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GILMARTIN, WILLIAM B. - ARTICLES and speeches (1967-1979)



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GILLMARTIN

AIR MAIL

November 13, 1967

Letter No. 256



Dear Mr. Gilmartin:

I am sending herewith some notes for your use at the time of the Colombo Plan meeting in Rangoon in December.

With kind regards,

Sincerely yours,

S. Sankaran
Information Department

Enclosure

Mr. William M. Gilmartin
Resident Representative
International Bank for Reconstruction
and Development
P.O. Box 416
New Delhi
India

cc: Mr. Lind
Mr. Votaw
Mrs. Eliason ✓

Notes for a speech by Mr. Gilmartin at a meeting of the
Colombo Plan Consultative Committee, Rangoon, Burma, December 1967

Mr. Chairman, Members:

The World Bank Group is particularly happy to have the opportunity of being represented and heard at this meeting of the Colombo Plan Consultative Committee. Participation in these meetings has proved rewarding, since they provide welcome opportunities for exchange of valuable experience. The World Bank and the Colombo Plan share a common heritage. They are the offspring of purposeful international cooperation to seek new resources and new ways of putting them to work to improve the living standards of the people in the less developed countries. Besides, countries in the Colombo Plan region are the principal recipients of development finance from the World Bank and its two affiliates, the International Development Association, and the International Finance Corporation.

* * * * *

Let me briefly mention some of the problems of common concern to the Colombo Plan and the World Bank Group. The first of these is the problem of trade and its impact on development -- a problem which engaged the attention of the Consultative Committee at its meeting in Karachi. Export earnings, rather than foreign assistance, finance most of the imports needed by our developing member countries to carry forward their development programs.

Exports provide about four times as much as official development finance and international private investment. It has been estimated that a one per cent adjustment in shares of world export trade would bring about an improvement of well over a billion dollars in the fortunes of less developed countries. Hence, it is a matter for concern that total exports of less developed countries have not been growing sufficiently fast. We are equally concerned about the problem of instability in prices of primary commodities. At the last Annual Meeting the World Bank held at Rio de Janeiro, the Board of Governors resolved that the Bank should undertake a study of the problem of stabilization of prices of primary products. As you are aware, the Bank staff had in the previous year submitted a study to UNCTAD on Supplementary Financial Measures. Under the scheme contemplated in the study, supplementary finance would be provided to support development programs that would otherwise be disrupted by the failure of export earnings to come up to reasonable expectations.

* * * * *

Replenishment of IDA Resources

A matter of particular interest and importance to several countries in the Colombo Plan region concerns the replenishment of the resources of IDA. The principal purpose of IDA is to meet the needs of those developing countries whose ability to organize and execute sound programs of investment for economic growth is greater than their capacity to service foreign debt on conventional terms. IDA has been particularly active in this region. About

75 per cent of all IDA lending has been in Asia. The Association's usable funds from the start of its operations in 1960 to the end of June 30, 1967 amounted to \$1,781 million. IDA had formally committed as much as \$1,694 million as on that date, leaving some \$86 million in uncommitted resources. This amount has already been earmarked for projects already in the final stage of preparation. In July 1966, Mr. George D. Woods, President of the World Bank and IDA, submitted a proposal to 18 donor governments for the replenishment of IDA resources on a scale that will permit the Association to make commitments to the developing countries in amounts more commensurate with their abilities and needs. These discussions are in progress.

Asian Development Bank

I take this opportunity to welcome in our midst the Asian Development Bank. The emergence of this new multilateral development finance institution on the Asian scene is particularly timely, since it opens for business at a crucial moment when the pace of economic progress in developing countries is threatened by a finance gap -- the difference between the capital available and the capacity of developing countries to use increasing amounts of capital effectively and productively. The World Bank Group has cordial and constructive relationship with the Asian Development Bank. We are ready to consider joint financing of well-conceived projects, regional or otherwise, that the Asian Development Bank brings forward.

* * * * *

World Bank Group's Commitment in Fiscal 1966/67

During the fiscal year ended June 30, 1967, the Bank and its affiliates were particularly active in countries of the Colombo Plan region. In 1966/67, Colombo Plan countries accounted for more than 40 per cent of lending and investments by the World Bank Group. Bank loans, IDA credits and IFC investment commitments totaled \$582 million -- some \$157 million more than in the previous fiscal year. In all, the Group had committed over \$5,000 million to help finance development projects in Afghanistan, Australia, Burma, Ceylon, India, Iran, Japan, Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore and Thailand.

Industry

More of the Group's new commitments were for the development of industry in the region than for any other purpose. These commitments amounted to \$338 million. IDA provided \$240 million to assist selected capital goods industries in India and Pakistan to import components and raw materials essential for utilizing existing productive capacity. Since June 1964, when IDA started giving this type of assistance, the Association has provided a total of \$455 million for this purpose, all of it to this region.

The World Bank provided \$50 million for development finance companies in Iran and the Philippines. Both the companies had received assistance from the Bank in previous years. In all, the Bank Group had provided a total of \$400 million for development finance companies in India, Iran, Malaysia, Pakistan, the Philippines and Thailand. These development finance companies have in turn undertaken much larger investment commitments, chiefly in industries such as textiles, food products, chemicals and fertilizers, iron and steel, machinery and equipment, and pulp and

paper. They have also provided their clients with technical and managerial assistance and, by underwriting new issues of industrial securities, have assisted in the development of capital markets.

In addition, the Bank provided \$30 million to the Indian Iron and Steel Company to help finance a project designed to increase the company's output of saleable steel by a third by 1970. This loan brought total assistance by the Bank to the Indian steel industry to \$206 million.

IFC's commitments for industry in the Colombo Plan region were at a high level of \$17.9 million during the fiscal year. In India, the Corporation made an equity and loan commitment of \$1.5 million to complete the financing for new caustic soda plant near Calcutta. IFC entered the fertilizer field in India with an investment of \$11.5 million to help finance a \$82.5 million fertilizer plant in Kanpur, Uttar Pradesh, with an annual capacity of 450,000 metric tons of urea. It will be the largest nitrogenous fertilizer plant in Asia when completed in late 1969. The plant is the first major private sector project to go forward in the current program to increase Indian fertilizer output. It will help meet India's critical need for more fertilizer to increase domestic food production and will benefit Indian balance of payments through net foreign exchange savings estimated at between \$20 million to \$30 million annually. In Pakistan, in a joint venture with a German consortium and Pakistani private investors, IFC undertook an investment commitment of \$5.2 million to help finance a \$25 million integrated pulp and paper mill.

During the fiscal year, the Bank made loans totaling \$128.5 million for development of transportation in countries in the region. These loans

will help provide additional financing for the Tokyo-Kobe Expressway, and assist further improvement of Pakistan's Western Railway and the expansion of the Port of Singapore.

Malaysia, Pakistan, the Philippines, Singapore and Thailand borrowed \$85.5 million from the Bank for the development of their electric power generation and transmission facilities. The International Finance Corporation undertook an investment commitment in an investor-owned electricity undertaking in the Philippines. This was the Corporation's largest commitment to date and its first in a utility.

In Thailand, the Bank made a loan of \$6 million to assist in financing a project intended to strengthen and expand vocational education for agriculture and industry. The project -- to be carried out over three years at an estimated cost of \$21 million -- includes the expansion of 14 trades and industries schools, nine vocational agricultural schools and an agricultural teacher training center.

A Bank loan of \$10 million is assisting the Kemu irrigation project in the northeast part of the Malay Peninsula. The project is designed to provide irrigation water for the growing of two crops of rice a year on 47,000 acres of the coastal plain in the State of Kelantan.

IDA joined Sweden in providing a total of \$3.5 million to Pakistan for financing the initial stage of a program to rehabilitate and expand the water supply, sewerage and drainage system in Lahore, the second largest city in West Pakistan. IDA's share in this total was \$1.75 million. On a reimbursable basis, IDA extended a credit of \$1 million to assist in financing engineering services connected with the preparation of a highway development project.

Technical Assistance

A major factor which tends to limit economic growth in the less developed countries is the lack of skills at various levels. The Bank's technical assistance activities are directed toward filling in the vital gap in economic expertise and thus enable these countries to make good use, in increased quantities, of their own and outside capital for development. For countries that require outside help, including financial assistance, to establish priorities for investment in major economic sectors, or to prepare development projects, the Bank assists in various ways. The Bank normally encourages governments to look to the UN Development Programme (UNDP) for financing sector and feasibility studies. The Bank, however, stands ready to help in the preparation of applications to the UNDP, and to act, on request, as the Executing Agency for selected UNDP pre-investment projects. This means that the Bank helps to organize the study, negotiates the terms of reference with the government and the UNDP, employs consultants, when required, to carry on the study, supervises the work in the field and evaluates the resulting report. When the foreign exchange cost involved is \$200,000 or less, the Bank may itself finance the study through a grant. When larger amounts are involved, if UNDP financing is either not available or inappropriate, and if the country is eligible for IDA assistance, the foreign exchange cost of a study can be met by an IDA technical assistance credit. As mentioned earlier an IDA credit was extended to Pakistan for this purpose.

During the year, the Bank agreed to help meet the foreign exchange costs of a road maintenance study in Afghanistan and a highway planning and maintenance study in Ceylon. Several Bank-financed studies in the region were completed. They included studies of a land development scheme in Malaysia, a river basin development scheme in Afghanistan and transport surveys in eastern India and Korea.

The second part of a major study of the water and power resources of West Pakistan was virtually completed during the year. The study, carried out by a Bank team headed by Dr. Pieter Lieftinck, an Executive Director of the Bank and IDA, and assisted by a number of consultant firms, was financed by the Indus Basin Development Fund. The purpose of the study was to provide the Pakistan Government with a basis for planning the development of the water and power sectors in West Pakistan and to help determine which of several potential projects are economically viable and capable of execution during the two Five Year Plan periods 1965-70 and 1970-75.

In addition, the Bank is acting as Executing Agency for a UNDP survey of transport facilities in Malaysia.

By organizing expert missions, the Bank assists member governments to formulate development programs as a framework for investment and to adopt policies conducive to economic growth. The Economic Development Institute (EDI), the Bank's staff college, helps to train senior officials of the developing countries in development techniques. In the past 12 years, some 250 senior officials from countries in the Colombo Plan region have participated in the various courses conducted by EDI.

Increased Resources for IFC

During the past year, the Bank approved a line of credit of \$100 million to IFC, which has now become the World Bank Group's main arm in the field of industrial development and acts for the whole group in the technical and financial appraisal of all proposals for industrial financing.

The loan, the first from the Bank to IFC, follows the completion of amendments to the charters of the Bank and IFC in late 1965, under which IFC is permitted to borrow up to approximately \$400 million from the Bank for use in the lending part of its operations. With increased resources, IFC is in a position to undertake larger individual commitments -- as much as \$20 million -- in private enterprises in the less developed of its member countries. Three of the commitments undertaken during the year were for more than \$10 million as against a previous maximum single commitment of \$6 million. Two of these large commitments were in this region -- one of \$11.5 million in a fertilizer plant in India and another of \$12 million for an investor-owned power utility in the Philippines. The investment in the Philippines also underlines the growing diversity in IFC's operations. Till recently IFC commitments have for the most part been in manufacturing enterprises and development finance companies. With new lending resources at its disposal and with the gaining of investment expertise, the Corporation has added agriculture, utilities, and tourism to its list of ventures.

Settlement of Investment Disputes

The World Bank Group persists in its efforts to enlist more fully in the development effort private capital together with the managerial and technical skills that come with it. It is generally recognized that there is scope for an increase in the flow of private capital to the developing countries. To this end the climate for foreign investment must be improved, thus increasing the willingness of private entrepreneurs and investors to

venture abroad. The World Bank Group has been carrying forward two projects -- a Convention on the Settlement of Investment Disputes between States and Nationals of Other States and a multilateral investment insurance scheme. The Bank-sponsored Convention on the Settlement of Investment Disputes between States and Nationals of Other States entered into force on October 14, 1966. The Convention established an International Centre for settlement, by voluntary recourse to conciliation or arbitration, of investment disputes between states and nationals of other states. The Administrative Council of the Centre held its inaugural meeting on February 2, 1967, and elected Mr. Aron Broches, the World Bank's General Counsel, as Secretary General. The Centre is an autonomous international organization. The Administrative Council consists of one representative of each State which has ratified the Convention. Japan, Malaysia, Korea and Pakistan from this region have ratified; Afghanistan and Nepal have signed but not yet ratified.

Food and Fertilizer

Of particular concern to all engaged in the development field is the failure of food production in many countries to keep pace with the growing population and rising standards of nutrition. A high proportion of employment in many developing countries is generated in the agricultural sector, and the export earnings in a number of countries are almost entirely dependent on it. The failure in the agricultural sector has acted as a severe constraint on the economic development of many countries. There is a growing realization that a satisfactory rate of development can be achieved only through more rapid improvements in agricultural techniques and organization. One means

of achieving important additions to agricultural production in a very few years lies in the increased use of chemical fertilizers. The World Bank and IFC have initiated discussions looking toward an effective contribution by industry to bring about a decisive improvement in food production through projects for the manufacture and distribution of chemical fertilizers in the developing countries. In the past year, three important fertilizer projects reached the financing stage. One of these, as mentioned earlier, was in India.

Aid Coordination

The amount of international financial assistance available to less developed countries is limited, which underlines the need for efforts to optimise the use of available funds through coordination of external aid. The preconditions for the successful working of coordinating groups are that the developing countries for which coordinating groups are formed should be attempting earnestly to improve their economic performance and that the donor countries participating in a coordinating group should recognize a responsibility for using their best efforts to assure that a recipient country, given good performance on its part, will receive financial support on an adequate scale and suitable terms.

The World Bank Group's efforts in the aid coordination field began in this region, in the summer of 1958, when a group of sympathetic governments and institutions met under the chairmanship of the Bank to consider action needed to avert a foreign exchange crisis in India. Two years later a consortium was organized for Pakistan. Since then, bodies of similar design -- known as Consultative Groups -- have been organized under Bank chairmanship

for eight other countries including Korea, Malaysia and Thailand. On a less formal basis a group of countries interested in assisting Ceylon to maintain an import program for development in the face of severe foreign exchange difficulties met in 1965, 1966, and 1967. Observers from the Bank attended meetings of creditors of Indonesia in the past fiscal year.

In another role, the Bank is acting as coordinator of financial assistance to large development projects in Asian countries. One such instance pertains to the development of the Indus Basin in West Pakistan. The Bank is the Administrator of the Indus Basin Development Fund of some 1,200 million, established in 1960, to finance a system of irrigation works in the Indus Basin in West Pakistan. The Bank and IDA have provided about \$149 million to the Fund. The Bank is also acting as Administrator of the \$23.4 million Nam Ngum Development Fund, although the Bank is not itself providing any of the financing.

*Monegue - suggest filing in
speech book Gilmartin*

FILES

December 26, 1972

S. Sankaran

**Statement by Mr. Gilmartin at the International Journalists Seminar,
New Delhi, December 6, 1972**

Mr. Gilmartin's statement (copy attached) was well received
and had a good play (thanks to Press Trust of India) in the Indian
press and radio.



SS/rv

Attachment

cc. : Mrs. Bomstein ✓

Statement by William M. Gilmartin. World Bank, to
International Seminar of Economic Journalists,
New Delhi, India, December 6, 1972.

We are particularly happy to be here to participate in this seminar on a subject of such great significance to policy makers of the developing world. Seminars in the development economics business have become well established parts of the development scene over the last decade or so. But this seminar is perhaps a landmark as the first time that an influential section of society - the press - has organised consideration of development problems of this type and magnitude. I take the opportunity to congratulate the Forum of Financial Writers, New Delhi, for providing the lead.

We at the World Bank attach particular importance to this seminar because of its concern with development in its broadest social context. It represents an effort at a better understanding of the very wide social as well as economic complexities of the economic development process. It should, therefore, help the press, and all of us, to foster a better understanding by the public at large of the problems and prospects of economic improvement for the poorer populations of the world. This in turn is a necessary pre-condition for the evolution of an appropriate development strategy. It is also essential to a wider and more willing acceptance by the wealthier peoples of the world of assistance to the vast numbers who are very poor indeed.

The critical place of social equity in economic development was a key consideration at the Bank Group's Annual Meeting of the Board of Governors in September last. The place of equity in development, the record in this respect, and World Bank views on this vital matter were discussed at that time in the speech of the Bank Group President, Mr. Robert McNamara. We have arranged to circulate the speech to delegates to this seminar. Hence I need not go over this crucial ground again. We are also circulating to you a number of other documents that may give some further idea of the Bank Group's Philosophy and approach to the problems of development.

The cooperation between India and the Bank Group goes back over more than two decades. We have an active program in India both in contributing to development financing from Bank Group resources and in helping India to mobilise other external means of development financing. As part of our global effort to expand Bank Group assistance - both in volume and range - to the developing world, we expect to continue to concentrate a large share of Bank Group resources and attention on India.

In the fiscal year ended June, 1972, our commitments to key sectors of the Indian economy amounted to about \$ 475 million, a new record for our activities in India. These activities covered a wide variety of social and economic fields, some of which we participated in for the first time in India, like shipping and family planning. It is also significant to record that of the year's commitment, more than 85% has come from the International Development

Association. This is the part of the World Bank Group providing resources on highly concessional terms. We have just started the current fiscal year with an IDA credit for yet another new type of project for us in India, agricultural education.

We expect that the Bank Group will continue to be at least as active in India as in the last year, and ^{probably} more so. It is our hope that this program of the World Bank Group will make an important contribution both to the expansion of the Indian economy and to wide participation in the benefits of that expansion. We are concerned indeed with the importance of these dual objectives not only for the very poor of India but of the whole world. At the same time we are also conscious of the difficulties of finding ways to make acceptable progress toward these objectives. One can feel only humility in searching for strategies of greater and more widely shared development within the limitations of present knowledge and experience.

The Group's ability to assist member countries, particularly poorer member countries, depends on the availability of adequate funds to our IDA affiliate. We are therefore pleased indeed that, with the coming into effect of the Third Replenishment of IDA resources in September, IDA is once again in a position to resume assistance on soft terms to India and other developing member countries on an increasing scale.

May I conclude by thanking the sponsors of this Seminar for the excellent arrangements, for providing the opportunity for consideration of this vital aspect of development by the financial Press, and for allowing the World Bank Group to be represented as observers in these considerations.
