

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THE CAPACITY TO SERVICE FOREIGN DEBTS

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INTRODUCTION

The subject I wish to touch upon today is one with which we at the International Bank have been concerned since the Bank's foundation, and if I have given my talk a title which alludes to the decisions which must be taken by the borrower, it is because we at the Bank believe, when we judge the borrowing capacity of a country, that our point of view as lender must be identical with that of the borrower. The interests of the latter are just as much at stake as the security of the credits that we can grant.

I would like to point out at the start that we are speaking today of loans of a classical or conventional nature, and not of credits such as those granted by IDA. We are speaking of the capacity of countries in the course of development to shoulder external debts which carry normal interest rates and other charges, and not of IDA credits with their exceptionally low charges.

The reason why the Bank has been concerned with this question since its foundation has not always been fully appreciated. You doubtless remember that, under the terms of our Articles of Agreement, we cannot make loans if other sources of finance are available; that is to say, if the borrowing country has free access to the financial markets. This eliminates, from the start, countries whose credit on the international markets is considered good enough to enable them to float loans in the form of bond issues. As a matter of fact, when the Bank was established immediately after the war, Canada was the only country in this category. Great Britain, France, Holland had to resort either to direct loans from the American Government, or to loans from the International Bank, in order to meet their requirements for reconstruction and, as you know, the Marshall Plan provided assistance to all European countries suffering from the effects of the war.

Years have passed, and today most of the industrialized countries of Europe can be considered as belonging to the same category as Canada; i.e., they can, within reason, draw on one or other of the financial markets.

I say "within reason", for in cases of unusual emergency some exceptional type of assistance would probably be necessary in the form of intergovernmental transactions, or by the intermediary of organizations such as our own. So we have as a first limitation: we cannot lend to countries whose requirements can be met in the financial market.

Second limitation: we must be sure that the loans which we make have a reasonable chance of being repaid at the due date. I will not conceal it from you that certain countries have not been considered

strong enough for us to allow them access to IBRD resources. We have therefore been limited to what I will call "the gray zone", which means countries which, though not having access to the financial markets, could however, in our opinion, service the debt they would incur. It will occur to you immediately that we are thus forced to make independent judgments on our own account, different from any made by the financial market, but which, nevertheless, we must make with caution.

As you know, we have had no reason, up to the present, to regret the judgments we have made, since we have not suffered a single default, and what I would like to discuss with you today is the process by which one arrives at a judgment of this kind. Let me just repeat once more that if it is not in the interests of the Bank to lend money without having reasonable assurance that the borrower can service his debt, the same goes for the borrower; he certainly has an interest in establishing his credit, step by step if necessary, but in such a manner that he will, during the course of time, be strengthened rather than weakened. It has been said that it takes a generation to build up credit but that it can be destroyed in a minute; this is just as true of nations as of individuals or enterprises.

What, then, must we take into account in trying to form a judgment on the capacity to repay of a country in the course of development? First of all, the country in question must be able to save enough money to service the debt. Secondly, it must be able to convert this amount into foreign currency. I will concentrate essentially on these two points, but in conclusion I would like to draw your attention to certain other aspects which are less strictly economic, but which should not be forgotten in this context.

I

In the first place the amount representing the debt service must be available within the borrowing country. In the case of an industrial or mining project this would probably not present any particular difficulty. Where it has been decided that it would be in the interests of an enterprise to borrow in order to extend its operations, or to build a railway to carry its products from the mine to the port of embarkation, one can see that the supplementary income to be gained from these new operations would be the source from which the necessary debt service will be met.

In the case of a private enterprise which borrows without the guarantee of its government, an error of calculation in this field can embarrass the creditors and cause the failure of the enterprise but, apart from the work stoppages and unemployment that could result, one cannot say that the economy as a whole, or the State, would suffer much inconvenience. If, on the other hand, the State is a guarantor, an error

of calculation on the part of the enterprise would be tantamount to forcing the government to honor its obligations and, as a consequence, would impose an unforeseen burden on the government itself.

Take another example: public utilities -- ports, transport, electricity, communications -- borrow abroad in order to extend or improve their services. One can count on it that the rates imposed on the users would be sufficient to meet the current costs of the organization, plus the cost of financing. As you no doubt know, the International Bank usually asks that such rates be high enough to allow for an accumulation of some additional income in order to insure that no interruption will occur in the projected program of general expansion of public services. Here again, if the direct income of the organization is not sufficient to cover the loan charges, the State will have to assume the liability.

After all, in the first case as in the second, when the State is liable either directly as regards loans contracted by enterprises, or indirectly as a consequence of their operation, it is natural that every precaution should be taken in advance to insure that the investment will be remunerative.

In a more general way, States have recourse to borrowing for a whole series of other types of investment, such as roads, educational establishments (whose income is practically nil), irrigation, water supply (whose income fluctuates severely, and often requires subsidies). Here it is the State revenue as a whole that is involved. The debt service payments must be covered by the fiscal receipts, and it follows that these receipts, including the specific income from the project, must be sufficient to cover the service of the debt. One must therefore be able to count on an automatic increase of fiscal receipts. The problem of savings is then presented in a new form: what are the prospects for augmenting fiscal receipts? Thus, whether the projects be remunerative in principle or non-remunerative in themselves, if by taking part in them the State assumes a risk, one must consider the question of the economic progress of the country in general; that is to say, the total investments which it intends to undertake, and the probable increase in its national revenue. It is not possible, therefore, for the borrower or for the creditor to ignore the following questions: What is the investment program of the country? Which of its investments will be directly profitable? What are, in consequence, the chances of increasing national revenue and, secondly, the chances of augmenting fiscal receipts?

This question is all the more serious as borrowing facilities are not generally limited to a single source. Offers of financial assistance are made to a government for a whole series of works whose economic and financial possibilities are not always precisely known, or perhaps do not even exist (for example in the case of public buildings). In these circumstances it is the borrowing policy as a whole, as compared with the investment policy as a whole, which must be the first subject of inquiry.

Not all countries have before them for consideration a perfectly articulated plan or program -- far from it. But they all feel obliged to act as if they had one, and they therefore find themselves confronted with a whole series of possibilities between which it is not easy to choose. I do not want to enter into a profound discussion on "planification", but let me mention just one of these choices: investments which yield an immediate profit, and investments which become profitable in the long run. Economists, in observing the evolution of industrialized countries over long periods, have concluded that, on the whole, an investment of 3.5 produces an annual income of about 1. This is what we call the capital/income ratio. It must never be forgotten that this is a formula which is applicable to somewhat complex economies, and that in relatively simple economies the capital/income ratio may be completely different. Some years ago, certain well-intentioned economists, truly desirous of facilitating assistance to underdeveloped countries, put forward the hypothesis that, in less developed countries, given the importance of the infrastructure and of public services from which the income is not considerable, it must be assumed that the capital/income ratio would be of the order of 4.5 : 1 rather than 3.5 : 1. In actual fact it appears from our repeated observations that a generalization of this order is not justified; quite the contrary. There have been numerous cases where an underdeveloped country has, as the result of an investment of an order of less than 3, seen its annual income increase by over 1. And in the field of agriculture, which is often a very important sector in less developed countries, investments do not have to be particularly heavy in order to obtain a sizeable increase in yield.

But if we can discount such generalizations as a method of determining a general investment policy, we cannot help making more precise comparisons, and one of the hardest tasks is the inevitable choice between investments with a quick return and those on which a return will not be forthcoming for several years.

An important irrigation project, or a large dam for the production of power which will permit the establishment of new industries: these are enterprises which will not bear fruit for many years. On the contrary, the installation of a factory, the construction of a railway line between a mine and a port, are enterprises on which the return is almost immediate. Since the loan charges commence either from the time of the loan signing, or gradually and in relation to the disbursements made (the latter case applies to Bank loans), it is probable that, in the case of investments with a slow return, the debt service payments will commence before any benefits accrue from the investment. In the other example, one can imagine that the loan charges would start to fall due at precisely the same moment as the benefits from the investment make their first appearance. But this is not a sufficient justification for concentrating one's resources exclusively on investments with a quick return. And here a new question presents itself: that of maintaining a balance between different types of investment.

I do not believe it superfluous to have pointed out these various aspects of the same problem, because they are frequently ignored. These are some of the problems with which the development planner (which you are, or which you will be) must, by definition, concern himself, but I must underscore the fact that there is a direct connection between whatever investment program a country follows and its capacity to absorb external financing. The probable increase in its fiscal receipts and the probable expansion of enterprises financed by the loan must be the justification for its requests for credits from abroad, or else, and do not forget this, the debt service payments will have to be appropriated from actual production receipts; that is to say, in fact, deducted from actual consumption.

Thus, within the framework of internal savings alone, to overload oneself with debts, or to borrow for reasons which are not economically sound, inevitably results in an excessive burden on consumption. And this leads us to the second problem.

II

You will notice that I have spoken only of loans intended to finance investments. The description I have given you is sufficient, I think, to rule out the possibility of obtaining loans from abroad to finance consumption. One can certainly imagine some exceptional cases where a country, hard hit by famine for instance, feels it necessary to ask for a credit to alleviate temporary difficulties; but in this case the would-be borrower must be aware that he is, in fact, committing himself to restricting future consumption. This is, moreover, the reason why the International Bank has always refused to lend money to finance the importation of consumer goods.

But we have only discussed half of the problem: when one considers foreign loans, it is not enough that revenue increases sufficiently to cover debt service payments; one must also be sure that the payments can be transferred abroad. Here we have to deal with a problem of exchange and of balance of payments. Exchange receipts earmarked for foreign debt service cannot be used for any other purpose. Therefore, if we do not wish to see our imports reduced, we must be able to count on an increase in our exchange receipts when the debt service payments start to fall due.

The first question, consequently, is: what are the chances of increasing exchange receipts? We will return to this in a moment, but there is a second question, which is as follows: we all know that national income and fiscal receipts vary either up or down, but that the variations downward are seldom very strong. On the contrary, fluctuations in exchange receipts, or more often in the balance of payments can,

proportionately, be infinitely more serious. The second problem is therefore to know what elements of flexibility one can rely on in the balance of payments.

Let us return to the first question, the possibilities for an increase in foreign receipts. The answer is simple: it depends on the country's prospects for exporting its goods and the prospects for invisibles. In most countries in the course of development, exportable products are limited in number. This is an excessive generalization, and we all know that there are cases where production is varied enough to eliminate any idea of the economy's having only a limited access to foreign markets. But there are numerous countries where the marketing of groundnuts, sugar, coffee, cocoa, cereals, cotton or wood is a constant preoccupation. Even if a few industrial products or handicraft items play a not negligible role in the export tables, there are still frequently two or three primary products or foodstuffs which play a preponderant role. It is quite natural then that these countries should be concerned not only with the development of production in their own territories, but also with production costs and, further, with world market prospects.

Nothing is easier than to make mistakes in trying to project the results of the past onto the screen of the future. Statistically speaking, we have practically nothing to rely on but more or less recent history when it comes to the international marketing of primary products. In fact, caution is necessary, and borrowers and creditors alike must exercise considerable care when they try to forecast at what price and in what quantity a given country will be able to dispose of its principal export products on the foreign market, not only in the next year, but in five or in ten years; that is to say, during the period over which the amortization of the loan will run.

The question is more easily answered when it is a matter of products with an assured outlet, which is usually true in the case of mining products.

If one fairly frequently tends to overestimate the prospects for receipts arising from the export of merchandise, it is, on the other hand, also not unusual to underestimate probable invisible receipts. Certainly the banking and insurance services which represent an important portion of the invisibles of industrialized countries, are not often so important in less developed countries. But we are occasionally too pessimistic about the future of receipts from tourism. I say "occasionally", because not all countries are equally accessible to tourists, nor are they equally attractive. Competition in this field is extremely strong, and investments designed to improve transport or hotel facilities for "idle" tourists do not always seem to be the most urgent or the most deserving. But when one remembers that a country like Mexico owes half of its exchange resources to tourism, one cannot help feeling that in ten or twelve years from now many other countries could well receive considerable support from this source.

Let us pass on now to the elements of flexibility which should be considered when studying the balance of payments. One is often tempted to believe that new investments designed to increase the production of goods hitherto imported will result in a reduction in imports. As a principle this is true, but in practice there are some fallacies to be guarded against: the effect which new enterprises can have on the import economy has occasionally shown itself to be illusory because, besides equipment, the raw materials or semi-finished products, or some components of the goods produced locally, must themselves be imported. If to that one adds the foreign debt service contracted for the establishment of the new enterprise, one often runs the risk of finding the balance sheet out of kilter. The fact that in my country manpower is cheaper than in my neighbor's does not necessarily mean that it is more productive. I recall having visited a steel mill in Asia where it was explained to me that although the wage of each worker was approximately only one-quarter of what would have been paid to an English workman, the number of workmen employed was more than four times the number which would have been employed in England ... In this case at least, the supposed advantage of cheap manpower was illusory.

Nevertheless, let us concede that it might be possible to reduce the global value of imports by the production on the spot of certain products hitherto purchased abroad. But let us also remind ourselves that this is easier to imagine in cases where production processes are simple, such as agriculture and textiles or sugar refining, and take care not to let ourselves be forced into protecting infant industries to the point where their selling price is such as to encourage smuggling.

There is another aspect of the balance of payments which is too rarely discussed. Import demand is a variable factor. If at any time national income is affected by a crisis (which might be an export crisis in a country in the course of development), the demand for imports will very probably be reduced. In the case of balance of payments difficulties, most States would seek to strengthen their position by administrative measures designed to restrict the importation of luxury goods, and this can have an effect on the spending abroad of even the richest consumers. But generally speaking, it is not always true that it is the demand for consumer goods which is first affected, nor even that it is the demand for importation of unfinished products to feed local industries, but it has often happened that the demand for investment goods, for machinery or plant for the expansion of a country's industries, has itself been directly affected by a deterioration in local market prospects. It would be a mistake to consider imports of machinery or plant as a fixed item in the list of imports of a country in the course of development. On the contrary, except in the case of a completely controlled economy, where the State can force consumers to bear all the effects of the recession, it would most probably be the industrial development sector which would temporarily have to bear the strain.

The first element of flexibility is therefore the possibility of substituting local products for imports. This can only be a long-term

operation, and one of relatively limited capacity. The second element is the phenomenon that I have just described: in a state of crisis, certain kinds of imports tend to be reduced. A third element, which is not without importance, is that of exchange reserves.

The particular purpose of exchange reserves is to enable a country to withstand temporary fluctuations in the balance of payments. The extent to which a country can call for assistance from abroad is exactly in proportion to the strength of these reserves.

III

We can suppose a priori that each nation which seeks to borrow abroad will consider the questions that I have just discussed. It will seek to facilitate and to hasten investments which seem the most useful to it, without running the risk of defaulting on its foreign obligations, or even of having to weather a crisis in its balance of payments. But there are certainly one or two aspects of these problems about which the creditor would perhaps have to be more exacting than the potential borrower. There is hardly room for a difference of opinion when considering the history of production and of the balance of payments: the facts, supposing they are available, speak for themselves. But when it comes to making forecasts, there are inevitably differences of opinion. What questions, then, will the possible creditor ask? They deserve, perhaps, a moment's consideration.

The first will be: to what extent is the borrowing country resolved to meet its obligations, come what may? Secondly: what sacrifices has the country made in the past to meet its balance of payments difficulties? Would it be ready to make similar sacrifices in the future? Thirdly: are the general financial and economic policies of the country such that the chances of a grave crisis can be averted or, on the contrary, might it entail serious dangers? Fourthly: to what extent will the borrowing country be able to resist the temptations of overindebtedness?

On the first point, respect for external obligations, history can serve as a guide. In a great many cases the way in which former loans have been honored or, in case of catastrophe, the way in which payments in default have been settled -- there you have two instances which can be considered as constituting precedents. As you may know, the Bank has, in certain precise cases, refused to lend money to countries which were in default until they had succeeded in making satisfactory arrangements with their former creditors.

The second and third question are linked. The capacity to make sacrifices in order to withstand a crisis in the balance of payments, or the general financial policy and its influence on the economic stability of the country -- these are two aspects of the same problem. It is not unusual that in a time of crisis -- for example, an export crisis -- the government's reaction is to try to maintain normal activities by inflation. Unhappily it is not unusual, either, even in a period of prosperity, for an inflationary economy to be condoned and encouraged by the government. It is certainly true that nothing is more encouraging to the demand for imports than a policy of this kind. But inevitably it has the effect, if pursued over too long a period, of reducing the monetary reserves to nothing and of bringing real external insolvency in its wake, as well as setting in motion social currents which are all the more dangerous as they are often justified. Let us mention, in passing, that a badly directed investment policy, involving a waste of resources, scarce by definition in an underdeveloped country, can have practically the same effect. If planning authorities can often be reproached for being too slow, excessive haste is sometimes just as injurious.

I mentioned financial policy: this means a reasoned tax policy, a balanced budget policy, the encouragement of savings, and an investment policy which does not entail either overburdening the consumer or the encouragement of excessive consumption.

It is quite natural, and it must be said quite plainly, that a country seeking to borrow abroad will, in such matters, judge itself more favorably and more leniently than will any potential creditor. And if you will permit me to return for a moment to my introductory remarks, in regard to these questions the International Bank for its part has been more favorably disposed towards the borrowing countries than have the financial markets. The Bank has taken risks which the financial markets have refused to assume. To pass upon the financial and economic policy, past and future, of a country is undeniably an act of great gravity, and it is certainly one of the most delicate matters for consideration by the creditor.

And now as to the final question: will the debtor State be able to resist the temptation of overindebtedness? Overindebtedness means putting oneself under obligation to service an excessive amount of external debt; it means that one is forced to restrict consumption -- internal consumption and imports -- painfully in order to meet one's obligations; and occasionally it may mean that there has been misinvestment of the resources at one's disposal. However, the sources of lending are many: certain of them, like governmental bilateral aid, or International Bank assistance, have as their prime motive the desire to help the underdeveloped country to increase its investments. Even if, in the case of bilateral aid, the funds placed at the disposal of the borrower are tied to the obligation to make purchases in the lending country -- which can sometimes mean paying more for the necessary imports -- it is clear that, generally speaking, this kind of assistance is attractive.

But it is unlikely that either the International Bank or the States which offer contributions in the form of loans would wish to push their borrowers into overindebtedness.

And do the same rules apply with regard to all sources of financing? Probably not. Financing offered by contractors themselves is generally on shorter term and consequently carries with it a heavier loan charge. Exporters or entrepreneurs offering credit have, as their immediate objective, the sale of their products. They are not often in a position to judge the debt capacity of their debtor; it is in this kind of transaction that the greatest need for discrimination is imposed on the borrower.

One point comes at once to mind: underdeveloped countries are, by definition, importers of capital. Should we assume, then, that new loans for investment financing will be offered to them as they repay past loans, so that their transfers of net capital, outgoing and incoming, will be a positive figure? Unfortunately no such assurance can be given. It is natural for an underdeveloped country to envisage with dismay the possibility of becoming an exporter of capital; that is to say, to have to pay back more than it borrows. But all this is a question of degree, and in economies of a not very complex nature, in economies where investments are large one year and small the next, in countries where the flow of imports is relatively irregular, it is hardly possible to expect loan offers to remain stable.

The real risk run by borrowers is an interruption in the flow of capital imports. True, an outflow of private capital from the borrowing country, for political or economic reasons, can easily be imagined, and it might not be possible to compensate for such a loss by external borrowing. But it is not exactly to that particular danger that I am referring at the moment. What I am thinking of is the error which would be committed in assuming that, because one has been able to borrow this year, one will continue to be able to do so for as long as, and to the extent that, repayments are necessary. This is, on the average, a justifiable hypothesis, but it is not consistent with reality from year to year. Thus we come back automatically to the problem posed above: that of the elements of flexibility in the balance of payments and in exchange reserves.

Is there a formula which sets forth how the limit of overindebtedness can be exactly determined? In truth there is not. It all depends on the economic structure and the balance of payments structure of the country concerned. We have agreed, against our will because we are against formulas, that when 6-7% or more of external receipts is absorbed by financial obligations abroad, a special study is justified. Don't make me say that 7% is the absolute maximum: I simply say that a special study is needed to justify going beyond this relatively modest percentage.

A word in conclusion. I have spoken only of conventional loans, extending over what are called normal periods, between 15 and 25 years, at what are called normal rates of interest, that is to say, at present, over 5%. Should I remind you that it was precisely with a view to avoiding overindebtedness that the International Development Association was founded? IDA is the answer, to the limit of its resources, to the problem posed by countries which have well-thought-out development programs and tempting projects, but which are not in a position to apply for conventional loans to finance them for fear of becoming overburdened, and of one day finding themselves bound up in inextricable difficulties or forced into making unsatisfactory arrangements to settle their past debts.

And there, gentlemen, you have a rather complicated picture, but the questions I have touched on are by no means simple. Never forget that the components vary not only from country to country, but from stage to stage if not from year to year. The judgment we make today on the borrowing capacity of a country like India is not the same judgment we made ten years ago. The judgment we make about Mexico today is different from that of 1948. In both these cases immense progress has been made; in both cases also, new problems have arisen. The debt policy of an underdeveloped country cannot be fixed once and for all. It must be flexible. It must be adaptable to changing circumstances but, most important, it must always be prudent.

L. RIST

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Conference of Business Economists^{1/}

INTERNATIONAL ASSISTANCE
TO UNDERDEVELOPED COUNTRIES



If I had known the trouble I would get into in preparing for today, I would certainly not have agreed to talk about international assistance for underdeveloped countries... I had the vague impression that, since I had been in this field for so long, I would be able to pick up the pieces very easily, even after my three or four years' absence from Washington. But when I tried to get at the facts, I found myself confronted with a maze of contradictory and incomplete information, with a tremendous amount of literature and very little comparable data.

It is concepts rather than figures that I would like to discuss today. But it is only when we have a clear notion of how much assistance is actually being given to underdeveloped countries that we can discuss the influence of aid on the donor countries, either in terms of exports, balance of payments, or economic sacrifice, and the influence of these same operations on the recipient countries, their development pattern, their foreign trade and their balance of payments. Then, having analyzed these aspects, we can try to make some judgments as to methods or channels, in other words, get some kind of a lead for future thinking and policy. Let us, therefore, start with the facts as we know them, and the philosophy of development assistance as we can define it today.

I.-

I intentionally do not limit the discussion to American foreign aid. Neither can we talk about all foreign aid. Specifically, it is the combined efforts of all advanced countries in favor of underdeveloped countries only, on which I would like to concentrate. This eliminates the Marshall Plan period, though theoretically it should include the Greek-Turkish programs under that Plan. It also eliminates military aid as such since military supplies are not an aid to development; they may be useful from the point of view of preserving law and order as well as from the point of view of defense, but we cannot call that development assistance. Theoretically also, we should probably keep clear of defense support but the statistics we use do not make this distinction possible. A last warning: since precise figures by recipient country are not given by any of the large contributors except the U.K., one has to make fairly arbitrary judgments on the basis of aggregate figures submitted by each of them.

^{1/} A private and informal group of economists representing 45 major firms (industries or banks) in the U.S. The author has been a member since 1957.

On the other hand, we have to include export financing at more than 5 years in favor of underdeveloped countries, even if the motivation for these suppliers credits is more commercial than development-oriented. After all, this is financing imports into developing countries. Moreover, we must not forget the role of private investment which is a major contributing factor in new industries, new plantations or new mines, not to speak of new oil wells. Finally, I would be the last one to omit contributions by international organizations.

Unfortunately, the sorting out of all these elements becomes a major chore, and no government is particularly anxious to facilitate this task, for reasons which are perfectly understandable. We are, thus, thrown back on the publications of DAC, the Development Assistance Committee of OECD. Their data cover the seven calendar years 1956-1962 and this is the best set of aggregate figures available. True, there had already been ten years of foreign aid before then, but it does not distort the picture too much to begin with 1956. By then the Marshall Plan and the Korean War were matters of the past, the European countries were becoming more and more conscious of the importance of supporting underdeveloped countries and France and the U.K. were progressively better able to define with accuracy their assistance to countries which were either newly independent or on the verge of independence. We should not forget that they had provided substantial support to the members of their respective currency areas during the Marshall Plan period. This was called colonial expenditures and support and it was in part made possible by resources made available to each of them by the Marshall Plan itself. This was particularly true in the case of the U.K. But by the middle 50's all such assistance had to be provided entirely from their own resources. The figures submitted to DAC by the European nations and Japan are therefore more telling than any referring to the previous period.

According to DAC, from 1956 to 1962 inclusive, the total flow of long-term financial resources contributed to the underdeveloped countries by the advanced countries was about \$50 billion. Of this, roughly \$18 billion was net private investment and the net official flow was therefore \$32 billion. This includes all non-military grants in cash and in kind, as well as lending from official sources for maturities exceeding five years. In other words, it includes AID, PL 480 and export credits at more than 5 years as well as capital subscriptions in international organizations. It also includes defense support since it cannot be distinguished from normal economic aid. The contributors are the following countries: Belgium, Canada, Denmark, France, Germany, Italy, Japan, the Netherlands, Norway, Portugal, U.K. and U.S. As you will notice, Sweden and Switzerland are not included. German and Japanese figures include some reparations, but these are bilateral transfers which have contributed to the welfare of the recipient countries.

Three remarks are worth making in this connection. First, the total available to underdeveloped countries rose during the period under review from \$5.6 billion in 1956 to roughly \$8.5 billion in 1962. This is entirely due to the rise in official aid which went up from \$3.2 billion in 1956 to about \$6 billion in 1962, while net private investment remained fairly stable at roughly \$2.5 billion a year, give or take a few millions. Second, 1961 and 1962 are at

about the same level and there is every indication that 1963 will be slightly lower. Third, the proportion of this heavy load carried by the principal contributors created somewhat of a surprise in this country when it was first computed a few years ago. The shares of France, U.K. and Germany were found to be greater than had been expected. To take official aid only, we reach the following figures: out of the total \$32 billion the U.S. contributed about \$18.7 billion, France about \$6 billion, Germany and the U.K. about \$2.4 billion each. In rough percentages, this means that the U.S. contribution in official aid was about 58%, the French contribution between 18 and 19%, the German and British contributions a little over 7% each, and all others taken together around 9%. True, the U.S. share includes defense support, and a little less than half of the French share went to Algeria.

As you know, other ways of comparing official assistance have been devised. The usual method is to take official assistance as a percentage of GNP. Pushing its campaign sloganed "share the burden", the U.S. at one time suggested that one per cent of GNP would be a fair measure of the aid effort expected from the more advanced countries. On the basis of 1961 aid figures, the percentages are the following, still for official aid only: France around 1.3/4% of GNP, Germany around 0.9%, U.S. around 3/4 of 1% and the others slightly less, the average among DAC countries exactly meeting the U.S. level.

All this, of course, does not take account of private capital exports. Their total, as I said before, is over \$18 billion during the period under review, of which about 45% was U.S., 17% and 15% U.K. and France and 10% Germany. While we can consider that official aid for economic purposes is a sacrifice made by the government of the contributing countries, it is hardly correct to say that private investment falls under the same heading. Anticipated profits is the main motive. I am not saying that it does not contribute to the development of the recipient countries, quite the contrary, but it is not a voluntary decision made by a government and it does not represent a burden on the taxpayer. 71

Besides official aid and private investment, international organizations represent a third element. To the extent that they operate on the basis of contributions made by each of the advanced countries, this has already been included in the previous figures of official aid. The European Development Fund and the Interamerican Bank can broadly be said to have operated on that basis until now. The same is true for the two World Bank affiliates, the International Development Association and the International Finance Corporation. It is, however, not true of the World Bank itself since it utilizes funds borrowed in the market. It is not, therefore, without interest to note that the contributions of the World Bank to underdeveloped countries over the same seven years 1956-62 were roughly a little over \$2 billion net or about \$300 million a year (disbursements only). 1963 represented a slightly higher rate of disbursements to the same underdeveloped countries at approximately \$450 million per annum.

To be complete, one has to bear in mind the aid given by the Sino-Soviet block. According to figures submitted by the Secretary of State to the Committee on Foreign Relations of the Senate in ✓

June 1963, Sino-Soviet block aid between 1955 and 1962 (this is for one year more than the DAC statistics) was as follows: cumulative total of commitments was the equivalent of \$7 billion, of which about \$2 billion was for military purposes and \$5 billion for economic purposes. It is estimated that out of economic aid committed, no more than \$1.5 billion had actually been expended at the end of 1962. Although expenditures are running far behind commitments, the rate of disbursement went up substantially from \$150 million in 1958 to \$400 million in 1962. However, the rate of commitment by the Sino-Soviet group, which reached \$1.2 billion in 1960, declined a little in 1961 and was only around \$500 million in 1962. Compared with the official aid of the U.S. of well over \$18 billion during almost the same period, and the total official contributions of the DAC countries of \$32 billion, the Sino-Soviet block figures appear quite modest.

These are the facts. What are the motivations? "Self-interest" is too easy a word. It is quite true that in a narrow sense, military aid, defense support, assistance to dependent territories and prestige considerations can be considered self-interest. "Enlightened self-interest" is, to my mind, a more attractive expression, as it embraces the desire to help a relatively peaceful world enjoy the benefits of economic progress. This means better outlets for international trade, more secure sources for the raw materials and for the agricultural products which the Northern hemisphere requires. A third motivation is the desire to maintain traditional cultural ties. This is certainly an important factor in the relations of the U.K. and France with their former dependent territories, and Germany will not deny that it has a particular interest in its own former colonies, even though they have been under trusteeship of other powers since World War I. Finally, high up on the scale of moral values, but in my experience quite important, there is a certain sense of responsibility on the part of the advanced countries towards the less developed ones.

If I may introduce a lighter note in this serious political psychology, the words "sense of responsibility" are more meaningful if we look back to the immediate postwar period when U.S. aid represented not something like 1% of GNP as today but around 2-1/2%, and when interim aid, the Marshall Plan, the big loan to Britain were accepted wholeheartedly by American public opinion. When the Marshall Plan was discussed in Congress, there was no doubt as to the reasons why the Administration was proposing this expensive program and why American public opinion was supporting it. But in congressional discussions, the argument was essentially on political grounds "fight communism". Czechoslovakia had just been taken over by the communists and some kind of a realistic argument like this seemed necessary, but the real motivation was not that. When I tried to express it in one word, I found no better than a "sense of solidarity" on the part of the American people. To my amazement, the word was never used and when I asked for an explanation, I was told that in this country the word had political overtones. Our friend Stephen Du Brul of General Motors Corporation would certainly have reminded me that the word was used in the anthem of the United Automobile Workers.

A more generally acceptable formula was used recently by Senator Morse during the Hearings of the Senate Committee on Foreign

Relations on the Foreign Assistance Act of 1963 on June 16, 1963. He said: "I think that it is generally accurate to say that after World War II we made available to Europe some 14 billion dollars of grant aid, which I supported and would again. You have heard me say before that I share your view that it was in our national self-interest. We also had an obligation to help rebuild that part of the free world." Coming from a critic of the foreign aid program, this remark could not but impress me. What I am really trying to say is that it is probably not possible completely to divorce the egotistical preoccupations of the donor countries from the broader -- some would say the slightly sentimental -- approach. So much for the motivations. I would now like to come back to what I call the "enlightened self-interest" approach, and consider the economic effects of foreign aid on the donor countries.

II.-

It is a well-known fact that more and more of the official aid of the U.S. is used for exports from this country. Figures of 80 to 85% are being currently quoted for 1963 and 1964. The same is true of aid from the European countries, which is very largely tied. This is less true of Germany and even less so of the Netherlands and Sweden. International organizations are freer in this respect and, as you know, the World Bank requires international competitive bidding and its loans are untied. Actually, however, taking the period from 1947 to the present, the amount of procurements in the U.S. under World Bank loans has been roughly equal to the net amount of dollar resources secured by the Bank in the United States. In short, foreign aid, either bilateral or multilateral, favors exporting industries in the donor countries, and in this definition of exporting industries we must include not only steel, equipment, machinery, etc. but also the services of contractors, consultants, etc. Direct financing of export is, however, only one aspect. The mere fact that the recipient countries are stimulated in their investments and are helped in maintaining an external balance opens additional export outlets. In other words, the exporting industries which benefit from foreign aid are not only those which obtain orders financed through that channel but, generally speaking, all those which export to aid-receiving underdeveloped countries in the normal course of business.

So far as the U.S. balance of payments is concerned, it has been roughly estimated^{1/} that in 1962 the impact of foreign aid was about \$1 billion against \$3 billion for private investments, \$2 billion for tourism abroad, \$2 billion for defense expenditures abroad and \$16 billion for general imports. This \$1 billion represents "the drain on balance of payments by purchases for foreign assistance purposes of non-U.S. goods." It was also stated that this figure would not be reached again. It goes without saying that similar computations could be made for Europe and that the results would probably be proportionately the same.

Since we are among economists, I might perhaps add one word to the argument just made. The exports financed by the exporting countries are, from the balance of payment point of view, not quite the same as exports paid for in cash or commodities or services by

^{1/} Senate Hearings on Foreign Assistance Act of 1963, p. 27.

the foreign purchaser. They represent an outflow of resources and the British distinguish them from other exports and call them "unrequited". If they are paid for by loan money, they add to the country's investments abroad, which is a substantial compensation, but if they are financed by grants, then the economic problem is whether the incentive gained by the local industries is an adequate offset for the loss of these unrequited resources. In other words, it is my feeling that in a period of stress for the balance of payments, one cannot entirely disregard the commodities exported under foreign aid. Unrequited exports are a burden on the economy if not on the payment balance. How this sacrifice can really be estimated is, however, another question. If there were clear alternative uses for the same commodities, or if the economy would be better off if they were not produced, then the burden might easily be assessed. This is, however, usually impossible to appraise.

The best simile I can find is an unrequited missile sent to the moon. It has been built with local resources, it has given employment locally but it is a burden on the taxpayer and it will never be paid for. Is this an intolerable drain on national resources? Nobody can doubt that it is a drain, but a certain number of advantages are expected to be derived therefrom and, aside from prestige, they include certainly a better knowledge of the universe, scientific advance, industrial progress, employment, etc., not to speak of the political advantages to be derived from its military significance. Mind you, I am not saying that foreign aid is a shot at the moon...

III.-

Let us turn now to the recipient countries. Here again, we don't need to speak about military assistance. Let us also be brief about defense support. The present disappointment in Viet Nam makes this category of aid an easy target for the critics but its motives are clearly political and do not allow for objective economic appraisal. And besides, there are several cases where amazing economic progress has resulted from defense support programs. Nationalist China is one of them.

PL 480 is still another category. Delivering agricultural surpluses is undoubtedly to the advantage of the donor country. At least, it is practically without cost to it. In some of the recipient countries remarkable achievements are due to the deliveries of surplus commodities: a wide public works program in Morocco has been largely financed through PL 480 and we all know how useful cereal deliveries have been in India and Pakistan. This is, however, not always an unmixed blessing and the question has sometimes been raised, particularly in this country, whether the assurances given to certain food-importing countries that the U.S. would cover a large part of the food deficit did not allow the government to follow marketing and price policies which acted as a disincentive to the local producers. In spite of these reservations, there is no doubt about the usefulness of deliveries of surplus commodities.

As to grants and loans, they are the real center of the controversy. How have they been distributed is the main question. Unfortunately, donor countries are rather discreet in describing their efforts country by country and nobody can blame them for that.

We can only give some tentative generalizations. U.S. aid from 1956 to 1962 inclusive seems to have gone nearly 60% to Asia, 12% to Latin America, about 10% to Europe and 3% to Africa. Recent announcements indicate that these proportions have recently changed quite substantially and that out of a greatly reduced appropriation of roughly \$2 billion, Latin America is expected to receive about 1/3 of 1964 U.S. economic aid and Asia about 40%. The proportions would be quite different, of course, if we included the immediate postwar period: in that case, Europe would be the biggest beneficiary.^{1/} For Germany, we have details only about the period since 1960 and we roughly get: Asia 63%, Africa 12%, Latin America 3%, Europe (including Greece and Turkey) 22%. The French figures show that in 1961 and 1962 Algeria received around 45% of the bilateral official aid, Morocco and Tunisia around 14%, the rest of Africa around 35% while countries outside the Franc zone received only 2.5%. As to British aid, during the last six years, the proportions were almost 90% Commonwealth and 10% others, and of the 90% Commonwealth 36% went to Africa and 30% to Asia.

I do want to point out again that these figures are rough approximations which do not always apply to the same statistical aggregates. However, they mark a trend and indicate that the French and the British are taking care first of their former dependent territories or members of the Commonwealth, while the U.S. is assuming global responsibilities. The large proportion of U.S., U.K. and German aid going to Asia also show the overwhelming importance of the India-Pakistan complex, to which incidentally multilateral aid through the International Bank has also devoted a substantial part of its efforts.

IV.-

But the present geographic distribution of aid does not tell us much about what has actually been achieved by it. This is really the most important part. Unfortunately, it could only be described in terms of country by country analysis. On the other hand, disappointments have been many and as a result there is in this country an unmistakable trend towards reducing bilateral aid. Similar reservations are being expressed in Germany. However, the British seem to be ready to commit themselves somewhat more extensively than before, and the recent report of former minister Jeanneney in France advocates an extension of French aid to other areas outside the Franc zone, including Latin America. But since it is the main contributor, the United States, which tends to slow down its efforts, we must look into the causes of this feeling of disappointment.

There are quite a few. The first one is that, whether it is publicly proclaimed or not, the donor country expects the political relations with the recipient country to be, let us say, serene. This, unfortunately, is not always the case. Alec Sachs would certainly be able to tell me that it was Talleyrand who said that "gratitude is not a political feeling"... Also prevalent is the conviction that Russia is going through a period of agonizing reappraisal in the fields both of internal economic policy and of foreign assistance. As a result, competition with Russia in foreign aid is perhaps less acute today than it was yesterday. But there are other fundamental reasons. The main one is admirably described in this year's report of the Economic Advisers: "Misled by the false analogy of our experience with the Marshall Plan, whose goal was

^{1/} Asher - 1961 - Table II, taking only net economic technical grants & net credits

reconstruction, not construction, we have underestimated the time it takes for development assistance to work its effects". In the present Indian Plan, which covers 1961 to 1966, total investments are expected to be on the average \$4.3 billion a year, which would represent roughly 13% of national income. If realized, this will be a fair percentage but as against the \$4.3 billion investment, foreign aid contribution in every form, including PL 480, is expected to be around \$1,250 million a year. This enormous figure of aid for one country represents no more than a quarter of the total investment expected annually. The reason why I mention these figures is to allow us to keep a sense of proportion. What is in fact a considerable sacrifice for the donor, constitutes for the recipient country only one element in its development process which, though certainly not marginal, is also not dominating. It is only if this aid contribution is on a continuing basis that progress will be achieved at the pace expected.

This immediately raises the question of debt repayment. If all aid is granted in the form of loans, the service obligations of the recipient countries will rise fairly quickly to the point where further borrowing capacity will be threatened if not eliminated. Even the World Bank, which is a lending institution, was forced by the progress of events to support the creation of its affiliate, the International Development Association, which gives very long term credits at a negligible service charge. It is, therefore, not without apprehension that we notice the trend in both the United States and Germany towards more loans and fewer grants. The British and the French aid still consists largely of grants. Quite recently, the U.S. Foreign Assistance Act of 1963 was passed. It was with the proviso that the hitherto soft loans of AID should progressively become harder. The servicing of increasing debt obligations is bound to raise difficult problems in the years to come.

CONCLUSION

I have talked facts, amounts, forms of aid, etc. but there is one lesson we have learnt in our almost twenty years of experience in the World Bank: it is that quality is more important than quantity. It is the type of investment, the manner in which investment is carried out, the function it performs in the economy of the recipient country, which makes an irrigation scheme, a power plant, a road network or a system of schools useful or wasteful. The emergency cases where so-called defense support is supplied are not susceptible to this kind of analysis but in all the countries where development as such is the purpose of the donor countries, or of the international organizations, the pattern of investment, its efficiency, its expected rate of return, and its priority must be kept in the foreground. Determining these quality factors is a tiresome process. It requires research, a knowledge of the country, listening both to the government in power and if possible to its opposition, and disregard of political motives, prestige operations or easy but not essential projects.

We like to say, in international institutions, that we are equipped to do this, not only because we have some experience in the field but also because the recipient countries cannot possibly attribute any political or egotistical motives to us. I am the first to agree with this and I also hope that more funds will be contributed, in particular to the IDA, by the donor countries, but I have the impression that development assistance can be channelled

through international organizations to a limited extent only. It is probable that the governments of donor countries would be less generous if their national flag were not attached to their gifts (or their loans for that matter), and the overall amount of aid could suffer if too great a proportion were distributed multilaterally rather than bilaterally.

More important - and by far - than the channel through which aid reaches the recipient country is the need for cooperation among the contributors. Not only are the sources of aid quite numerous - several countries and in each country several institutions, and in addition several international agencies - but the policies, purposes or simply the approach of the various sources do not always coincide. The so-called "Consortia" set up by the World Bank for India and Pakistan meet at fairly regular intervals. Somewhat looser are the so-called "Consultative Groups" where interested contributors (countries and agencies) discuss their plans for a particular recipient country. And the DAC itself is a forum where problems of individual countries in need of aid are being discussed frankly behind closed doors among potential donors (or creditors).

This is obviously not a perfect cure for waste or over-borrowing or over-investing, or improvident financial policies, or undue competition among sources of finance. It is at least the beginning of a conscious coordinated approach to country-by-country development problems.

Whether multilateral or bilateral, it is essential that aid should be directed towards economically useful purposes. In many cases the underdeveloped country is not in a position to distinguish clearly between priorities, or to set up its priority projects in a convincing and practical manner. This is why technical assistance is so important and my final remarks will deal with this aspect of the problem. Technical assistance has undergone a considerable expansion over the last ten years. All international organizations, beginning with the United Nations, are devoting a substantial part of their budgets to it and so are individual donor countries in their bilateral operations. In 1963 the U.N. Special Fund, for instance, either directly or through the Specialized Agencies, employed 1,300 experts and spent about \$100 million on technical assistance (development research and project surveys). It expects to spend \$150 million in 1964 and to employ 700 additional experts. As for the individual countries, their technical assistance expenditures in 1961 were \$185 million for the U.S., \$138 million for France, \$80 million for the U.K. and \$42 million for Germany. All these figures have risen since.

In terms of manpower comparisons are difficult to draw. We know however that the U.S. has now about 5,600 experts in the field, plus 6,112 Peace Corps. The British have roughly 17,000 plus 700 voluntary service, and the French have about 46,000 nationals in various technical assistance fields, of which 2/3 are teaching. Needless to say, Russians, Czechs, Poles and Chinese will be found in a number of underdeveloped countries in similar research and advisory capacities, and even in practical ones such as piloting airplanes.

1/ Of which 2,000 teaching

I cannot overemphasize the contribution which technical assistance can make to economic development. It is more than a necessary adjunct. It is the basis without which essential policy decisions cannot be made, neither can a proper investment balance, nor efficient construction nor administration be achieved without it. If anything such assistance is likely to expand and incidentally the too-easy cry of "neo-colonialism" or imperialism, will crop up, even with regard to Sino-Soviet technical assistance. But most underdeveloped countries are literally begging for more. To my mind, they are right because this is absolutely central to the success of any program of aid. It will not necessarily increase the amount of development investment, nor will it make the development process much quicker. But it will guide it in the right direction, which is quite different but at least as important. In addition, let us confess, without meaning to be ironic, that technical assistants perform two functions: they help the recipient country to handle its affairs properly but also inform the contributing country or agency about the real problems confronting the individual recipient country and the latter is often as necessary as the former in making development assistance work effectively.

NOT FOR CIRCULATION

Leonard RIST

Committee on Foreign Relations

Minneapolis, March 12, 1964



AFRICA -- ONE CONTINENT, MANY COUNTRIES

I cannot tell you how flattered I was when Mr. Robert Smith asked the Bank whether I could come and visit you again. I have kept a vivid memory of the two previous occasions when I had the honor of speaking to you, and the questions which you raised at the time I remember as both searching and sympathetic. I seized with pleasure on the opportunity of meeting you once more.

The suggestion was originally made that I should deal with some of the contemporary trade or financial problems confronting the Western world. I did not dare to do that, because I have been traveling in underdeveloped countries for over three years now, and I have not been able to focus my attention on the more advanced countries as much as I should have. On the other hand, the circumstances under which I have been traveling were such that I thought you might be interested in some of the impressions I have been able to gather.

In 1961 and 1962 I was the World Bank's Special Representative for Africa. That means that I have traveled through 27 countries of that continent. Although I never spent more than a few weeks in each of them, and sometimes as little as five or six days, in almost every case I had the opportunity of meeting the political leaders, some of their civil servants, business people (mostly foreigners), and diplomats; on many occasions I also had a chance to see something of the countryside and of the people away from the capital. I had never been to Africa before, but like every Frenchman of my generation I had, of course, learned something, mainly about the French possessions, and I had met, either in the army or among students, a certain number of Africans and Malagasys. Also, mainly through my connections in Britain and through our operations in the World Bank, I had learned something about British Africa, Egypt and South Africa. In spite of all this it was for me a voyage of discovery; and it was a discovery that gave me such deep and human satisfactions that I feel it a privilege to have been able to get acquainted with what to me was a completely new section of humanity. The ease with which personal contacts can be established in Black Africa is something I never suspected. The idea that,

if expressed in a sympathetic manner, one can ask practically any question of an African, however highly placed he may be, so long as it relates to his people, their habits and their thinking; the idea that people are happy to find an outsider's curiosity focussed on them, provided it is genuine and disinterested; the idea that such exchanges can be conducted without the slightest suspicion of an inferiority complex -- all this was new to me, and I enjoyed it so much that I thought I would try to tell this group about some of the conclusions I have drawn from my extensive journeys. This is why my subject tonight is Africa. Having traveled as quickly as I did, I cannot claim an exhaustive knowledge of any particular spot. I can only claim that I have been struck by the contrasts between neighboring countries which I visited in succession, and this is the reason why I suggested to Mr. Smith that the title of this address should be "One Continent, Many Countries".

The continent as a whole has 245 million inhabitants. But let us set aside the eight countries which have a population of over 10 million each (Algeria, Morocco, Nigeria, Congo-Leopoldville, South Africa, Ethiopia, Sudan and Egypt), and which together account for

164 million. This leaves the other 29 countries with only 82 million inhabitants divided between them. It is inevitable that the outside world should tend to simplify and treat the smaller ones as a block. This is, however, quite unfair. They know that they are different from each other. We should know it too.

I-

One word about the large continental divisions may not be wasted. I do not intend to speak about North Africa. The reason is not merely that, except for Morocco and Tunisia, I have not visited the other countries in the area. It is rather because this group of countries represents an Arabic-Mediterranean world which in many respects is closer to the Christian-Mediterranean world than are the countries of Black Africa. Below and east of the Sahara we still have several sections:

- i) Everything west of the Congo River and straight out to Senegal and Mauritania -- what the French and the British used to call Equatorial and West Africa. There, European settlers have been rare, and have never represented a serious political problem. The Europeans knew the coastline

from the 15th century on at least.

- ii) East of the Congo Basin we have the vast mountainous area which extends from Ethiopia to the Rhodesias; with ancient civilizations in Ethiopia, settler problems in Kenya and Southern Rhodesia, Arab and Moslem influence all along the coast and, in the interior, large areas with which the white man became acquainted less than 100 years ago, around 1870. Included in this area are the enormously rich mineral deposits of Rhodesia and Congo (Leopoldville).
- iii) In addition we have two countries which cannot be accredited to any group -- the Republic of South Africa with one-fifth white population, and Madagascar with a Malay tradition. The Portuguese Bartolome Diaz went around the Cape in 1488, just four years before Columbus landed at Hispaniola.^{1/}

Now the area included in this sweeping description goes

roughly from the 30° latitude North of the Equator to the

1/ In 1498 Vasco de Gama sails up the East Coast and reaches India (Calicut)

30° latitude South, and encompasses everything from desert, sub-Sahara, and forest lands in the West, to highlands with moderate or even cool climate in the East and South, and again forest, and again tropical coastlines. The mere listing of broad categories which I have just indulged in is a sufficient indication of the variety of climatic and soil conditions. Except for one or two countries (Mauritania in the sub-desert area, or Nyasaland in the mountain area), practically every single country includes within its boundaries a variety of climates and a variety of soils, and therefore a varied agricultural potential.

II. -

Since my purpose is to outline the diversity of Africa, I might perhaps start by pointing out a few over-simplifications or misconceptions which tend to give a distorted picture of African problems.

a) Take for instance the rather common pronouncement that the present national boundaries are largely artificial, since they result from the division of the continent among colonial powers, and since they take no account of tribal land divisions. It is concluded therefrom that these boundaries are weak, and cannot endure. This is of course true in part, but in part only.

There are border disputes today and, inevitably, more will come to light as time goes on. But one should not forget that it was along trade routes that colonial conquest took place. Taking a look at West Africa, the colonial powers penetrated the continent by following the trade routes linking the coast and the sub-Sahara. This is true of Nigeria, Dahomey, Togo, Ivory Coast and, of course, Senegal. As to Guinea and Liberia, they are semi-circled by mountains which mark, in part at least, their Eastern borders. The same thing is true of Congo (Leopoldville) which encompasses nearly all the Congo basin, with however the addition of Katanga, which is on the Southern slope of the Continental Divide. Even Kenya, which is about as complex as any geographic area could be, grew up along the railway link between the coast and Lake Victoria.

Furthermore, the colonial powers gave an individual administrative framework and an educational system to each of the territories, and the result is that the present heirs of the former colonial governments consider themselves as leaders of established nations, and that their citizens have a strong national feeling. It would be an error to consider that there is a wide split between English-speaking and French-speaking areas.

There is just as much difference between Dahomey and Togo (both French-speaking) as there is between Nigeria and Dahomey. Likewise the differences between Ivory Coast and Upper Volta, which are both French-speaking, are almost as great as between Ivory Coast and Ghana.

Of course a great number of these countries are small, and the drive towards federation, or at least towards some kind of constructive grouping, is inevitable. They depend upon each other for both political influence and economic welfare. Moreover, quite a number have had administrative ties under the colonial authority. British East Africa used to include Tanganyika, Kenya, and Uganda (which is dependent upon Kenya for an outlet to the sea), and they are now talking of federation. French West Africa and French Equatorial Africa also included a number of territories which were administratively linked and economically interdependent, mostly from a transportation point of view.

In fact, however, the attempts at unification have been sporadic and weak until now. The Casablanca group which included, besides North Africa and Egypt, countries like Ghana and Guinea, was just as short-lived as the Monrovia group, which included Nigeria and Liberia,

and most of the French-speaking countries, as well as Madagascar. The first group was more socialist-oriented and the second more Western-oriented, but both of them, after two or three years of existence, are fast fading away. The U.A.M. (l'Union Africaine et Malgache), which included most French-speaking countries except Guinea, is also said to be losing some influence. Of greater importance perhaps is the O.A.U. (Organization of African Unity) which includes all independent African states, and was organized less than a year ago in Addis Ababa, and whose charter is similar to that of the O.A.S. (Organization of American States). This is the group which recently sent its Ministers of Foreign Affairs to Lagos for a continental conference. As a matter of fact, the very vagueness of the purposes of this Organization is perhaps one of its main assets. There is no implication that political union or merger should be a consequence. Leaders such as Nasser in Egypt and Nkrumah in Ghana have, on various occasions, rather frightened the majority of African countries by their strong pronouncements in favor of political unity in Africa, which were interpreted as bids for leadership. Under present conditions, African unity is a hope rather than a fact.

The fact is that while we of the West do not know too much about Africa, the Africans too know little about it, and this is only natural, since communication is still difficult, and since there has been no particular reason up to now why they should share their problems with their neighbors. Even among English-speaking Africans or among French-speaking Africans there has been little interchange, except for educational or perhaps sometimes administrative or military reasons. Meetings such as those which the E.C.A. (Economic Commission for Africa) of the United Nations and the O.A.U. are now organizing represent a major achievement, because there African leaders and civil servants meet one another, and discover how different their problems are.

That relations between even immediately neighboring countries are not very intimate, is sometimes the fault of the colonial powers. When I was in Dahomey, and wanted to get in touch with a friend in Lagos, which is less than 100 miles away, I found that my cable had to be sent to Paris, and retransmitted to Lagos through London. Although the telegraph and telephone lines ran right to the customes offices at the border in both Dahomey and Nigeria, they were not then connected, and there was a gap

of less than 5 miles between the two systems. Ironically, the missing link was finally provided by American aid.

For the time being, African nationalism still means the same thing as it does in Europe or Latin America. It means the desire and the will to take care of their own problems within their existing boundaries, and this is true even if it cuts across tribal lines.

┌Story of Chief A.┐

When a country is very complex, such as Nigeria or Kenya, where many important tribes and several cultures exist within the confines of one nation, it is impressive to see how great are the efforts of the central government to prevent regionalism from destroying the existing political framework.

b) Another over-simplification is the assumption that many African countries had to fight very hard to achieve their independence. This is obviously true of Algeria. In a different way it can be said to be true of Kenya, and there have been serious quarrels between France and Guinea. In almost every country some leaders have at one time or another been prosecuted by the colonial governments, but generally speaking, the transition from

colonial status to independence has been extremely peaceful. I have pointed out that there is a real national feeling in each of these countries, but it would be wrong to conclude from this that a widespread hatred for the former colonial administration is implied. Actually the cultural, not to speak of the economic, links with the former colonial power have remained very strong. The best illustration of this is the manner in which technical assistance from this source is not only welcome but sought after by African countries. The British call their advisers "expatriates", the French call them "technical assistants", and the numbers are quite impressive. ^{1/} Although most of them plan to return home at the end of their assignments, it often happens that they move from one African country to another rather than return to work in England or France.

c) On the economic side also, remarks are frequently heard about poverty in Africa. It is true that the general standard of living is very low, and this is so in the big cities as well as in the countryside. But it would be a mistake to consider this as meaning that starvation is common. Malnutrition, yes, and very

^{1/} U.K. - 13,000 expatriates for Africa (10,500 East Africa)
 France - Black Africa 13,000 (of which 5,000 teachers)
 North Africa 33,000 (of which 24,000 teachers)

frequently. Rickets and other nutritional diseases are only too visible. This is largely due to the fact that proteins are not widely available, and that in the forest areas fish and game are the only sources of supply. In the sub-Sahara and highland areas on the other hand, cattle are rather numerous, and rice, millet and corn are generally available. But even in the forest area where root crops such as cassava, yams and taro are the prevailing diet, starvation as such is practically unknown because these roots and, moreover, bananas are nearly always accessible. The fact is that over-population is limited to very few areas -- aside from Egypt of course, it is only true of Burundi, Rwanda, and perhaps a few areas in Nigeria. This is the reason why social and political issues in Africa are in many respects less dramatic than they are in certain parts of Asia, where famine, or the fear of it, is an overriding factor in peoples' lives. In view of the increasing rate of population growth, however, the present position may change within the next decades.

d) Just one more note in this vein. There is much concern here about the meaning of the word "socialism" in Africa. Statesmen have used this expression

in many different ways, and in most instances it has been misunderstood in the West. It is certainly true that a number of students coming back from Western or Eastern European universities have been influenced by socialist and communist doctrines, and probably hope to try them out in their own countries. But for the most part, the word "socialism" and the word "nationalism" are almost synonymous and only very sophisticated statesmen are inclined to make a distinction between them. To the extent that nationalism means eliminating the influence of the former colonial power, of the business establishments which are imported into the country as "foreign enterprise", the management of which is almost always in foreign hands, it is only natural that many Africans should hope to substitute African control. Whether this should be done by nationalizing existing enterprises, or by starting new ones which would be government-owned, is a matter of indifference to those who pursue this goal; the important thing to them is that Africans should be in the driver's seat. It is hardly necessary to underline how difficult this is in the absence of local savings and local expertise. Some governments favor foreign enterprise. Some flirt with it, but maintain in principle a suspicious attitude towards

it. Others declare themselves against private enterprise in general (Guinea, Mali), but do not act consistently in this respect. One thing is certain, there is an urgent need to train competent African technicians. My point at this stage is that the so-called "African socialism" should not be construed as stemming from doctrinal influences. It is rather the result of the new spirit of national independence, and there are a great many shades of it.

III. -

a) Having set forth some of the most prevalent over-simplifications, let me now speak of some of the really difficult issues which confront the continent as a whole. The most obvious is the influence of tradition as an obstacle to progress. It is impossible to appraise the extent to which age-old traditions and customs are still followed; to what extent the inevitable drift from the country to the city carries with it a renewal of, and helps to preserve, these ancient customs and beliefs even in the most modern towns; to what extent the statesmen, who have been trained by the former colonial administration, have studied in Europe, or have even played a political role in Europe (as members, say, of the French Parliament), are still influenced by these traditions, either because they

are attached to them, or because such is the spirit of the society in which they live. I could mention two heads of state of two important West African countries, who came from very simple origin, and who are from time to time seriously concerned about preserving the good will of the tribal leaders who used to be their own feudal lords many years back.

Perhaps the area where tradition most clearly appears as an obstacle to progress is agriculture. There are of course climatic difficulties which block progress in this field. In the sub-Sahara regions water is scarce, and one may have to dig as deep as ten or twelve thousand feet to find a spring. Irrigation is no mean problem when evaporation nullifies the greater part of the water supply. In the forest area the soil seems fertile but, once the forest or the bush has been burnt out, which is the usual way of opening up new areas for cultivation, it is exhausted after two or three seasons because the combination of heavy rain and sunshine has a chemical effect which destroys the fertility of the topsoil. Fertility cannot be restored unless the forest is allowed to grow up again.

Another natural difficulty standing in the way of prosperous agriculture, is the particular type of produc

which the tropical climate brings forth. Most of them are in surplus now - at least temporarily. Of total world production Africa accounts for 6% of tea, 7% of rubber, 8% of cotton, 22% of coffee, 29% of peanuts, 49% of sisal, 72% of cocoa and 75% of oil palm products. These crops have all increased substantially since the war, but the deterioration of terms of trade has had an unfortunate effect on income, even when the market is protected by traditional trade preferences as is the case with France. Other products have fared better of course, such as fruit in North Africa and bananas in the tropical areas. Tropical woods also find a ready market. But these are not the main commodities.

Besides climate and export outlets, another obstacle stands in the way of agricultural development, namely the traditions of black african society. Take the number of cattle-raising tribes, who breed cattle not for trade but for prestige value. They trade a little in milk and leather, perhaps, but hardly at all in cattle as such. This attachment to cattle as the most desirable form of wealth and prestige can be found in many tribes, from the Foulbés in Senegal to the mountain people in Madagascar. ^{1/} Even more frustrating to economic progress

^{1/} Story of the Senegal ricegrower who did not want his oxen to serve as draft animals.

is the system of land tenure. This varies considerably from place to place, but communal operation of land is traditional throughout almost the whole continent. In the forest areas, where land is plentiful and shifting cultivation prevalent, the village chief will, year by year, allot a piece of land to each adult villager. Though the plots thus pass from household to household, the trees (including coffee and cocoa) remain the property of the one who planted them. As a result, local perennial plantations have become fairly prosperous, but in the case of non-perennials the repetitive redistribution of plots does not induce a feeling of attachment to the land on the part of the farmer. This is one of the main reasons for the failure of so many attempts made by the colonial powers to improve land operations. Community irrigation and land settlement schemes, however well prepared technically, have often met with almost insuperable opposition deriving from tradition. How to provide incentives remains one of the principal problems confronting African leaders today. The possible answers vary from government management to cooperative management, from individual holdings to the prohibition of fragmentation below a minimum area -- there can be no one solution, but

a blend of several may well have to be applied.

Just as intractable is the tradition of tribal rights over "temporarily" unused land. Empty land has usually, at one time or another, been cultivated by a tribe which thereby retains the right to cultivate it, no matter how long the intervening period, nor how far away the tribe may reside today. No record exists, of course, of this former cultivation, but claims will be voiced as soon as a new estate or new settlement is about to start, or proves successful. The Ivory Coast in 1963 decreed that empty lands were government property, in order to promote their settlement. It is by no means certain that the Government will find it easy to enforce this decree; in most other countries the governments are still hesitant to introduce similar legislation.

b) Finally, one of the great weaknesses of Africa as a whole is the lack of education. This again varies from country to country, but I do want to mention it here because of its considerable implication. Without education, the new methods which the Africans would like to copy will not be at their disposal. I will come back to this essential point much more extensively later on.

Let me just say that a small amount of Western education is no substitute for age-old traditions but, by broadening their horizons, it can help the Africans to use these traditions for wiser and better purposes.

IV. -

a) I have brought to the forefront a number of weaknesses or obstacles to progress which are generally recognized. I should now like to turn to the other side of the coin, showing the strength of the continent. Resources, in particular mineral resources, are considerable. Africa's share in world production is less than 5% for oil and iron ore; between 5% and 10% for bauxite, lead, zinc and tin; 21% for manganese; 24% for copper; 26% for phosphates; 60% for gold; 63% for cobalt; and 98% for diamonds. The mineral deposits are of course unevenly distributed among countries, and the South-West area has the bulk of diamonds, gold and copper. Oil is found in the North and along the Western coast. Other minerals are variously deposited in a number of places, largely in North, West, and Equatorial Africa. Furthermore, exploration is actively being carried out all over the continent.

b) Still speaking of resources, I have already mentioned some of the weaknesses affecting agriculture. But there is plenty of room for more intensive exploitation of tropical woods, of which Africa now produces one-third. This is a commodity which has good prospects in international markets. Fish canning has hardly started, and American firms are showing interest in its prospects. As to cattle and land cultivation, the remarks I have made previously should not be taken to mean that there is no hope. With time we should see a further improvement in export crops and, more important, a significant improvement in production for local consumption. Meat, rice, maize, and many other crops have a ready market if they are good enough and cheap enough.

On that basis, again given time, diet should improve, internal trade should develop, incomes should rise, and industry should find markets either within the producing country or in a few neighboring countries if they can come to terms with one another.

c) So much for the economic resources and prospects. I should now like to mention a few strong points in the social psychology of Black Africa. Tradition

I said, could hold back progress. It has, however, some positive aspects.

Take, for instance, the strength of family ties. In Black Africa the family works as an institution for social security. All the members of one's family, including cousins many times removed, are by definition welcome to share one's home and one's board. A civil servant who has attained a relatively high rank may well owe his education, and possibly his schooling abroad, to the generosity of his relatives. But in return, he owes it to his relatives to share his prosperity with them whenever the opportunity arises. Similarly, destitute parents or remote relatives will automatically be taken care of by whoever in the family is considered, in the broadest sense, to have the means to give them a livelihood. Even a newcomer to a village, especially if he has a relative there, will receive some land to till if this is at all possible. One of the drawbacks of this social security system is of course nepotism. In many places it is natural for a man in power to establish his relatives in government jobs, regardless of their qualifications.

Another favorable aspect of African tradition is respect for the chief. Within the family, the clan, the tribe, or the country, the chief commands respect and

obedience. He is also a spiritual leader. Although the chief is the final authority, in each tribe there is an established system of councils (council of elders, council of warriors, etc.) through which the tribespeople can consult and present their views. Therefore, when Mr. Sekou Touré of Guinea decided to organize his party (and only one party is tolerated in Guinea) on the basis of village councils, provincial councils, and state councils, he was not really copying the Russian pattern; he was giving his people the opportunity to communicate with each other at various levels in a manner which was not unfamiliar to them.

A chiefdom is not always hereditary, and in some cases a chief may be chosen by the elders, as in American Indian tribes; he may also be deposed by the elders. The Chiefs of State in the new African nations have, however, been appointed by general elections (unsatisfactory though their conduct may sometimes have been). This is a very new concept for the Africans, and may not be fully understood or even accepted for quite some time. To the extent that the Chief of State, like the former colonial governor, has at his disposal the army and the police, and provided of course that his policies are not

obviously contrary to the wishes of the population, his authority is not threatened and he is deeply respected. But he is not a spiritual leader as is the tribal chief, and he is dependent on his army and his police, and there is a temptation for the armed forces to displace and replace the executive if he loses control over them, as so often happened in old European history. Then, the day a new Chief of State is installed, he will enjoy the same respect as his predecessor.

In Africa there are many more reasons why internal political disputes may spring up than in our societies. Poverty and hardship, antagonism between the "haves" and the "have nots", personal ambitions -- all these universal troubles are present. But in addition there are regional interests, religious frictions, sometimes violent tribal differences. They vary from country to country but are bound to have a disruptive effect. It will be a long time before mutual political tolerance between the governed and the governing becomes a widely accepted principle. As long as it is not accepted, the words "general elections" and "democracy" will not mean the same thing in large parts of Africa as they do in the West. We must look with great admiration upon the countries

which have been able to maintain a multi-party system. The normal thing to expect under African tradition would be one party only.

d) I have used the word "respect" quite often. It does imply a respect for authority, but it goes further than that. Africans respect new techniques and the spirit of enterprise, wealth of course, but also industry. They respect the European entrepreneur who has established a plant or a plantation. They also respect the administrative tradition left by the colonial power. It is certainly one of the striking experiences of the traveler to see how much the civilization of the colonial powers, in the intellectual as well as in the economic sense, is respected by the Africans. The whole idea of "negritude" as set forth by President Senghor of Senegal, is that Western civilization should be acquired by Africans, but that they should not forget or bury their own traditions. A blend of the two civilizations should be the objective, and I agree with Mr. Senghor that Africans are particularly well-equipped, psychologically, to achieve it.

Colonialism has of course left some unpleasant memories - and not only with politicians who have spent

some time in prison - of forced labor imposed for public works, or of conscription for the European armies. These have sometimes left scars. But the same statesmen who have graduated from opposition to, or cooperation with, the colonial power to leadership in their own country, will tell you things like this: "You forced the villages to move nearer the road, in order to recruit labor to build that road. Now that the road is built, our villages move towards it of their own accord, because they want the advantages of it." ... "You forcibly recruited labor; we now have the problem of finding it by other means." And they immediately add: "We want your planners, and your educators, and your technicians to help us." In Africa today, nationalism implies perhaps less suspicion of the former colonial power than of a neighboring African state.

e) Actually the African countries welcome not only technical assistance, but also financial support from the Western world. In this respect the viewpoint of the British and the French is slightly different. The British always insisted that their colonies should have a self-supporting budget, and they can now concentrate their aid mainly, although not exclusively, on investment problems.

The French, on the other hand, have traditionally paid a greater share of their colonies' recurrent budget, and their assistance in most countries was at first applied to both recurrent expenditures and investment; it now progressively tends more and more towards investment. In addition, the former French colonies are considered as "associated countries" of the European Economic Community, and they therefore enjoy the benefits of common financial assistance given by the FED (Fonds européen de développement) established in Brussels.

Practically all newly independent countries have now joined the United Nations and the other international organizations, including the World Bank and the International Development Association, and a number of them have already received assistance through these channels. As for the United States, it has established AID missions in most African countries, and in some, such as Tanganyika and Nigeria, their role has been quite substantial. In the case of Guinea, which had very poor relations with France, U.S. aid was the only Western aid available. Unfortunately, detailed country-by-country information on the distribution of foreign aid by the main donor countries is rarely available, and I can only talk

in these very broad terms. But the fact remains that this aid is welcome. It is not considered an interference, and it is my general impression that it has on the whole been very intelligently managed.

f) This brings us to the role of the Sino-Soviet bloc. The Russians, Poles and Czechs and, more recently, the Peking Chinese, have tried to establish bridgeheads particularly in Guinea, Mali, Ethiopia and Somalia, not to speak of Egypt, and now there is some question about their activities in Zanzibar and even Kenya. Clearly the recipient countries benefit by competition between East and West in this respect. Clearly also, the great difficulty of dealing with African problems was a revelation to the people in the Eastern bloc responsible for foreign aid.

[Story of equipment in Guinea]

What will come out of this rush to aid Africa is of course impossible to predict. But even if foreign aid were to decline further in the United States and if, as seems quite likely, the Russians do not have the resources to continue at the same rate as before, this would not mean that the

British or the French would reduce their assistance.

Quite the contrary: the present trend both in London and Paris is at least to maintain, if not to increase, the level of aid to Africa.

g) Receiving aid from West and East all at once seems perfectly natural to most African governments. They do profess themselves to be neutralist. What this really means varies again: Mr. Nkrumah may tend to have stronger sympathies for Eastern methods than Sir Abubakar in Nigeria and Mr. Houphouet-Boigny in Ivory Coast. But all three call themselves neutralists. This simply means that they want to keep clear of any conflict between East and West. As one of them told me, "We are really not much use to you in case of a conflict, so do try not to involve us." The strategic position may be more delicate along the Red Sea and the Horn of Africa, where questions of transport might become very sensitive in the event of war. Generally, as seen through African eyes, the tug-of-war between East and West seems to be mainly an ideological dispute or a power contest which affects them little. In fact one can say that neutralism, or rather non-alignment, is the principle on which African unity is most

easily achieved.

Again, a reservation has to be made here. Neutralism does not mean that they all take the same position in world affairs. Thirty-two African countries are now in the United Nations, but they do not always vote as a bloc. When South Africa or Portugal are involved, then African nationalism comes to the fore. But as between East and West they often split their votes. This is sometimes construed as meaning that some of them are subservient to the former colonial power. I do not consider this to be a satisfactory explanation. I believe that because of the extent to which they have embraced the culture of their former rulers, quite a number of them are genuinely afraid of communist infiltration and will vote with the West, even if one of their own neighbors votes against. For this reason, the tremendous number of votes which Africa now commands in the United Nations raises a question, though not a threat. If there were real African unity on major world policy issues, 32 votes acting as a bloc could wield a considerable, some say disproportionate, amount of power. This explains the recent discussions about possible changes in the United

Nations Constitution.

V. - At every stage in my earlier remarks, the question of education has been either mentioned or implied. I have left this subject to the end because of its overwhelming importance. The number of trained statesmen, civil servants, technicians and teachers is too small. Every African is conscious of the need for more education, not only because some attribute the success, including the material success of the Europeans they know, to the fact that they are educated people, but largely because education is desirable in itself. The wish to acquire knowledge, to read and write, to take part in the evolution of the world, is a genuine, fundamental, overriding feeling. Contrary to my expectation, Africans with whom one speaks freely rarely reproach us for having brought too little education to their country. They thank us for the little we have done. Yearning for education is the most unanimous feeling all through the continent. It affects everyone, be it in the city or out in the bush. This has sprung up over the last two generations only. One of my African friends, who has now achieved a high position in his own country and in the international field

told me the following story: His own father had been one of those who was not permitted by his parents to go to school; the Islamic prayers had been considered enough of an education. In spite of this (or more probably because of it) he was most anxious for his son -- my friend -- to receive a Western education. From the very first day, when my friend came home from school as a small boy, he found his father waiting for him and saying, "Now, you teach me what you have learned today".

There are still a number of obstacles. In a few areas, particularly Moslem ones, the girls do not have the same chances as the boys. But more generally, there are simply not enough schools. In Ivory Coast certain villagers built a schoolhouse, a rudimentary thatch-roofed hut, and then went to the city to recruit anyone who could read and write and would agree to live in the bush, to come and teach their children. The Government calls this type of school "black market", because they are far below the accepted standards, but nobody dares to close them down, so great is popular pressure for education.

The most urgent policy issue is secondary versus primary education. Except in a very limited number

of countries -- Basutoland, the Rhodesias, South Africa, Gabon, Cameroun, Eastern and Western Nigeria, and Ghana -- there are not enough primary schools to satisfy the needs of even a majority of the children. But over all the continent, the number of children who benefit from a high school education is exceedingly small -- 5% on the average in Black Africa. In spite of the great political appeal of universal primary education, a number of African governments have now decided to devote their efforts to an expansion of secondary education, rather than to a further extension of the primary school facilities for the time being. This policy, which by the way has been strongly supported by UNESCO, is a very reasonable one. As Mr. Julius Nyerere told me one day, "It is plain common sense". Without a greater number of educated young men and women, even the most elementary requirements of the civil service cannot be filled. Without at least some of the knowledge acquired during the high school period, it is impossible to go on to the technical education which makes accountants, tradesmen, and technicians in business and industry and in public utilities. This new trend is therefore a very encouraging one.

There are of course problems in this thrust

towards education. At a certain level, specific training can only be acquired at universities, and very often this means European or American universities (or even Russian). If the young men and women do not stay away from their home country for too long, they can be very useful members of the community. If they do stay a little too long, then problems of readaptation are bound to arise. Some of them may tend to despise or reject the traditions of the home; some may be impatient or over-ambitious and become dissatisfied; some may have studied the revolutionary doctrines with passion; in any case training abroad is no longer the simple answer to the lack of adequate facilities at home. Hence, in addition to the drive for more secondary schools, we notice a growing desire for college and university-level institutions. But this is only a minor reservation. The important thing is that people want to learn, and are remarkably able to do so.

[Story of Sir A. - Story of ADC in Tanganyika]

The difficulties which they have to overcome before education, in the Western sense, can really become part of their lives, are much greater than is usually imagined. In a great

number of primary schools established by the British the local language is taught, with English becoming compulsory only in the last two or three years. In French-speaking Africa, French is taught right from the beginning in all primary schools. Now French and English are foreign languages to these children and before reaching school age they have usually learned at least one African tribal language in addition to the one normally spoken in their own family. The so-called vehicular languages are quite frequent in Africa, the best known being Swahili, which is used in the whole area from Kenya to Northern Rhodesia, including Uganda and parts of Congo (Leopoldville). Elsewhere, too, there are vehicular languages. The rapidity with which a European language is assimilated by these children is almost miraculous. It is enough to stop in a village anywhere and talk to them, to be impressed by their intellectual flexibility.

And now the responsible people have a new problem, which is to become bi-lingual in French and English

so that they and their neighbors will be able to understand each other at international conference tables. Language courses for adults are being organized in every capital city in Africa, and they are being faithfully attended.

You understand why I have kept this problem of education for the end. This is the crux of the African problem. Two years ago in Tanganyika, there were 2,400 expatriates working in the Government, but there were only 1,200 students who had graduated from secondary schools. And Tanganyika is not exceptional.

VI.-

Let me conclude with the two questions which I always ask myself when thinking of Africa. One is, how long will it take for the Africans who are fully educated to understand their own countries, and to learn not only what the political and economic problems are which they as leaders must solve, but also how the solutions they propose can be adapted to the attitudes and social traditions of their citizens? It is not much easier for an African to find the right solutions than for a Western adviser. To this question the answer may be that there is no reason why African statesmen and administrators should not be able to learn fairly quickly. This is really

what Sir Abubakar of Nigeria was trying to tell me. And in our own countries politicians and civil servants are still learning day by day.

The second question is: How long will it take for the so-called "primitive" African, who has the benefit of his own tradition but will inevitably be given a Western education, to adapt his own life, and his family's life, to the requirements of a complicated world where his village can no longer remain isolated? On this point we have to be more patient. One day I asked a generous and perceptive white woman who had lived in Africa all her life, how long it would take before harmony is achieved between Western civilization and African tradition. Her answer was, simply, "Three generations of mothers".

Mr. Rist's Speech on Foreign Aid already sent to:

(Feb 21, 1964)

Messrs. Woods

Knapp

Wilson

Wishart

Cope

Demuth

Moussa

Graves

Avramovic

Gordon

Kamarck

Lipkowitz

Badri Rao

Volait

Sagne

Waterston

Miller) European

Sallé) Office

Messrs. Larre

Reilly

Cocke

Lieftinck

Abramowski

Bullitt) U.S. Treasury

Bitterman)

Mrs. Finne)

Mr. Robert Asher) Brookings

Messrs. H. Dubois - French Embassy

de Lattre

Jeanneney - author of French report
on foreign aid

Mendès-France

Rueff

Jean Winter

Paris Office