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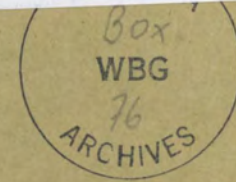
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BASCH

In Jan 1953
Proc Amer Acad
of Pol Science

Draft of Paper

1952
Nov. 12 Mr Basch - speech
Annual Fall meeting -

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INTRODUCTION

Academy of Political Science
Astor Hotel, N. Y. Subject:
"Financing of International
Development and the International
Bank" at session on "The U. N.
and Human Welfare"

Before discussing the problem of financing development, it might be useful to review briefly the organization and operations of the World Bank. When in the summer of 1944 at Bretton Woods the Articles of Agreement of the Bank were drafted, an optimistic view prevailed with regard to real world economic cooperation. The postwar difficulties were underestimated and the magnitudes of the tasks of development and reconstruction were not properly assessed.

Now, more than seven years since the end of World War II, most of the damages have been repaired. A high level of production prevails in the advanced countries with the rate of investment mostly higher than before the war, and development at an increased rate is going on in the underdeveloped nations. However, the expectation of one world has not materialized. The world is divided economically as well as politically into two major groups, one being controlled by or associated with the Soviet Union. The objective of multilateral trade, not hampered by quantitative restrictions, and of free convertibility of currencies was not obtained. The dollar problem has not been settled. Its causes are complex and the real solution is not in sight yet. The dollar gap has been covered by extensive U. S. assistance, a greater part of it in the form of grants, which was very helpful in the reconstruction of Europe and in economic development in general. And there is an expectation that the U. S. will continue to provide substantial external assistance to meet the dollar gap and to accelerate the rate of development. In view of the complex world economic situation and considering the role played until now by financial assistance provided particularly by the U. S., a question

^{1/} In the period July 1, 1945, through June 30, 1952, a total of about \$35 billion of foreign aid was authorized, of which net grants represent \$25.4 billion and loans \$9.6 billion.

is being asked: What is the role and place of the World Bank under the present circumstances and what might be expected from it in the future? It must be pointed out that the World Bank is a first venture of permanent international cooperation in long-term foreign lending. Its unique feature is that it provides an opportunity for participation of lenders and borrowers alike in drafting policies for lending and borrowing. Creditor nations as well as debtor nations are represented on the Board of the Bank.

The Bank is guided in its operations by purposes as stated in its Articles of Agreement and must also follow definite principles as outlined in these Articles. Among the purposes of the Bank are the following:

To assist in the reconstruction and development of territories of members by facilitating the investment of capital for productive purposes;

To promote private foreign investment by means of guarantees or participations in loans and other investments made by private investors; and when private capital is not available on reasonable terms, to supplement private investment by providing, on suitable conditions, finance for productive purposes out of its own capital, funds raised by it and its other resources;

To promote the long-range balanced growth of international trade...
....by encouraging international investment for the development of productive resources.

According to the Articles of Agreement, the Bank can grant or guarantee a loan only to a member government or guaranteed by a member government and only if the borrower is unable to obtain the loan in private markets under conditions which in the opinion of the Bank are reasonable for the borrower. A loan made or guaranteed by the Bank shall, except in special circumstances, be for the purpose of specific projects of reconstruction and development. The Bank would normally provide only foreign exchange requirements connected

with the project financed by the Bank loan. The Bank has to examine whether the borrower will be capable of servicing the Bank loan in foreign currency-- which means that the Bank must investigate the problem of transfer--and there is a special admonition that the Bank should act prudently. These are the principles of the Bank policy, based on the Articles of Agreement; while determining the framework within which the Bank operates, they are not rigid; they are to some extent adjustable to varying circumstances as they occur from time to time or from country to country.

II. FINANCIAL RESOURCES

The Bank is authorized to make loans out of its funds or out of borrowed funds and to guarantee loans. At Bretton Woods it was widely believed that the Bank's main operating activity would be to guarantee loans issued in the markets rather than to grant direct loans. And thus the Bank emerged with a large theoretical lending and guaranteeing capacity but with a modest paid-in capital and a small capital in dollars. The authorized capital stock is \$10 billion. The total amount outstanding of guarantees, participations in loans, and direct loans made by the Bank should not exceed 100% of the unimpaired, subscribed capital, reserves, and surplus of the Bank. At present the subscribed capital of 54 members is \$9,036.5 million; reserves as of September 30, 1952, totalled \$92.79 million. The limit mentioned above would be around \$9.120 million. It should be recalled that at Bretton Woods many countries considered this ceiling as too low and suggested increasing it to at least 150% of the subscribed capital.

(a) Capital subscriptions

Fourth fifths of the subscribed capital is guarantee capital which can only be called upon when it is necessary to meet the Bank's obligations arising out of loans and guarantees. Only 20% of the subscribed capital, i.e. \$1,807.3 million, represents the paid-in capital which is available to the Bank for making direct loans. However, only one tenth of the 20% (or 2% of the total capital) is paid by members in gold and dollars, whereas 18% of the total paid in currencies of the member countries can be used for loan purposes only with the consent of the member whose currency is involved.

As of June 30, 1952, the Bank has obtained \$165.47 million of the 2% paid-in portion of subscription, and an amount of \$663.44 million has been made available out of 18% portion of subscription--of which the U.S. 18% subscription represents \$571.5 million. Ninety-two million dollars have been subscribed by 10 other members. Canada released the total 18% (\$53.35 million); France an amount of \$23.9 million and the UK a sum of \$5.46 million.

The Bank has been attaching special importance to the possibility of using the 18% of the paid-up capital for financing its loans. Of course, the problem is closely related to the member's capacity to export capital--its ability and perhaps determination to export goods and services without obtaining payments in goods and services during the same period. In other words, a country can export capital if it has an overall surplus in its production and also if it receives foreign capital at the same time. This applies to the release of 18% as well as to the Bank's borrowing in various markets.

The amount of the 18% paid-in capital in various members' currencies, which is not at present available for lending, is nearly \$1 billion. It may be assumed, however, that additional portions of the 18% capital will be released for the Bank operations although it would be rather optimistic to expect that the Bank will be able to use for lending purposes the bulk of the remaining 18% in the near future. While some countries might feel strong enough to release the 18% in convertible currencies, others would allow its use only for the purchase of goods in their own territories, and it is not certain whether these goods will be the ones which the borrowers would like to buy.

(b) Borrowing in the markets

When the Bank started its operations in 1946 it had only about \$720 million available for lending. To increase the Bank's own funds it was necessary to borrow in the market. It became evident that most of the funds would have to be obtained in the United States, also because in the first postwar period the United States was the only country which was able to supply the goods needed for reconstruction and development. Of the total \$499.5 million available from sale of bonds on June 30, 1952, \$450 million was issued in the United States, \$14 million in the U.K., \$13.63 million in Canada, and \$22.22 million in Switzerland. Last October an additional \$60 million was issued in the United States.

In addition to borrowing in the markets, the Bank has been endeavoring to interest the private market in more direct participation in its lending by selling to private investors bonds out of its portfolio, thus replenishing

funds available for lending. As of September 30, 1952, the Bank sold bonds from its portfolio equivalent to \$58.9 million, of which \$15.05^{million} were sold without the Bank's guarantee. On June 30, 1952, the Bank had a total of \$1,454.5^{million} available for lending, of which:

Capital subscriptions represented	-	\$828 million
Funds available from sale of bonds	-	499.9
Funds available from sale of loans and principal repayment	-	66.7
Funds available from operations	-	59.0
		<hr/>
		\$1,454.49 million

It should be mentioned that about one quarter of funds available for ~~lending~~ lending was received from, or borrowed in, countries outside the United States. Investors outside the United States hold about 25% of the Bank bonds. Central banks of 12 members have acquired for their reserves substantial amounts of the Bank bonds.

Two features emerge from this. The Bank's funds available for lending have been provided from countries other than the United States to the extent of 25% and furthermore a substantial amount of these funds came from private investors. It may be assumed that this trend will continue, that the Bank will be able to obtain and to lend currencies other than dollars, and that private capital will take a growing part in international investment through the I.B.R.D.

Because various members of the Bank might service loans in non-dollar currencies easier than loans in dollars, the Bank could increase its operations if it were in a position to lend increasing amounts in non-dollar currencies.

III. BANK'S OPERATIONS

As of September 30, 1952, the Bank granted loans amounting to \$1,489.3 million. A total of \$933.7 million was disbursed, \$877.9 million repayable in U. S. dollars and \$55.8 million repayable in other currencies. In the last two years, the lending has been at the level of \$300 million yearly. In the first years of its operations and before the Marshall Plan was introduced, great emphasis was placed on the European recovery which was also regarded as important for the expansion of economic activity in other regions. During this period, the Bank lent \$497 million (so-called general purpose loans) to France, the Netherlands, Denmark, and Luxembourg.

Since then, the Bank has devoted its activity increasingly to loans designed to stimulate the improvement of economic conditions and subsequently the level of production and national income in the underdeveloped countries.

As of June 30, 1952, the Bank loans, classified by purpose, were as follows:

	<u>In millions of dollars</u>
Reconstruction loans	497
<u>Other loans</u>	885
Electric Power	391
Transportation	179
Communications	25
Agriculture & forestry	128
Industry	70
General development	92
	<u>885</u>
	<hr style="width: 10%; margin: 0 auto;"/> \$1,382

The share of Europe was \$699 million; of the Western Hemisphere, \$329 million; of Asia and Middle East, \$129 million; of Africa, \$125 million; and of Australia, \$100 million.

The terms of loans vary according to the type of the loans--short-term, medium-term, or long-term--and of course according to the rate of interest at which the Bank feels it would be able to borrow in the market for similar maturity. It should be noted that in 1947 the Bank issued 3% 25 year bonds at par, while recently it had to offer 3½% at 98% price for 19 year bonds. And consequently, while the Bank charged 4½% (including 1% statutory commission) for 25 year loans in 1947, its rate was increased to 4-3/4% for 20 year loans in June 1952.

In financing economic development the Bank was faced with a new task without precedence. Whereas for stabilization and reconstruction loans some experience was supplied by the League of Nation loans, there has been no precedent for international cooperation in financing development in various retarded areas of the world.

IV. ECONOMIC DEVELOPMENT AND ITS FINANCING

1. The Need for Additional Resources

Economic development of the underdeveloped countries had become an important objective of international cooperation already during the war, and its implementation was expected impatiently especially by the nations who achieved independence after World War II. Even before the war, countries dependent on exports of primary products tried to diversify their economies and

to establish industries. The industrialization trend was intensified during the war. While a determined policy to speed up the rate of development took strong roots everywhere, distinction should be made between countries with relatively ample natural resources and which are not densely populated and countries with strong population pressure where an increase in production particularly of food is needed even to maintain the present low standards of living. There certainly is a difference in the development problems of India and Brazil or Argentina.

Most of the underdeveloped countries can present a good case showing need for additional resources--external assistance in order to accelerate their rate of development. It is estimated that during the period 1924-28 foreign capital going into underdeveloped countries amounted to about \$500 million yearly. It was provided in the form of private foreign investment or loans to governments. At that time, however, the need for an overall development at a speedy rate was not so strongly emphasized as it is at present.

In the postwar period, the situation with regard to the export of capital has been different in various respects. The financial position of Western European countries has changed. They have been able to export capital only on a limited scale while most of them are receiving external assistance in various forms. At the same time the position of the United States and Canada as capital exporting countries has become much more prominent. It is very difficult for the underdeveloped countries to borrow abroad in private markets. Private foreign investment, although substantial, including U.K. capital exports to the sterling area, has remained behind the expectation and a great part of it was connected with the exploitation of oil and other mineral resources.

But at the same time the demand for speedy development has been increasing all over the world. Long-range programs are being prepared calling for overall development of nations' resources. Often an attempt is made to calculate the total capital that would be needed for investment in order to make possible increased national income per capita. Only for illustration purposes, estimates should be mentioned prepared by a group of United Nations experts showing how much capital would be needed annually in underdeveloped areas in industries and agriculture to raise the national income per capita by 2% annually.^{1/}

A population increase of 1 $\frac{1}{4}$ % yearly was assumed in the period 1950-60. The total capital required was calculated at \$19,134 million yearly, \$15,270 million for industrialization and \$3,864 million for agriculture. An annual transfer out of agriculture of 1% of the total working population into employment other than agriculture was assumed.

Net domestic savings in 1949 provided \$5,240 million so that annually an amount of \$13,894 million would have to be obtained from abroad.

The following are the figures estimated for South and Central Asia (India, Pakistan, Ceylon, and Nepal):

<u>Total needed</u>	<u>\$5,320 million yearly</u>
For industrialization -	\$4,360 million
For agriculture -	960 million
Net domestic savings	\$1,200 million
	<hr/>
	\$4,120 million yearly

Net domestic savings represent only 22 $\frac{1}{2}$ % of the total requirements.

^{1/} Measures for the Economic Development of Under-Developed Countries--UN 1951, p.76

It is not without interest to compare with this estimate the figures of the Draft Outline of the Five Year Plan for India, which represent more than three fourths of the population of South and Central Asia. The total investment for five years, estimated at the equivalent of about \$3,600 million or \$720 million a year, of which about two thirds are expected to come from domestic resources. The Plan assumes, perhaps on a rather conservative basis, an increase in income per capita of less than 1% per year.

The United Nations experts point out that their figures do not need to be taken exactly but they serve to emphasize that if these countries are to progress more rapidly in the future than they have done in the past or are doing at present, the influx of capital must be multiplied several fold. And, therefore, if one speaks of rapidly increasing the standards of living of the underdeveloped world, it should be realized that this involves a transfer of several billion dollars every year. It is not the place here to examine the figures contained in the United Nations report. Many experts would point out that the amounts mentioned could not be absorbed at the present stage of development in various countries, that as a country develops more funds might become available from its own increased income and less assistance needed from abroad. The foreign assistance is to provide only a margin between the local available resources and the real requirements. It is difficult to envisage all the problems which would arise from the fact that external assistance would finance two thirds or even three quarters of investment every year during a period of accelerated development. But even if the figures are deflated substantially, it is clear that large amounts of foreign capital will be needed for some time to accelerate the rate of development, especially in the overpopulated poor countries.

In examining the sources from which this capital can be obtained, it must be determined how much of the needed external assistance can be given in the form of normal loans. This is a problem which is of the utmost importance for the Bank's operations. It is necessary to assess how much foreign debt a country could service. A dynamic approach must be taken to forecast the balance of payments of the developing countries and to estimate the foreign exchange earnings and foreign exchange savings resulting directly and indirectly from a development program. Moreover, it is necessary to make a special assessment as to how much of the foreign debts could be serviced in dollars. On the basis of a careful and dynamic evaluation it is possible to establish a ceiling indicating the level of loans in general and dollar loans in particular which it would be prudent for the borrowers to incur. Such ceiling is not rigid and is being revised according to the changing economic and financial situation.

It is clear that in some of the poorer nations the rate of development cannot be accelerated greatly if the only external capital they receive consists of loans which have a reasonable prospect of repayment. It is understandable that there has been an increasing demand for grants for development to meet especially capital requirements for health, sanitation, education, highways, rural development, etc. It is once more a question of obtaining additional resources to secure a steady rate of investment. To the extent that grants increase directly or indirectly the productivity of a nation, they should improve its creditworthiness.

It has been said repeatedly that the funds needed for speeding up the investment in the underdeveloped areas represent only 2% or even less of the national income of the advanced countries and that a yearly transfer of these amounts would not cause any strain on the economies of the advanced countries.

Although attitude towards grants for development has become more favorable in recent years, it would not be advisable to rely on grants on a large scale as a permanent source of capital for development. No country should feel that it has a right to obtain grants or, vice versa, that it is under obligation to provide grants. As already mentioned, private foreign investment has not played a very important role in promoting economic development of the underdeveloped countries in the postwar period. The reasons for it have been discussed repeatedly and need not be mentioned here. However, some hope for improvement may be expressed. There are indications that the general climate for private foreign investment will improve in various countries. Furthermore, with increased public investment on improving basic facilities, private investment may be expected to increase.

An International Finance Corporation which would be affiliated with the Bank--now subject of a thorough study--might also prove to be a useful instrument for stimulating investment, both domestic and foreign, in enterprises significant in economic development. Such an institution would be able to do two things that I. B. R. D. does not do: it could make loans to private enterprises without government guarantees; and it could provide equity capital.

2. Other prerequisites of development

Although more financial assistance for development is being provided, it should be clear that development is a complex process requiring much more than financial resources. A substantial gap exists between the concept of development potentials and the formulation of practicable proposals designed for the realization of these potentials.

Among the obstacles to a more speedy development only the following should be listed: the low level of education and of intelligent and skilled manpower which exists in most underdeveloped countries, and the low health standards which also form a substantial obstacle to economic development. Development is greatly hampered by the limited resources of domestic capital available for investment in most underdeveloped countries, as a result partly of the low level of national income and partly of inadequate machinery for encouraging savings and channelling them properly. It is necessary to create an appropriate environment for development and this task will have to be performed by the underdeveloped countries themselves.

The changes involved by rapid development are well described in a recent article by a foremost Indian economist, Professor D. R. Gadgil: "Rapid development.....means change in the traditional organization of production; it means rapid acceptance of change in techniques as a normal and continuing process, acceptance of a change of occupation; and change-over to urban surroundings for a large number of people and other concomitant changes. Readiness to accept change, to be mobile in occupation, habits and habitat is a necessary condition precedent of rapid economic development."^{1/}

^{1/} D. P. Gadgil: Pre-conditions of Economic Development. The Indian Economic Review, Feb. 1952, p. 20.

In its operations the Bank has been in a good position to obtain firsthand knowledge of problems connected with development. In addition to a general examination of the overall financial and economic situation of a borrower, the Bank must examine from various points of view the soundness of projects which it is requested to finance. What are the most urgent and the most useful projects and how well are they prepared? Where would a Bank loan have the best results and facilitate development in other fields? What would be the effects of development on income and import propensity during the period of construction and also later on? What are the expected direct and indirect effects of a project or of a development program in general on the long-range trends of the balance of payments of a borrower.

The Bank does not regard itself merely as a source of financing and has been providing technical assistance especially in connection with projects which the Bank helped finance. It begins when a project is reviewed before a loan is granted and continues during the execution of a project. Financing similar projects--for instance, irrigation, power, and transportation--in different countries, the Bank is becoming a clearing house of experience in various fields. Its members will automatically benefit from this rapidly growing experience.

An important part of the Bank's work have been the general survey missions, composed of impartial experts, to help member countries assess their potentialities and draw up broad programs which will best channel their own energies and resources into development. Such missions have been sent to Colombia, Turkey, Cuba, Guatemala, Iraq, Ceylon, Jamaica, Nicaragua, Surinam. While it is premature to evaluate the results of the work and reports of general survey missions,

it seems that their findings will have direct bearing on the policy of the governments involved and, moreover, might have contributed to the general analysis of development possibilities in the underdeveloped countries.

Economic development is being considered as a very important field of activity of various international organizations and the Bank should benefit from the technical assistance which prepares the ground for development in general. A very good example of international cooperation can be presented in the Colombo Plan.

Members of the Colombo Plan--for instance, India and Pakistan--are getting technical assistance from U.N.T.A.B., U.N. Specialized Agencies, U.S. Point IV program, and from the Colombo Bureau for Technical Assistance. They are receiving financial assistance in the form of grants from the United States, Canada, Australia, New Zealand, and in the form of loans from I.B.R.D.

All these activities are coordinated with the development program of India and Pakistan. Moreover, the developing countries themselves are beginning to exchange valuable experience gained in the implementation of their plans.

IV. A NEW STAGE OF ECONOMIC DEVELOPMENT

The development problem has reached a new stage. Transition has been made from blueprints to practical planning, from targets of increased rates of investment to realistic calculations on how the funds needed for investment might be obtained. It is realized that there is no quick and easy way to raise the standards of living. Development is going on at an increased rate all

over the world. Actual results visible in the form of more water for irrigation, more power, new transportation possibilities, new factories, schools, and hospitals are more impressive than calculations on what percent of national income should be invested, dependable estimates of which are so difficult to obtain for most of the underdeveloped countries. There remain, of course, many questions which require further studies, especially on various aspects of economics of development. We learn as we go.

In recent years the role of the Bank and its potentialities also have become better known and more properly assessed. It is obvious that the Bank is in no position to provide external financing for all meritorious projects of reconstruction and development, but it can furnish a strong catalyst by which production may be stimulated and private investment encouraged. As mentioned already, the Bank which operates now in 28 countries has been granting loans at the level of \$300 million a year in the last two years. The total amounts of investment in projects which the Bank is helping to finance is much greater because the Bank is providing only a part of the required resources. Because it has been said very often that the Bank lending has been too small, the question might be asked whether economic development would have been substantially accelerated if the Bank's lending had been developed. It is very doubtful that this would have been the case. In this connection it should be recalled once more that the Bank expects repayment of its loans. If amounts are mentioned of billions of dollars (whether 3, 5, or 7 billion) needed yearly as external assistance for increased rate of investment in the underdeveloped areas, it is obvious that those who favor such an amount of external assistance cannot count on the repayment of the invested amounts. It may be said that future expansion of trade will make possible servicing of the amount to be

provided in one or two years. But, if it is proposed to provide such financing, let us say for ten years, it is more than difficult to envisage by how much world trade would need to expand and what pattern it would have to take to make possible service amounting to several billion dollars a year or should one expect that the repayment would be made feasible by continuous export of capital on such a scale?

With regard to the Bank loans, it should be pointed out that the Bank establishes continuing relationship with its member borrowers and is trying to support the development of its members year by year and step by step. It is lending for those purposes which will do the most to make borrowing countries more productive and able in the future to put still more money to work. The Bank loans will continue to increase and will eventually represent a revolving fund providing loans for development.

To provide technical as well as financial assistance to economic development is high on the agenda of international cooperation, and the problem is being attacked on all fronts. The future role of the Bank will also be dominated by problems related to economic development. The dynamic process of development which has been gathering momentum should bring about a high level of activity in the advanced countries and increased rate of investment in the underdeveloped areas. It should increase world production and expand world trade. Because the development will require additional external resources, the assistance in whatever form must be steady and continuous. This will be possible only if a policy of expanding economy and international trade is pursued. Only if such policy prevails, a satisfactory world economic situation can be obtained, leading to a new economic equilibrium, the pattern of which is still not clear. And only in such circumstances can real international cooperation and fruitful operations of an international financial institution such as the World Bank be expected.

Basch 3/27/52

ANNEX

STATEMENT BY THE REPRESENTATIVE
OF THE INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT.

It is a great privilege for me to make a statement on the role of the Bank before this Committee. In Chapter I the report says that a close liaison with the Bank was established. In connection with that I should like to refer to the exchange of letters between Mr. Gaitskell, the then Chancellor of Exchequer, and Mr. Black, President of the Bank. Following a discussion which took place in Washington, Mr. Black wrote a letter to Mr. Gaitskell which expressed the basic attitude of the Bank towards the Colombo Plan. I quote from it the following paragraph:

"We are keenly aware of the importance of economic development of South East Asia and of the need for speedy improvement of the standard of living of its people. We, therefore, welcome the opportunity to cooperate with the Governments and with the Committee in preparation of their development programmes and in financing as large a part of those programmes as each country's credit-worthiness will allow."

I should like to add that the Bank's assessment of a country's credit-worthiness is not a static figure. It is subject to revision in the light of various circumstances and, as stated in the above-mentioned letter of Mr. Black, the amount of grants received is one of the factors which influence each country's creditworthiness.

2. The Bank was glad to accept the invitation to attend the Colombo meeting last February. At that meeting operations of the Bank were explained and discussed at some length. When the Bank was invited to make the liaison established at Colombo meeting both close and continuous, the Bank answered that the arrangements proposed concerning the Bank's liaison with the Committee are entirely acceptable to it and expressed the belief that arrangements will prove entirely satisfactory and fruitful.

3. The President of the Bank, Mr. Black, visited Pakistan, India, Ceylon, Singapore and Thailand only a few weeks ago. The Governments of these countries had certainly a good opportunity to discuss with Mr. Black their problems especially as they are related to the Bank. Therefore, I shall limit myself to a brief factual statement concerning the Bank's activities in these areas since the Colombo meeting. Towards the end of June loan negotiations started with Pakistan. In the course of these negotiations the management of the Bank informed the Government of Pakistan in December

that it is prepared to recommend to the Board that the resources of the Bank should be made available to Pakistan for the purpose of financing on a loan basis the foreign expenditure in specified projects in the development programme to the extent of Pakistan's capacity of service, external debt in the form of loans from the Bank. It stated that in the present circumstances it is prepared to recommend the consummation loans to Pakistan up to a total of 65 million dollars together with an additional amount in non-dollar currencies of which the specific amount would depend upon the availability to the Bank from time to time on resources of non-dollar currencies for use in its lending operations.

4. Last week the management proposed a railway loan for Pakistan to Executive Directors and the execution of loan agreement is expected before the end of this month. Negotiations continue for loans for other projects.

5. In October 1951 the Government of India requested the Bank to send a Mission to re-assess the country's economy and financial position, examine the planning, financing and execution of the development program and report to the Bank on any project the Government may submit for its attention. The Mission has been in India seven weeks in November and December and an economic report prepared by the Mission was submitted to the Board in the middle of February. In this connection I should like to mention the following statement which Mr. Black made to the Press before his departure from India on February 22nd.

"I am prepared to recommend that the Bank go ahead and make a further substantial investment in India and to recommend that the Bank actively support the five year plan by making loans for some of the projects in the Plan as soon as they have been finally prepared and ready for financing."

6. The Government of Ceylon requested the Bank to send an overall Mission to undertake a study of Ceylon's economic potentialities and make concrete recommendations designed to assist the Government in formulating and implementing a long term development programme. A team of 12 experts was sent to Ceylon early in October. The Mission returned to Washington towards the end of December and began to prepare a report. The Mission covered the major fields of Ceylonese economy including public finance, agriculture, industry and mineral resources, irrigations and water resources, transportation, power and public health. It is expected that the report will be completed at an early date. It is hoped that the findings of the Mission will be helpful to the Government of Ceylon in working out in details its development programme.

7. Overall Survey Mission is one example of technical assistance provided by the Bank which covers a wide range of subjects. Various other instances might be mentioned. Here I should like to draw attention especially to one field. When the Bank examines projects submitted to it for financing, it is in a position to suggest improvement and changes and even to help the country in evaluating appropriately the place of the project in the overall development programme. Some times the Bank suggests to a member a project which was not submitted to it. The Bank scrutinizes projects submitted for its consideration very thoroughly. Some times members feel perhaps that the Bank is too thorough. Furthermore the Bank provides technical assistance during the execution of projects which are financed from its loans either using its own staff or calling sometimes outside experts. It is endeavoring to see the projects through to their successful completion.

8. Finally, I should like to mention another item. In an effort to help member countries to obtain the equipments they need and to give them the information required for planning, the Bank has established a new unit to keep abreast of supply developments in US and in Western Europe, to assist borrowers in getting export priorities from the US and to keep members informed of Government regulations which affect the availability of goods for exports.