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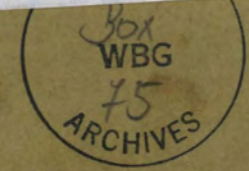
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The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
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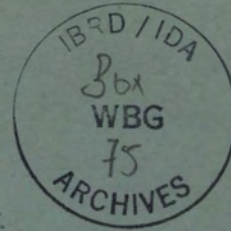


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PROBLEMS IN THE DEVELOPMENT OF PORTS IN THE ECAFE COUNTRIES

Mr. S. Aldewereld
Vice-President,
International Bank for Reconstruction
and Development



IAPH TOKYO CONFERENCE '67

PROBLEMS IN THE DEVELOPMENT OF PORTS IN THE ECAFE COUNTRIES

A. Introduction

It is, for me, an unusual pleasure to present to an association of ports and harbours a paper dealing with problems of port development—an interest with which I have been associated for many years in the World Bank. I would like, initially, to briefly outline the Bank's general activities and then to refer to our particular interest and activities in ports and harbours.

The World Bank was founded by international agreement at the Bretton Woods Conference of July 1944 and started operating actively as a development agency in June 1946. The Bank is a member of the United Nations family of specialized agencies and operates as an international cooperative organization. By November 1966, the Bank's 105 member governments had subscribed \$22,620 million, of which the equivalent of \$2,260 million had been paid in, partly in gold or dollars and partly in local currencies. The remainder is subject to call only to meet obligations of the Bank arising from its own borrowings or guarantees. The fact of having such a large sum on call as insurance has been a major factor in allowing the Bank to mobilize funds—primarily by the sale of its bonds—from the capital markets of the world.

The Bank uses the funds available to it to finance projects in member countries promoting their economic development. The bulk of the Bank's lending has been for basic services required in the formation of a sound foundation for sustained economic growth. To date, about one-third of total Bank lending has been utilized for transportation, another one-third towards electric power, and most of the remainder to industrial development, agricultural and educational projects. By November 1966, the Bank had made 468 loans, amounting to over \$10 billion.

In addition to being an international lender, the Bank acts as a catalyst for growth in other ways. In fact, a mere summation of the Bank's project lending commitments considerably understates the substance of its working relationship with developing countries among its membership. In many of these countries, the Bank finds itself operating as economic counsellor, technical adviser and friendly critic. Beyond financial assistance, the Bank's role may range from technical and administrative assistance in the preparation and execution of individual projects, to helping countries draw up long-range national plans for economic development, to studies of international economic trends that have a bearing on the growth of the less developed countries. For all these ends, the Bank has

equipped itself with a broad-gauged professional staff, including bankers, economists, engineers, agronomists and other kinds of experts.

In so far as individual projects are concerned, at the time of negotiation of a loan it may be agreed between the borrower and the Bank that certain of the borrower's activities need to be improved—a more up-to-date accounting system that can be an effective tool of management; a revised rate structure to level out inequalities and improve financial viability; a strengthening of the Engineer's department or the employment of consultants; an improvement in the handling and storage of cargo; a reorganization of management to improve the administration; and so on. Bank staff will assist the borrower—and often a potential borrower—in preparing suitable terms of reference for the particular assistance needed, in locating those suitably qualified for the service, in analysing the proposals received and helping to decide the best offer.

The Bank is also actively interested in coordinating development assistance to member countries. This usually takes the form of a consultative group or "club" of countries friendly to, and interested in, the particular country involved. By taking the chair at such club meetings the Bank, after a careful review of the projects in the country's development plan, can assist in the channelling of badly-needed foreign exchange to the recipient country and often encourage the pledging of sufficient amounts to ensure that the approved development plan is not stultified for lack of finances. At present, aid coordinating groups led by the Bank exist for Ceylon, India, Pakistan, Malaysia, Thailand, Korea, Nigeria, Sudan, Tunisia, Colombia and Peru.

The Bank also frequently acts as executing agency for the United Nations Development Programme, whereby technical know-how and assistance in the economic and financial aspects of subjects under study are provided. Subjects of great diversity have been studied—from coastal erosion and siltation in Guyana, to the study of railroad management in Chile.

An affiliate of the Bank, the International Development Association (IDA), was created in 1960 to help meet the needs of developing member countries whose capacity to make productive use of capital is greater than their ability to assume and repay conventional debt. Funds available to IDA—predominantly from industrialized member countries of the World Bank Group—are extended in the form of credits, repayable over fifty years, free of interest, and carrying only a three-quarters of one per cent annual service charge. By December 1966, IDA had extended 98 credits amounting to over \$1,500 million.

The same wide range of professional services which form an integral part of the Bank's activities are equally available for IDA's operations; at the same time, an IDA project must meet the same economic, technical and administrative criteria as are required for a conventional Bank project. In fact, it is likely that a government receiving an IDA credit for a particular project will re-lend

the equivalent amount responsible for the project's external payments relief reduction in the financial of the project itself.

For the fiscal year were made to develop 15 such projects were for the foreign exchange

The table given of port projects in EC major ports are involved totaling over \$176 million requirements of the money was, or is being of war-damaged, deep-water river ports in East P. sizable amounts for the

The Table given activities in the field million. The studies have system to determining handling and storage of interested, in varying Malaysia and Thailand

So, I think you is very active in the field paper will try to reflect as applied to port projects have been involved.

B. Port Development

Port development many of those which throughout the world is taking place with beam and draft unhe numbers; cargo, instead of a ship, is now also can roll-on and roll-

the equivalent amount on conventional market terms to the internal entity responsible for the project. Such a transaction has the effect of providing the external payments relief intended from the IDA credit, while avoiding any reduction in the financial discipline required in the execution and administration of the project itself.

For the fiscal year ending June 1966, more Bank loans and IDA credits were made to develop transportation than for any other purpose. A total of 15 such projects were financed, amounting to \$384 million, accounting mainly for the foreign exchange component of a gross investment total of \$1,282 million.

The table given in Appendix 1 shows the amount of Bank/IDA financing of port projects in ECAFE countries up to September 1966. At least 14 major ports are involved and the original amount of Bank/IDA contributions totaled over \$176 million, and generally provided for the foreign exchange requirements of the projects which aggregated several times this amount. The money was, or is being, spent on port needs varying from the rehabilitation of war-damaged, deep-water wharves in Rangoon to the improvement of small river ports in East Pakistan. It is significant that every project included sizable amounts for the provision of dredging equipment for the ports.

The Table given as Appendix 2 indicates some measure of the Bank's activities in the field of technical assistance studies amounting to about \$3 million. The studies have ranged from the installation of a radio-location-fixing system to determining the best method of transferring the functions of cargo-handling and storage from one port agency to another. We are at present interested, in varying degrees, in transportation studies in India, Pakistan, Malaysia and Thailand.

So, I think you will agree that, in a variety of ways, the World Bank is very active in the field of transportation and of port development, and this paper will try to reflect some of the Bank's experiences and present its philosophy as applied to port problems encountered in ECAFE countries in which we have been involved.

B. Port Development Problems — General Remarks

Port development problems are not peculiar to ECAFE countries, and many of those which I shall be discussing are common to maritime countries throughout the world. In the shipping industry today technological change is taking place with unprecedented speed; in ship design, vessels of length, beam and draft unheard of but a few years ago are appearing in increasing numbers; cargo, instead of going in and out through hatches on the upper deck of a ship, is now also handled through the sides or over the bow and stern, can roll-on and roll-off and is handled with improved ships-gear of increased

capacity. New methods of cargo handling are being introduced and old ones improved so that today pallets are commonplace, containerized traffic is fashionable, and the air-cushion principle of hovercraft propulsion is being applied to the movement of cargo on shore. Such extensive technical changes are having their effect on the packaging, size and nature of goods moving through ports in the pattern of world trade, and the difficulty of the port planner is to assess which trends will be sustained and will survive the rough and tumble of competition. On such assessment depends the form of facilities to be provided in new ports and the improvements to be made to existing facilities. Many ports of the world are now lagging behind in the provision of greater depth for the ever-increasing numbers of deep-draft vessels; widths of aprons and sizes of transit sheds are frequently inappropriate to the cargoes handled; bulk-handling facilities are often inadequate for the needs of the trade; the facilities for handling containerized cargo have insufficient stacking area or shortage of the right type of handling equipment, and difficulty is frequently experienced in coordinating port development needs with development of other transportation modes in service areas.

In ECAFE countries other port development problems with a longer history than those arising from technological changes are found in the field of management and personnel. As in many other areas of the world, there is a chronic shortage of qualified management and executive personnel. Unfortunately, in most less-developed countries there is no easy solution because the normal sources of recruiting such personnel—private industry, universities, etc.—are few in number and are staffed by individuals who are not readily attracted to other employment.

One recurrent problem, to which I shall refer more fully below, is the unnecessary and sometimes misdirected intervention in port affairs by a national government reluctant to leave the day-to-day operations of the port to those in authority at the port. Poor coordination of port activities with those of port users and other agencies involved is also a common cause of low operational efficiency. Subsidiary problems of management include the lack of technical personnel at middle and supervisory levels, and the unwillingness of many to accept foreign expert advice. Problems of labor are becoming more prevalent—whereas these may have been, in recent years, a feature of Occidental ports, labor troubles are now frequent in the Orient and are more difficult of solution by the complications of population pressures, low wages and the economics of mechanized operations.

In general, it has been our experience at the Bank that the problems involved in achieving adequate standards of management and reasonable operational efficiency are usually of greater complexity and more difficult to solve than those involved in the carrying out of the physical improvement projects.

C. Problems of Administration

It is the Bank's view that government control in respect of port budget, but otherwise enjoying the operations of the port facilities, to establish a port Authority, and it can be desirable forms, and it can be desirable of ports, according to local management decentralized otherwise the whole purpose of management is stultified. port operating entity should have the right of berths and the right to When such power is accorded as an unbiased agency of means, to get priority for

Most of the major problems and, although subject to the of planning and development operations to provide a where the operations of administration; the problems of movement of cargo through classified and pays the difficult to solve that the is the result.

Another basic problem financially viable; charges provided and should be well aware that this view are levied according to the Bank has no misgiving and development of the ensure that the port user such commensurate charges resources which maximize efficient rationing devices among the various port equitable and efficient taxpayer to bear cost

speech.

C. Problems of Administration and Management

It is the Bank's view that ports should be operated by an entity subject to government control in respect of general policy, investment planning, tariffs and budget, but otherwise enjoying a high degree of independence in the day-to-day operations of the port facility. In many instances, the best solution may be to establish a port Authority. Port administration, however, can take many forms, and it can be designed to serve the individual port or a national grouping of ports, according to local circumstances. Independence should be maximized, management decentralized and government interference kept to a minimum, otherwise the whole purpose of an autonomous operation is lost and day-to-day management is stultified. Within a policy predetermined by the government, a port operating entity should, for example, have complete power in the allocation of berths and the movement of ships and cargoes within the port limits. When such power is accepted then port users will come to accept the entity as an unbiased agency operating for the good of all and not attempt, by various means, to get priority for particular ships or cargoes.

Most of the major ports of the region have a reasonable degree of autonomy and, although subject to government control of major financial investments and of planning and development programs, still retain sufficient control of their operations to provide adequate service. On the other hand, there are cases where the operations of some responsibility is shared with the Customs administration; the problems of performing the dual function of a fast and efficient movement of cargo through a port, as well as seeing that cargo is properly classified and pays the appropriate import duties, are so incompatible and difficult to solve that the efficiency of the port is reduced, and inferior service is the result.

Another basic principle of Bank policy is that a port entity should be financially viable; charge rates should be related to the costs of the services provided and should produce an adequate return on the investment. Although well aware that this view is not held in many ports of the world where the rates are levied according to "what the cargo can bear", or sometimes much less, the Bank has no misgivings on this policy. At the present stage of integration and development of the economies of most countries, this is the best way to ensure that the port user pays the true cost incurred on his behalf. By levying such commensurate charges, a country helps assure an efficient allocation of resources which maximizes benefits. User charges reflecting costs constitute an efficient rationing device and is one means toward the proper allocation of traffic among the various ports of a country. This policy is essential to ensure an equitable and efficient location of new industries, and also avoids forcing the taxpayer to bear costs that are not covered by the direct beneficiaries. If it is

the policy of a government to subsidize a particular cargo movement, other means to provide this subsidy should be found than by using the services of the port entity.

Bank-financed ports are mostly financially viable, or are expected to become so. Often the accounts of a port operating entity are such that the true financial position is difficult to determine and a new system of accounting has to be instituted to provide, in consistent form, the cost figures for the services given, to be the base for the establishment of rates and to set the detailed background from which modern commercial practice will abstract evaluations of efficiency such as operating ratio, return on investment, etc. The modernizing of accounts is being done in many ports in the ECAFE region. In a recent Bank loan to an ECAFE port, it was agreed between the Bank and the borrower that revenues yielding an over-all rate of return of not less than six per cent on the average value of the port entity's total net fixed assets (reasonably valued) in operation in any financial year will be adequate.

Governmental subsidy of ports is usually unnecessary, since the charges incurred in the port are generally relatively small in relation to the value of cargo and the over-all transportation cost of moving the cargo from origin to destination. The general public is, therefore, not directly affected, and hence there is seldom any political pressure to subsidize ports. The attractions of subsidizing infant industries and others by permitting concessional port charges should not be encouraged. Governments should not impose inland revenue taxes on tonnage or value of traffic through ports for non-port (fiscal) purposes—there are better ways of collecting revenue. Neither should governments insist that governmental (usually military and food grain) traffic be absolved from paying its fair charges to the port Authority.

Governments often try to control day-to-day operations of ports, even where ostensibly autonomous administration of ports exists, by pre-auditing systems, individual control of personnel, and direction of vessels to particular ports. Such control is seldom conducive to efficiency. Where such control does exist, the port entity will use petty restrictions to excuse over-all inefficiency. In this respect, governments should review policies and procedures with a view to improving general control on main policy matters, such as investment, budgets, tariffs, etc., and at the same time reduce or eliminate inefficiency-breeding control of minor details.

Port operations are sometimes hampered by government departmental rivalries, different ministries having a hand in the operation and control of a port; there is frequently a struggle between competing ministries for control or priority—the Ministry of Food may consider that the imports of food grain are more important than the Ministry of Defense's imports of munitions, and the resulting differences of opinion lead to nothing but frustration and dissatis-

faction. In such instances, delegated by the government in control of the routine operations can be provided by a port.

Senior management of official who frequently handles operations and who holds will be transferred to some ment of ports, however, in of considerable consequence routine; the best man available service officer or otherwise port entity's staff should be ing, pensions, sickness allowances by any other employer in have the right to hire and and management.

Port boundaries should for development as can result of conflicting claims between traditional protector of a interests first. In many locations, and, in port expanded facilities, well sions. The Navy, with anchorage, or a desirable location for port facilities commercial operators of

D. Institutional Problems

In most cases port They most frequently police and other users, or dispatch. Consequently activities and hence of factors that enter into private concerns, often requires. Excessive Cu delay; arrival of vessel traffic flow in the port

faction. In such instances, the port entity acting within predetermined powers delegated by the government, should be the sole arbiter and should be fully in control of the routine operations of the port. In other words, best service can be provided by a port entity which is master of its own house.

Senior management of many ports is provided by a government-appointed official who frequently has had no previous experience in commercial port operations and who holds the position for a short period of years when he will be transferred to some other senior administrative position. Senior management of ports, however, is very important, as managerial decisions are often of considerable consequence. Such appointments therefore should not be routine; the best man available for the job—whether he be a civil servant, service officer or otherwise—should be engaged. Salaries for all grades of a port entity's staff should be sufficiently high to attract the best people. Housing, pensions, sickness allowances, etc., should be as favorable as those offered by any other employer in the area. The administrators of a port should also have the right to hire and fire staff, as this is often essential to good discipline and management.

Port boundaries should be clearly defined and include as great an area for development as can reasonably be foreseen. Often contentions arise because of conflicting claims between the Navy and the port entity. The Navy—traditional protector of a country's mercantile marine—frequently puts its own interests first. In many ports, the Navy is well established in very desirable locations, and, in port development, frequently manages to get its plans, or expanded facilities, well to the fore in financial budgets and planning permissions. The Navy, with a keen eye for safe, readily accessible, deep-water anchorage, or a desirable piece of port real estate, frequently obtains the best location for port facilities in a given harbor area, to the detriment of the commercial operators of the port and the economic development of the country.

D. Institutional Problems

In most cases port organizations now perform only a limited function. They most frequently do not control the operations of Customs, shipping, police and other users, nor do they have control in the phasing of cargo arrival or dispatch. Consequently, the entity has only partial control of the over-all activities and hence of the efficiency of the port. Those who do govern factors that enter into port operations, even when they are profit-motivated private concerns, often direct them less efficiently than good port management requires. Excessive Customs inspection and sampling occasion congestion and delay; arrival of vessels without adequate notice causes disorganization of the traffic flow in the port; inadequate policing can result in traffic congestion

and disorganized traffic flow, as well as excessive pilferage; and the uncontrolled arrival of cargoes results in a scene, all too well known to most of us, of long lines of road vehicles in every available open space.

Tradition dies hard in many trades, and the existing pattern frequently inhibits optimum port efficiency. For example, small consignments are frequently shipped or ordered at random intervals because the operator has inadequate storage facilities; "buy at beginning of month, ship at end" is one of the maxims in the jute and rubber trades. The result is inefficient and expensive operation and unnecessary bunching and delays of vessels. Import and export activities must be rationalized so that advantage can be taken of the economies offered by modern shipping and port methods. For planning purposes, it is unsafe to expect that future developments can be based on existing trades or shipping patterns.

The above-mentioned institutional problems are not uncommon in ECAFE countries and, consequently, the benefits of reasonably efficient port operations are not achieved. Governments and the interests concerned should devote all possible attention to modernizing and streamlining the activities of all parties involved. Some widening of the functions of the port entity may be required (for example, the calling-on of cargo at any particular time for a specific vessel), but the resulting streamlining of the over-all transport operation could frequently reduce the need for capital expansion of a port, avoiding the need for heavy financial outlays.

E. Expert Advice

Advice is easy to give but hard to take. In most of the so-called developed countries, whenever a new problem arises beyond the normal competence of the staff available in the organization, or when a new opinion is wanted on an old situation, an expert is called in. The staff of the organization welcomes the expert in their search for the best solution to the situation in the hope that they will benefit thereby and in the belief that "two heads are better than one"—no one tries to build his own computer!

All too often in ECAFE countries, as in other parts of the developing world, a certain admission of lack of skill or experience, or an outright "loss of face" is associated with the retention of an expert in an advisory capacity. If the expert happens to be a non-national of the country, then his acceptance is even more difficult and his advice harder to take.

Such an attitude toward experts is easy to understand and to sympathize with, but unfortunately it is very short-sighted. No one country has the monopoly on know-how, and interchange of experts is one way whereby the less well-informed can gain knowledge faster. It has happened that a port

operating entity has been a specialized matter as of that without it the efficiency

F. Lack of Trained Personnel

A particular difficulty is the lack of trained personnel—particularly at the lower stratum of the labor force. There are usually readily available candidates for the job; because of the clerical nature of the work there is a plenty of candidates for the job. The semi-skilled or junior technical staff, such as the maintenance mechanic, electrician, and other trades, are of suitable employees. The stratum of the labor force is not well enough, their location is not decent living quarters, and the port industry is highly competitive for job advancement.

Because of the very high status of technicians in the operation that those directly responsible for the position in collaboration with the scales, improving status, employment and setting up

Some ports in the ECAFE region are doing port work more attractively. The Committee of the Organization is worth studying—training is organized; also available for draft standard port entities. French-Portuguese technical assistance can also be taken of the advantage

G. Labor Productivity

Port operations in the ECAFE region productivity of waterfront productivity can be expected of general cargo per month be the highest in the world

speech.

operating entity has been unwilling to accept foreign expert advice on such a specialized matter as operating a modern dredger. It need hardly be said that without it the efficiency of the operation was very low.

F. Lack of Trained Personnel

A particular difficulty of ports in ECAFE countries is the lack of trained personnel—particularly at the departmental or section head levels. Workers are usually readily available for unskilled jobs—unemployment is all too often rife; because of the clerical and public image of the jobs, there are usually plenty of candidates for the higher-level office appointments; however, for the semi-skilled or junior technician type of jobs (shed foreman, junior traffic officer, maintenance mechanic, equipment inspector, etc.) there is usually a shortage of suitable employees. The reasons for this lack of interest in an important stratum of the labor force is that the jobs are not attractive, they do not pay well enough, their location is often in hot, dirty, unpleasant places far from decent living quarters, and the social status of the job is not high enough. The port industry is highly specialized and relatively small, hence the opportunities for job advancement are limited.

Because of the very important part played by the semi-skilled and junior technicians in the operations of any port, it is considered of great importance that those directly responsible for administering port operations should study the position in collaboration with governments, with a view to increasing pay scales, improving status, providing better local facilities near the place of employment and setting up training schemes for suitable trainees.

Some ports in the ECAFE area have already taken big steps toward making port work more attractive to trained personnel. The activities of the Ports Committee of the Organization of American States (OAS) in this direction are worth studying—training programs, exchanges of personnel, etc., are well organized; also available in general development work in port administration, draft standard port entity charters, standard documentation, Spanish - English - French - Portuguese technical vocabulary, etc. Of course, advantage should also be taken of the advisory service offered by the I.A.P.H. itself.

G. Labor Productivity

Port operations in ECAFE countries in general do not suffer from low productivity of waterfront labor. In fact, the figures indicate that higher productivity can be expected than in many Western countries. The throughput of general cargo per meter of berth in some ECAFE countries is believed to be the highest in the world. For example, in recent years, general cargo has

been handled in Bombay, Karachi and Singapore at rates higher than 190,000 tons per berth per year. Such performances are frequently achieved by working many shifts. Such excellent utilization of existing facilities is highly commendable from the viewpoint of the individual port entities, but the high berth occupancy (often over 90%) that is required for such performance is achieved only at the cost of having congestion to vessels waiting for berths, with resulting over-all economic loss.

Other ports in ECAFE countries working similar shifts have remarkably low productivity records and this can frequently be accounted for by the low physical standard of the men available; the lack of adequate housing, canteens and medical services; excessive holidays and the lack of broken-down condition of the cargo-handling equipment. It is significant that these deficiencies tend to increase the prevalence of pilferage.

Output is frequently affected by the low productivity of clerical and semi-skilled workers, and this is often caused by the lack of autonomy of the port entity regarding the employment of this type of personnel. As mentioned earlier, government and those responsible for port administration should give this matter urgent attention.

The solution to the problems of labor productivity in ports appears to lie in governments and port entities jointly exploring the possibility of greater efficiency of labor. The effects of new techniques of cargo packaging, handling and storage, and of new methods of loading and unloading vessels must be related to the present-day attitude of labor. In the past labor has been cheap; but today, wages increase, men are likely to be members of a trade union with growing collective-bargaining powers; they rightly expect a better standard of living, and frequently are not amenable to the introduction of labor-saving equipment and systems that lead to redundancy. Greater efficiency can only be expected by improving the attitude of an enlightened labor force to change, by ensuring that labor is amply rewarded for its services and by smoothing the way for the technological advances that are now affecting the transportation industry.

H. Problems Encountered in Execution of Projects

The problems encountered in building a new port, or modernizing an existing one, are usually less important than the operational problems involved in operating the facility when completed. This may be partly due to the fact that project execution is a one-shot operation, while running a port is a continuous one. Nevertheless, there are some important problems. Execution of projects is often delayed by time-consuming import and other licensing procedures. When in addition to obtaining the import license, the foreign

currency authorization has the inevitable result. It is unaware of what the other projects if, once they are completed, a single license and expenditures involved will be.

Delays to construction and government departments of tenders and the taking of this is engendered by a lack of decisive action. In some time-consuming restrictions governmental and local level a handicap to effective use of the berth, due for report Traffic Manager urgently left incomplete because a

Projects also sometimes port operating entities to earlier on this point, but where there exists lethargy, rivalries, etc., the unbiased be invaluable in project

I. Conclusion

There are many problems but there are signs too of problems will be resolved provided governments, persistence and courage and resolution to eliminate them. The industry is more and more being others is more readily technological improvement

The need for efficient nations, seven of which coast lines, transportation blessed with natural resources ing population will contribute plus factors in the general

currency authorization has to be granted separately, delays of many months are the inevitable result. It appears that one hand of a government is frequently unaware of what the other hand is trying to do; and it would simplify execution of projects if, once they had been decided upon and approved by the government, a single license of approval for construction materials and for the expenditures involved were given.

Delays to construction also arise from the dilatory action of port entities and government departments in dealing with the invitation, analysis and award of tenders and the taking of technical decisions during execution. Sometimes this is engendered by a reluctance of some officials to take responsibility and decisive action. In some countries, delays are occasioned by the unnecessary, time-consuming restrictions applied to these matters. Department rivalries at governmental and local levels and the resulting lack of cooperation often are a handicap to effective action during project execution. We are all aware of the berth, due for repair, that is not available to the Engineer because the Traffic Manager urgently needs it, and of the alongside dredging that has to be left incomplete because a ship has arrived for the berth.

Projects also sometimes suffer from the unwillingness of governments and port operating entities to accept foreign expert advice. We have commented earlier on this point, but it bears repeating in connection with project execution. Where there exists lethargy, "red-tape", governmental interference, departmental rivalries, etc., the unbiased, experienced advice of a consulting engineer can be invaluable in project conception, design and execution.

I. Conclusion

There are many problems in the development of ports in ECAFE countries, but there are signs too of a brighter future in which many, if not all, of these problems will be resolved. The problems chronicled above are not insoluble, provided governments, port entities and others recognize them and act with courage and resolution to engender the strong, continuous action that will eliminate them. The importance of well coordinated transportation planning is more and more being realized, and the experience and constructive effort of others is more readily available today than ever before, to help assimilate technological improvements and provide for rapid development.

The need for efficient and adequate ports is great. For the ECAFE nations, seven of which are island countries, and most of which have extensive coast lines, transportation by water is of vital importance. The region is blessed with natural resources capable of increased utilization, and its increasing population will constantly seek for an improved standard of living—all plus factors in the generation of commerce. Ports equal to the increasing needs

will be required. It is vital that the problems described be solved.

Ports are transportation exchange points where sea-borne and land-borne traffic converge, and, if the port is adequate and efficient, a smooth exchange from one means of transport to another will be ensured, the effectiveness of the country's transportation system will be increased, the economy will benefit and the people be made the richer.

Delays to construction also arise from the failure of port entities and government departments in dealing with the financial, legal and ward of technical decisions during execution. Sometimes these are caused by a reluctance of some officials to take responsibility and decisive action. In some countries, delays are occasioned by the non-necessity of time-consuming procedures applied to these matters. Departmental rivalry at government and local levels and the resulting lack of cooperation often are the main causes of ineffective action during project execution. We are all aware of the parties due for repairs that is not available to the Engineer because the Traffic Manager is busy with the need for and of the schedule design that has to be left incomplete because a ship has arrived for the berth for tomorrow's arrival.

Projects also sometimes suffer from the unwillingness of governments and port operating entities to accept foreign expertise. We have commented earlier on this point but it bears repeating in connection with project execution. When there is a delay in the progress of a project, it is often the result of a lack of co-operation between the government and the port authority. In such a situation, design and construction proceed at a snail's pace and it is difficult to get the necessary resources to complete the project in a timely manner.

There are many problems in the development of ports in ECAB countries. The problems are of a technical nature and are of a kind which can be solved by the application of modern port engineering techniques. The problems are of a kind which can be solved by the application of modern port engineering techniques. The problems are of a kind which can be solved by the application of modern port engineering techniques.

The need for technical improvements and provision of rapid development is a major factor in the development of ports. The need for technical improvements and provision of rapid development is a major factor in the development of ports. The need for technical improvements and provision of rapid development is a major factor in the development of ports.

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Country	Port
Burma	Ra
China (Taiwan)	Ta
India	Ca
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Malaysia/Singapore	Si
New Zealand	A

Pakistan

Philippines

Thailand

* Including navigable

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for Reconstruction and Development

APPENDIX 1

APPENDIX 1

**BANK/IDA FINANCED ECAFE PORT PROJECTS
AS AT SEPTEMBER 30, 1966**

Country	Port	Type of Project	Original Amount of Bank/IDA Financing (US\$ Million)	
Burma	Rangoon	Rehabilitation	14.0	
China (Taiwan)	Taiwan Ports	Dredging	2.2	
India	Calcutta	Expansion & Improvement	50.0	
	Bombay	" "	18.0	
	Madras	" "	14.0	
Malaysia/Singapore	Singapore	Expansion & Modernization	15.0	
New Zealand	Auckland			
	Lyttelton			
	Napier	Improvements	7.8	
	Timaru			
	Whangarei			
	Pakistan	Karachi	Expansion & Improvement	31.8
		Barisal		
Bangladesh	Chandpur			
	Dacca	Inland Water Ports	7.25*	
	Narayanganj			
Philippines	Khulna			
	Philippine Ports	Dredging & Other Improvements	8.5	
Thailand	Bangkok	Dredging & Other Improvements	7.8	
TOTAL			US\$ 176.35	

* Including navigable waterways study.

APPENDIX 2

BANK ASSOCIATED STUDIES IN ECAFE COUNTRIES
AS AT SEPTEMBER 30, 1966

<u>Country</u>	<u>Type of Study</u>	<u>Contribution Amount US\$</u>	<u>How Financed</u>
India	Regional Transport	285,000	Bank Technical Assistance
Iran	Port Administration and Reorganization	39,000	Bank Technical Assistance
Malaysia	Over-all Transport	Not yet known	U.N. Development Programme (Requested)
Singapore	Containerization	Not yet known	U.N. Technical Assistance Bureau
Pakistan	Navigable Waterways	950,000	Included in IDA Credit
Thailand	Port Improvement & River Siltation	1,015,000	U.N. Development Programme
China (Taiwan)	General Transport (including Ports)	250,000	Bank Technical Assistance
Korea	General Transport (including Ports)	417,000	Bank Technical Assistance
TOTAL		US\$ 2,956,000+	

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APPENDIX 2

COUNTRIES

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Thailand

* including naviga

PROBLEMS IN THE DEVELOPMENT OF PORTS IN THE ECAFE COUNTRIES

By Mr. S. Aldewereld

At 5th Conference of International Association
of Ports and Harbours in Tokyo, May 8-13,
-----1967-----



A. Introduction

It is, for me, an unusual pleasure to present to an association of ports and harbours a paper dealing with problems of port development - an interest with which I have been associated for many years in the World Bank. I would like, initially, to briefly outline the Bank's general activities and then to refer to our particular interest and activities in ports and harbours.

The World Bank was founded by international agreement at the Bretton Woods Conference of July 1944 and started operating actively as a development agency in June 1946. The Bank is a member of the United Nations family of specialized agencies and operates as an international cooperative organization. By November 1966, the Bank's 105 member governments had subscribed \$22,620 million, of which the equivalent of \$2,260 million had been paid in, partly in gold or dollars and partly in local currencies. The remainder is subject to call only to meet obligations of the Bank arising from its own borrowings or guarantees. The fact of having such a large sum on call as insurance has been a major factor in allowing the Bank to mobilize funds - primarily by the sale of its bonds - from the capital markets of the world.

The Bank uses the funds available to it to finance projects in member countries promoting their economic development. The bulk of the Bank's

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lending has been for basic services required in the formation of a sound foundation for sustained economic growth. To date, about one-third of total Bank lending has been utilized for transportation, another one-third towards electric power, and most of the remainder to industrial development, agricultural and educational projects. By November 1966, the Bank had made 468 loans, amounting to over \$10 billion.

In addition to being an international lender, the Bank acts as a catalyst for growth in other ways. In fact, a mere summation of the Bank's project lending commitments considerably understates the substance of its working relationship with developing countries among its membership. In many of these countries, the Bank finds itself operating as economic counsellor, technical adviser and friendly critic. Beyond financial assistance, the Bank's role may range from technical and administrative assistance in the preparation and execution of individual projects, to helping countries draw up long-range national plans for economic development, to studies of international economic trends that have a bearing on the growth of the less developed countries. For all these ends, the Bank has equipped itself with a broad-gauged professional staff, including bankers, economists, engineers, agronomists and other kinds of experts.

In so far as individual projects are concerned, at the time of negotiation of a loan it may be agreed between the borrower and the Bank that certain of the borrower's activities need to be improved - a more up-to-date accounting system that can be an effective tool of management; a revised rate structure to level out inequalities and improve financial viability; a strengthening of the Engineer's department or the employment of consultants; an improvement in the handling and storage of cargo; a

reorganization of management to improve the administration; and so on. Bank staff will assist the borrower - and often a potential borrower - in preparing suitable terms of reference for the particular assistance needed, in locating those suitably-qualified for the service, in analysing the proposals received and helping to decide the best offer.

The Bank is also actively interested in coordinating development assistance to member countries. This usually takes the form of a consultative group or "club" of countries friendly to, and interested in, the particular country involved. By taking the chair at such club meetings the Bank, after a careful review of the projects in the country's development plan, can assist in the channelling of badly-needed foreign exchange to the recipient country and often encourage the pledging of sufficient amounts to ensure that the approved development plan is not stultified for lack of finances. At present, aid coordinating groups led by the Bank exist for Ceylon, India, Pakistan, Malaysia, Thailand, Korea, Nigeria, Sudan, Tunisia, Colombia and Peru.

The Bank also frequently acts as executing agency for the United Nations Development Programme, whereby technical know-how and assistance in the economic and financial aspects of subjects under study are provided. Subjects of great diversity have been studied - from coastal erosion and siltation in Guyana, to the study of railroad management in Chile.

An affiliate of the Bank, the International Development Association (IDA), was created in 1960 to help meet the needs of developing member countries whose capacity to make productive use of capital is greater than their ability to assume and repay conventional debt. Funds available to IDA - predominantly from industrialized member countries of the World Bank

Group - are extended in the form of credits, repayable over fifty years, free of interest, and carrying only a three-quarters of one per cent annual service charge. By December 1966, IDA had extended 98 credits amounting to over \$1,500 million.

The same wide range of professional services which form an integral part of the Bank's activities are equally available for IDA's operations; at the same time, an IDA project must meet the same economic, technical and administrative criteria as are required for a conventional Bank project. In fact, it is likely that a government receiving an IDA credit for a particular project will re-lend the equivalent amount on conventional market terms to the internal entity responsible for the project. Such a transaction has the effect of providing the external payments relief intended from the IDA credit, while avoiding any reduction in the financial discipline required in the execution and administration of the project itself.

For the fiscal year ending June 1966, more Bank loans and IDA credits were made to develop transportation than for any other purpose. A total of 15 such projects were financed, amounting to \$384 million, accounting mainly for the foreign exchange component of a gross investment total of \$1,282 million.

The table given in Appendix 1 shows the amount of Bank/IDA financing of port projects in ECAFE countries up to September 1966. At least 14 major ports are involved and the original amount of Bank/IDA contributions totaled over \$176 million, and generally provided for the foreign exchange requirements of the projects which aggregated several times this amount. The money was, or is being, spent on port needs varying from the rehabilitation

of war-damaged, deep-water wharves in Rangoon to the improvement of small river ports in East Pakistan. It is significant that every project included sizable amounts for the provision of dredging equipment for the ports.

The Table given as Appendix 2 indicates some measure of the Bank's activities in the field of technical assistance studies amounting to about \$3 million. The studies have ranged from the installation of a radio-location-fixing system to determining the best method of transferring the functions of cargo-handling and storage from one port agency to another. We are at present interested, in varying degrees, in transportation studies in India, Pakistan, Malaysia and Thailand.

So, I think you will agree that, in a variety of ways, the World Bank is very active in the field of transportation and of port development, and this paper will try to reflect some of the Bank's experiences and present its philosophy as applied to port problems encountered in ECAFE countries in which we have been involved.

B. Port Development Problems - General Remarks

Port development problems are not peculiar to ECAFE countries, and many of those which I shall be discussing are common to maritime countries throughout the world. In the shipping industry today technological change is taking place with unprecedented speed; in ship design, vessels of length, beam and draft unheard of but a few years ago are appearing in increasing numbers; cargo, instead of going in and out through hatches on the upper deck of a ship, is now also handled through the sides or over the bow and stern, can roll-on and roll-off and is handled with improved ships-gear of increased capacity. New methods of cargo handling are being introduced and old ones improved so that today pallets are commonplace, containerized traffic is fashionable, and the air-cushion principle of hovercraft propulsion is being applied to the movement of cargo on shore. Such extensive technical changes are having their effect on the packaging, size and nature of goods moving through ports in the pattern of world trade, and the difficulty of the port planner is to assess which trends will be sustained and will survive the rough and tumble of competition. On such assessment depends the form of facilities to be provided in new ports and the improvements to be made to existing facilities. Many ports of the world are now lagging behind in the provision of greater depth for the ever-increasing numbers of deep-draft vessels; widths of aprons and sizes of transit sheds are frequently inappropriate to the cargoes handled; bulk-handling facilities are often inadequate for the needs of the trade; the facilities for handling containerized cargo have insufficient stacking area or shortage of the right type of handling equipment, and difficulty is frequently experienced in coordinating port development needs with development of other transportation modes in service areas.

In ECAFE countries other port development problems with a longer history than those arising from technological changes are found in the field of

management and personnel. As in many other areas of the world, there is a chronic shortage of qualified management and executive personnel. Unfortunately, in most less-developed countries there is no easy solution because the normal sources of recruiting such personnel-- private industry, universities, etc., -- are few in number and are staffed by individuals who are not readily attracted to other employment.

One recurrent problem, to which I shall refer more fully below, is the unnecessary and sometimes misdirected intervention in port affairs by a national government reluctant to leave the day-to-day operations of the port to those in authority at the port. Poor coordination of port activities with those of port users and other agencies involved is also a common cause of low operational efficiency. Subsidiary problems of management include the lack of technical personnel at middle and supervisory levels, and the unwillingness of many to accept foreign expert advice. Problems of labor are becoming more prevalent -- whereas these may have been, in recent years, a feature of Occidental ports, labor troubles are now frequent in the Orient and are more difficult of solution by the complications of population pressures, low wages and the economics of mechanized operations.

In general, it has been our experience at the Bank that the problems involved in achieving adequate standards of management and reasonable operational efficiency are usually of greater complexity and more difficult to solve than those involved in the carrying out of the physical improvement projects.

C. Problems of Administration and Management

It is the Bank's view that ports should be operated by an entity subject to government control in respect of general policy, investment planning, tariffs and budget, but otherwise enjoying a high degree of independence in the day-to-day operations of the port facility. In many instances, the

best solution may be to establish a port Authority. Port administration, however, can take many forms, and it can be designed to serve the individual port or a national grouping of ports, according to local circumstances. Independence should be maximized, management decentralized and government interference kept to a minimum, otherwise the whole purpose of an autonomous operation is lost and day-to-day management is stultified. Within a policy predetermined by the government, a port operating entity should, for example, have complete power in the allocation of berths and the movement of ships and cargoes within the port limits. When such power is accepted then port users will come to accept the entity as an unbiased agency operating for the good of all and not attempt, by various means, to get priority for particular ships or cargoes.

Most of the major ports of the region have a reasonable degree of autonomy and, although subject to government control of major financial investments and of planning and development programs, still retain sufficient control of their operations to provide adequate service. On the other hand, there are cases where the operations of some responsibility is shared with the Customs administration; the problems of performing the dual function of a fast and efficient movement of cargo through a port, as well as seeing that cargo is properly classified and pays the appropriate import duties, are so incompatible and difficult to solve that the efficiency of the port is reduced, and inferior service is the result.

Another basic principle of Bank policy is that a port entity should be financially viable; charge rates should be related to the costs of the services provided and should produce an adequate return on the investment. Although well aware that this view is not held in many ports of the world where the rates are levied according to "what the cargo can bear", or sometimes much

less, the Bank has no misgivings on this policy. At the present stage of integration and development of the economies of most countries, this is the best way to ensure that the port user pays the true cost incurred on his behalf. By levying such commensurate charges, a country helps assure an efficient allocation of resources which maximizes benefits. User charges reflecting costs constitute an efficient rationing device and is one means toward the proper allocation of traffic among the various ports of a country. This policy is essential to ensure an equitable and efficient location of new industries, and also avoids forcing the taxpayers to bear costs that are not covered by the direct beneficiaries. If it is the policy of a government to subsidize a particular cargo movement, other means to provide this subsidy should be found than by using the services of the port entity.

Bank-financed ports are mostly financially viable, or are expected to become so. Often the accounts of a port operating entity are such that the true financial position is difficult to determine and a new system of accounting has to be instituted to provide, in consistent form, the cost figures for the services given, to be the base for the establishment of rates and to set the detailed background from which modern commercial practice will abstract evaluations of efficiency such as operating ratio, return on investment, etc. The modernizing of accounts is being done in many ports in the ECAFE region. In a recent Bank loan to an ECAFE port, it was agreed between the Bank and the borrower that revenues yielding an over-all rate of return of not less than six per cent on the average value of the port entity's total net fixed assets (reasonably valued) in operation in any financial year will be adequate.

Governmental subsidy of ports is usually unnecessary, since the charges incurred in the port are generally relatively small in relation to the value of cargo and the over-all transportation cost of moving the cargo from origin

to destination. The general public is, therefore, not directly affected, and hence there is seldom any political pressure to subsidize ports. The attractions of subsidizing infant industries and others by permitting concessional port charges should not be encouraged. Governments should not impose inland revenue taxes on tonnage or value of traffic through ports for non-port (fiscal) purposes -- there are better ways of collecting revenue. Neither should governments insist that governmental (usually military and food grain) traffic be absolved from paying its fair charges to the port Authority.

Governments often try to control day-to-day operations of ports, even where ostensibly autonomous administration of ports exists, by pre-auditing systems, individual control of personnel, and direction of vessels to particular ports. Such control is seldom conducive to efficiency. Where such control does exist, the port entity will use petty restrictions to excuse over-all inefficiency. In this respect, governments should review policies and procedures with a view to improving general control on main policy matters, such as investment, budgets, tariffs, etc., and at the same time reduce or eliminate inefficiency-breeding control of minor details.

Port operations are sometimes hampered by government departmental rivalries, different ministries having a hand in the operation and control of a port; there is frequently a struggle between competing ministries for control or priority -- the Ministry of Food may consider that the imports of food grain are more important than the Ministry of Defense's imports of munitions, and the resulting differences of opinion lead to nothing but frustration and dissatisfaction. In such instances, the port entity acting within predetermined powers delegated by the government, should be the sole

arbiter and should be fully in control of the routine operations of the port. In other words, best service can be provided by a port entity which is master of its own house.

Senior management of many ports is provided by a government-appointed official who frequently has had no previous experience in commercial port operations and who holds the position for a short period of years when he will be transferred to some other senior administrative position. Senior management of ports, however, is very important, as managerial decisions are often of considerable consequence. Such appointments therefore should not be routine; the best man available for the job -- whether he be a civil servant, service officer or otherwise -- should be engaged. Salaries for all grades of a port entity's staff should be sufficiently high to attract the best people. Housing, pensions, sickness allowances, etc., should be as favorable as those offered by any other employer in the area. The administrators of a port should also have the right to hire and fire staff, as this is often essential to good discipline and management.

Port boundaries should be clearly defined and include as great an area for development as can reasonably be foreseen. Often contentions arise because of conflicting claims between the Navy and the port entity. The Navy -- traditional protector of a country's mercantile marine -- frequently puts its own interests first. In many ports, the Navy is well established in very desirable locations, and, in port development, frequently manages to get its plans, or expanded facilities, well to the fore in financial budgets and planning permissions. The Navy, with a keen eye for safe, readily accessible, deep-water anchorage, or a desirable piece of port real estate, frequently obtains the best location for port facilities in a given harbor area, to the

detriment of the commercial operators of the port and the economic development of the country.

D. Institutional Problems

In most cases port organizations now perform only a limited function. They most frequently do not control the operations of Customs, shipping, police and other users, nor do they have control in the phasing of cargo arrival or dispatch. Consequently, the entity has only partial control of the over-all activities and hence of the efficiency of the port. Those who do govern factors that enter into port operations, even when they are profit-motivated private concerns, often direct them less efficiently than good port management requires. Excessive Customs inspection and sampling occasion congestion and delay; arrival of vessels without adequate notice causes disorganization of the traffic flow in the port; inadequate policing can result in traffic congestion and disorganized traffic flow, as well as excessive pilferage; and the uncontrolled arrival of cargoes results in a scene, all too well known to most of us, of long lines of road vehicles, in every available open space.

Tradition dies hard in many trades, and the existing pattern frequently inhibits optimum port efficiency. For example, small consignments are frequently shipped or ordered at random intervals because the operator has inadequate storage facilities; "buy at beginning of month, ship at end" is one of the maxims in the jute and rubber trades. The result is inefficient and expensive operation and unnecessary bunching and delays of vessels. Import and export activities must be rationalized so that advantage can be taken of the economies offered by modern shipping and port methods. For planning purposes, it is unsafe to expect that future developments can be based on existing trades or shipping patterns.

The above-mentioned institutional problems are not uncommon in ECAFE countries and, consequently, the benefits of reasonably efficient port operations are not achieved. Governments and the interests concerned should devote all possible attention to modernizing and streamlining the activities of all parties involved. Some widening of the functions of the port entity may be required (for example, the calling-on of cargo at any particular time for a specific vessel), but the resulting streamlining of the over-all transport operation could frequently reduce the need for capital expansion of a port, avoiding the need for heavy financial outlays.

E. Expert Advice

Advice is easy to give but hard to take. In most of the so-called developed countries, whenever a new problem arises beyond the normal competence of the staff available in the organization, or when a new opinion is wanted on an old situation, an expert is called in. The staff of the organization welcomes the expert in their search for the best solution to the situation in the hope that they will benefit thereby and in the belief that "two heads are better than one" -- no one tries to build his own computer!

All too often in ECAFE countries, as in other parts of the developing world, a certain admission of lack of skill or experience, or an outright "loss of face" is associated with the retention of an expert in an advisory capacity. If the expert happens to be a non-national of the country, then his acceptance is even more difficult and his advice harder to take.

Such an attitude toward experts is easy to understand and to sympathize with, but unfortunately it is very short-sighted. No one country has the monopoly on know-how, and interchange of experts is one way whereby the less well-informed can gain knowledge faster. It has happened that a port operating

entity has been unwilling to accept foreign expert advice on such a specialized matter as operating a modern dredger. It need hardly be said that without it the efficiency of the operation was very low.

F. Lack of Trained Personnel

A particular difficulty of ports in ECAFE countries is the lack of trained personnel -- particularly at the departmental or section head levels. Workers are usually readily available for unskilled jobs -- unemployment is all too often rife; because of the clerical and public image of the jobs, there are usually plenty of candidates for the higher-level office appointments; however, for the semi-skilled or junior technician type of jobs (shed foreman, junior traffic officer, maintenance mechanic, equipment inspector, etc.,) there is usually a shortage of suitable employees. The reasons for this lack of interest in an important stratum of the labor force is that the jobs are not attractive, they do not pay well enough, their location is often in hot, dirty, unpleasant places far from decent living quarters, and the social status of the job is not high enough. The port industry is highly specialized and relatively small, hence the opportunities for job advancement are limited.

Because of the very important part played by the semi-skilled and junior technicians in the operations of any port, it is considered of great importance that those directly responsible for administering port operations should study the position in collaboration with governments, with a view to increasing pay scales, improving status, providing better local facilities near the place of employment and setting up training schemes for suitable trainees.

Some ports in the ECAFE area have already taken big steps toward making port work more attractive to trained personnel. The activities of the Ports Committee of the Organization of American States (OAS) in this direction are worth studying -- training programs, exchanges of personnel, etc., are well

organized; also available in general development work in port administration, draft standard port entity charters, standard documentation, Spanish - English - French - Portuguese technical vocabulary, etc. Of course, advantage should also be taken of the advisory service offered by the I.A.P.H. itself.

G. Labor Productivity

Port operations in ECAFE countries in general do not suffer from low productivity of waterfront labor. In fact, the figures indicate that higher productivity can be expected than in many Western countries. The throughput of general cargo per meter of berth in some ECAFE countries is believed to be the highest in the world. For example, in recent years, general cargo has been handled in Bombay, Karachi and Singapore at rates higher than 190,000 tons per berth per year. Such performances are frequently achieved by working many shifts. Such excellent utilization of existing facilities is highly commendable from the viewpoint of the individual port entities, but the high berth occupancy (often over 90%) that is required for such performance is achieved only at the cost of having congestion to vessels waiting for berths, with resulting over-all economic loss.

Other ports in ECAFE countries working similar shifts have remarkably low productivity records and this can frequently be accounted for by the low physical standard of the men available; the lack of adequate housing, canteens, and medical services; excessive holidays and the lack of broken-down condition of the cargo-handling equipment. It is significant that these deficiencies tend to increase the prevalence of pilferage.

Output is frequently affected by the low productivity of clerical and semi-skilled workers, and this is often caused by the lack of autonomy of the port entity regarding the employment of this type of personnel. As mentioned earlier, government and those responsible for port administration should give this matter urgent attention.

The solution to the problems of labor productivity in ports appears to lie in governments and port entities jointly exploring the possibility of greater efficiency of labor. The effects of new techniques of cargo packaging, handling and storage, and of new methods of loading and unloading vessels must be related to the present-day attitude of labor. In the past labor has been cheap; but today, wages increase, men are likely to be members of a trade union with growing collective-bargaining powers; they rightly expect a better standard of living, and frequently are not amenable to the introduction of labor-saving equipment and systems that lead to redundancy. Greater efficiency can only be expected by improving the attitude of an enlightened labor force to change, by ensuring that labor is amply rewarded for its services and by smoothing the way for the technological advances that are now affecting the transportation industry.

H. Problems Encountered in Execution of Projects

The problems encountered in building a new port, or modernizing an existing one, are usually less important than the operational problems involved in operating the facility when completed. This may be partly due to the fact that project execution is a one-shot operation, while running a port is a continuous one. Nevertheless, there are some important problems. Execution of projects is often delayed by time-consuming import and other licensing procedures. When in addition to obtaining the import license, the foreign currency authorization has to be granted separately, delays of many months are the inevitable result. It appears that one hand of a government is frequently unaware of what the other hand is trying to do; and it would simplify execution of projects if, once they had been decided upon and approved by the government, a single license of approval for construction materials and for the expenditures involved were given.

Delays to construction also arise from the dilatory action of port entities and government departments in dealing with the invitation, analysis and award of tenders and the taking of technical decisions during execution. Sometimes this is engendered by a reluctance of some officials to take responsibility and decisive action. In some countries, delays are occasioned by the unnecessary, time-consuming restrictions applied to these matters. Department rivalries at governmental and local levels and the resulting lack of cooperation often are a handicap to effective action during project execution. We are all aware of the berth, due for repair, that is not available to the Engineer because the Traffic Manager urgently needs it, and of the alongside dredging that has to be left incomplete because a ship has arrived for the berth.

Projects also sometimes suffer from the unwillingness of governments and port operating entities to accept foreign expert advice. We have commented earlier on this point, but it bears repeating in connection with project execution. Where there exists lethargy, "red-tape", governmental interference, departmental rivalries, etc., the unbiased, experienced advice of a consulting engineer can be invaluable in project conception, design and execution.

I. Conclusion

There are many problems in the development of ports in ECAFE countries, but there are signs too of a brighter future in which many, if not all, of these problems will be resolved. The problems chronicled above are not insoluble, provided governments, port entities and others recognize them and act with courage and resolution to engender the strong, continuous action that will eliminate them. The importance of well coordinated transportation

planning is more and more being realized, and the experience and constructive effort of others is more readily available today than ever before, to help assimilate technological improvements and provide for rapid development.

The need for efficient and adequate ports is great. For the ECAFE nations, seven of which are island countries, and most of which have extensive coast lines, transportation by water is of vital importance. The region is blessed with natural resources capable of increased utilization, and its increasing population will constantly seek for an improved standard of living -- all plus factors in the generation of commerce. Ports equal to the increasing needs will be required. It is vital that the problems described be solved.

Ports are transportation exchange points where sea-borne and land-borne traffic converge, and, if the port is adequate and efficient, a smooth exchange from one means of transport to another will be ensured, the effectiveness of the country's transportation system will be increased, the economy will benefit and the people be made the richer.

BANK/IDA FINANCED ECATE PORT PROJECTS
AS AT SEPTEMBER 30, 1966

<u>Country</u>	<u>Port</u>	<u>Type of Project</u>	<u>Original Amount of Bank/IDA Financing (US\$ Million)</u>
Burma	Rangoon	Rehabilitation	14.0
China (Taiwan)	Taiwan Ports	Dredging	2.2
India	Calcutta	Expansion & Improvement	50.0
	Bombay	" "	18.0
	Madras	" "	14.0
Malaysia/ Singapore	Singapore	Expansion & Modernization	15.0
New Zealand	Auckland)	Improvements	7.8
	Lyttelton)		
	Napier)		
	Timaru)		
	Whangarei)		
Pakistan	Karachi	Expansion & Improvement	31.8
	Barisal)	Inland Water Ports	7.25 *
	Chandpur)		
	Dacca)		
	Narayanganj)		
	Khulna)		
Philippines	Philippine Ports		
Thailand	Bangkok	Dredging & Other Improvements	7.8
TOTAL			US\$ 176.35

* Including navigable waterways study.

APPENDIX 2BANK ASSOCIATED STUDIES IN ECAFE COUNTRIES
AS AT SEPTEMBER 30, 1966

<u>Country</u>	<u>Type of Study</u>	<u>Contribution Amount US\$</u>	<u>How Financed</u>
India	Regional Transport	285,000	Bank Technical Assistance
Iran	Port Administration and Reorganization	39,000	Bank Technical Assistance
Malaysia	Over-all Transport	Not yet known	U.N. Development Programme (Requested).
Singapore	Containerization	Not yet known	U.N. Technical Assistance Bureau
Pakistan	Navigable Waterways	950,000	Included in IDA Credit
Thailand	Port Improvement & River Siltation	1,015,000	U.N. Development Programme
China (Taiwan)	General Transport (including Ports)	250,000	Bank Technical Assistance
Korea	General Transport (including Ports)	417,000	Bank Technical Assistance
	TOTAL	US\$ 2,956,000 +	

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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360

Speech Delivered by Mr. S. Aldewereld, Vice President,
at the Mangla Dam on the Occasion of the Inauguration
of the Indus Basin Project
November 23, 1967

It is a great privilege for me to be here, along with my colleagues, to represent the World Bank Group today in this distinguished company, gathered at the site of the Mangla Dam to inaugurate the Indus Basin Project.

This system of works is one of the world's great triumphs of engineering and an impressive monument to international cooperation. We in the World Bank take pride in what we have been able to contribute toward this achievement.

The President of the World Bank, Mr. George Woods, to his deep personal regret, is unavoidably prevented from taking part in this memorable ceremony. He has asked me to convey to you, Mr. President, and to the people of Pakistan his warmest congratulations and best wishes.

The Bank Group has been concerned with the problems of the Indus Basin for some sixteen years. During these years many members of its staff have played a part in the efforts and the achievements which have brought us here today. It gives me particular pleasure that my predecessor, Sir William Iliff, who contributed so much to the negotiations that led to the Indus Waters Treaty and was, in fact, the signatory for the Bank of that Treaty, is here to share in this happy occasion. It also gives me great pleasure to see my old friend, General Wheeler, here who, on the Bank's side, led the team that worked on the technical aspects of this great project.

The magnitude of this vast system of works is, by any yardstick, staggering. The Mangla Dam has a crest of over two miles and a spillway that has already made engineering history. This structure will enable Pakistan to store more plentiful summer flow waters for release in the critical winter months. The link canals, man-made rivers traversing the old Punjab, have a total length of about four hundred miles. Some of these canals are able to carry twice as much water as the Potomac River at Washington or ten times that of the River Thames at Teddington.

tribute. There are two of these friends to whom I feel it especially appropriate to pay personal tribute: Mr. Ghulam Ishaq who for so many years guided the Authority with a competence that has won the admiration of all who were concerned with the development of the Indus Basin; and Mr. Kirmani, who was a member of the Pakistani team negotiating the Treaty and since then has so skillfully and diligently directed the construction of the whole scheme from the drawing board to completion.

Normally the inauguration of a project can be considered as the end of the story. This is not the case, however, on this occasion. It is really more of a beginning than an end. Next will come the Tarbela Dam, a dam which will be even bigger than this gigantic Mangla Dam.

The Tarbela project has been studied for many years. Its technical feasibility, its economic justification, and its priority in the development of West Pakistan's water and power resources have been confirmed by the exhaustive study carried out under the leadership of one of the Bank's Executive Directors, Dr. Pieter Lieftinck, who has been able to join us here today on this occasion. Since the study was finished, the necessary engineering of the dam has been completed to allow contractors, who have already been pre-qualified, to submit bids. A general plan for the financing of the dam has been worked out. In exactly one week the bids will be opened and we are all confident that, very soon, the contract will be awarded and construction will start.

If the history of the building of Mangla is anything to go by, we can confidently expect that the execution of Tarbela will also be carried out expeditiously and efficiently and that it will be marked by the same spirit of cooperation and endeavor on the part of both the Government and the people of Pakistan and of those from other lands who will join them in this great work.

We in the World Bank pledge to you our continuing support and assistance. It is the philosophy of our institution that there is no worthier task for the community of nations than to strive together for the betterment of their fellow men's standard of living. What we are witnessing here today is, therefore, not only the inauguration of a magnificent project, but, in addition, the visible proof of what a number of countries, inspired by good will and good sense, can really achieve toward this end.

Today's inauguration, Mr. President, marks a milestone in the rapid development of your country. In recent years Pakistan has made steady economic progress. We in the World Bank are confident that Pakistan will continue to progress and we welcome the opportunity, now facing us, to work together with our Pakistani friends in the same spirit of harmonious cooperation that has marked our association for so many years.

While we are here today to inaugurate a vast project, of which this Dam is the largest and most dramatic component so far constructed, we are at the same time observing the visible and tangible incarnation of a remarkable instance of international cooperation; a cooperation which brought a peaceful solution to one of the most complex problems that have confronted the world. The discussions that began in 1952 lasted for eight years, and it is a tribute to the Governments of both India and Pakistan that these discussions ended so fruitfully, and resulted in the construction of the largest scheme of river control and development ever undertaken anywhere. The World Bank is proud to have played a part in these discussions.

It was soon apparent in the course of these discussions that the cost of the works was far beyond the capacity of the two governments to finance, with the help of the World Bank alone. Tribute must be paid to the Governments of Australia, Canada, the Federal Republic of Germany, New Zealand, the United Kingdom and the United States for the generous help they have made available through the Indus Basin Development Fund.

The Bank is honored to be the Administrator of the Indus Basin Development Fund, which includes not only the contributions of these countries and the World Bank Group, but also India's contribution under the Treaty and the contribution provided by Pakistan.

As we gather here today to witness the inauguration of the Indus Basin Project, I cannot let the occasion pass without expressing profound admiration for the truly remarkable manner in which these great feats of engineering have been executed. In the whole history of engineering, there must be few, if any, examples of the completion of a system of works of such awe-inspiring proportions in such an efficient and expeditious manner. It is, of course, a triumph for the consultants and contractors whose skill and performance deserve our highest praise and admiration. But it is above all a triumph for the Government and the people of Pakistan whose energy and determination in the pursuit of economic development is so impressively symbolized in these works.

In particular, I wish to express my admiration for the Water and Power Development Authority of West Pakistan, a group of public servants without whose skill and devotion these works would never have been completed so expeditiously.

The Authority was founded in 1958 and in less than a decade has gained an impressive experience in the planning and execution of water and power projects. It is today an institution that Pakistan can be proud of.

We have made many good friends at the Authority during the course of our association with it over the years, and to all of them I pay

(Speech given by Mr. Aldewereld at engineering forum in Lahore, Pakistan,
November 25, 1967)

THE ROLE OF ENGINEERS IN ECONOMIC DEVELOPMENT



I speak to you tonight, not from a theoretical standpoint, but on the basis of personal experience. I have been connected with engineers and engineering for 21 years. Intimately connected. For engineering is the corner stone of project work, and lending for projects -- some \$12.5 billion over the years -- is the primary business of the World Bank and the International Development Association.

We have a great many engineers in the Bank. Over 100 of them. And we deal with a great many more. The Bank and IDA together award some \$50 - \$100 million of work to consulting engineers each year; we maintain a comprehensive file of the names and experience of all firms who want to be included in it -- some 1,800 of them at present. But whether they are the Bank's own staff or whether they are consultants employed by the Bank, what I have to say tonight is equally relevant. Indeed, it is -- or should be -- relevant quite outside the context of Bank operations. It should be relevant to every agency, international, national or provincial, which is engaged in the common objective of strengthening and furthering the process of economic development.

What I want to do tonight is to try to take two words from the title of this conference and link them firmly together in your minds. These words are "engineers" and "economic". I want to make it clear that when the Bank talks of an "appraisal" or "feasibility" study of a project, it is not merely referring to a technical exercise, undertaken to determine whether the project is sound from an engineering point of view. Of course, sound engineering is fundamental to project preparation; it permeates every aspect. Questions of location and layout or design, the scheduling of construction and the identification of potential causes of delay -- all

this is inevitably part of any appraisal. But the word "appraisal" as we use it in the Bank, covers far more than the technical aspects of a project. It covers the managerial aspect -- the quality and availability of management talent. It covers the organizational aspect -- what organization is needed to bring the project to the operating stage and what organization will be needed thereafter. It covers the commercial and financial aspects of the project. Perhaps above all, though -- it covers the economic aspect. At the same time as the technical feasibility of the project is being established, so will its economic justification be thoroughly examined. Thus, project appraisal should draw on far more than simple engineering expertise. It must draw, too, on the knowledge and abilities of financial analysts and economists. The closer they collaborate, the sounder the appraisal will be.

Now I realize that there are -- and always will be -- engineers who reject this approach. Economics, they will say, has little to do with engineering. They call themselves technicians, pure and simple -- and are proud of it. Emotionally, I sympathize with them. It might be argued that, if economists had been around at the time, some of the most glorious "civil works" in history -- like the Pyramids or the Taj Mahal -- would never have been constructed. But, professionally, I have no sympathy at all. The problems of the last third of the 20th Century are far too serious for us to be in the business of building monuments for posterity, however magnificent they may be. Given a global shortage of resources for development, we -- or anyone else -- simply cannot afford not to look as critically and as stringently as possible at the economic justification of the projects that come before us. It is my contention, gentlemen, that engineers have as crucial a role to play in this aspect of project appraisal as in any other.

What, after all, are the questions which any appraisal of a project must answer? Surely, they are these: is the project soundly planned, that is to say: is it consistent with national priorities and objectives? Once the sectoral priority of the project is established, the next question follows: is the project likely to contribute effectively to the development of that sector; and is that contribution likely to be great enough to justify the quantity of scarce resources that will be needed -- investment capital, domestic and foreign; managerial talent; skilled labor and the like. Lastly, we must ask: is there an alternative and cheaper way of proceeding, while deriving the same net benefits?

I submit that the competent engineer will have something valuable to say about all these questions and that, as far as some of them are concerned, no meaningful insights will be possible without the engineer's contribution. (I am, for simplicity's sake, assuming that the engineer and the economist are separate entities who will work in a close and fruitful collaboration. But it may well be possible -- and desirable -- that the same man should be articulate in both disciplines.)

Let me give some examples of what I mean. The first question I asked was: is the project consistent with national priorities and objectives? Up to a point, of course, this is something for the pure economist working at a macroeconomic countrywide level to answer. The long-term plans and projections of policy-making bodies will reveal different investment allocations for different sectors. The project or projects will be fitted into these aggregate targets. There is, however, a much greater interaction between the overall plan and the project content of that plan than is sometimes apparent. General economic information covering a country's demography, climate, geology, agriculture, industry,

foreign trade, national income etc. -- all this can be integrated with the analysis of a project and may sometimes significantly affect our conclusions. The load forecast, for instance, is a vital component of any power project. To make an uncritical projection of past trends is probably as meaningless as pulling numbers out of a hat. The responsible engineer will relate his forecast to all available data. Some of it will be of a relatively objective nature -- he will study industrial projects already sanctioned for investment, and the regional distribution of these projects insofar as this will affect centers of load growth. But he will also examine material of a more theoretical sort. He might attempt to develop relationships between the long-term forecast of industrial value added (i.e. the gross output of an industry net of purchased inputs) and industrial consumption of electricity. This might provide a useful check on his industrial load forecast. Similarly, he might attempt to develop relationships between the growth in personal income, as projected at the planning level, and the growth in residential connections. This might help in his residential load forecasts. Of course, I am not saying he will always modify his report in the light of this macroeconomic information. Sometimes he may remain quite convinced that he is right and the projections are wrong. But that, too, is an extremely valuable result.

The next question I asked was: is the project likely to contribute effectively to the development of the Sector? Some have attempted to tackle this in too simple a way. They have merely asked for a benefit/cost ratio or else for an "internal rate of return" and once they had one -- and it looked all right -- they didn't ask any more questions. This approach was probably justifiable at a time when borrowers were relatively unskilled at preparing proposals for submission to us, obvious bottlenecks existed in the economy and projects were scarce. But this has changed.

Today there are always "alternative uses" lurking in the wings and we have to be more circumspect. We must ask -- at what discount rate was the benefit-cost ratio calculated? 6%? 8%? 10%? Is that rate high enough truly to reflect the opportunity cost of capital in the economy? Even if we are satisfied about the discount rate, we must look very carefully at the actual ingredients of the cost/benefit calculations. Of course, in an economy in which market forces operate freely in the presence of domestic and international competition, it is perfectly proper to use the actual prices of factors of production in making our calculations. But in the real world, there are major interferences with the free play of demand and supply, such as protective tariffs and quantitative restrictions on imports and exports; unrealistic rates of exchange; government controls of interest rates, prices, production and sales; wage-rates exceeding the real cost of labor because of government or trade-union action. These distorting factors often can make an appraisal, based on actual prices, of the economic merits of a project incomplete and inaccurate. Now, I am certainly not saying that the engineer should spend all or even half his working life in the rarified world of "shadow prices" and "scarcity values". What I am saying is that if he shows some awareness of these things and makes some attempt to arrive at the real undistorted cost to the economy of the main resources required -- and this won't always be possible -- he will be a better engineer.

The last question I asked was: is there an alternative and cheaper way of proceeding while deriving the same net benefits. We may be satisfied that the project is consistent with national priorities, we may be satisfied that it shows an "acceptable rate of return". But we must also be satisfied that it is better than any feasible alternatives. It is here, I believe, that the engineer's contribution is of paramount importance.

There is a story told in the Bank which by now has achieved an almost classic status. It is a story of how a water supply system for a large Far Eastern city was designed which included the use of advanced electronic controls for checking water levels. Later it was found that the job performed by the control system could be done adequately by a man with a pencil and paper and a bicycle to carry him from one check point to another. Now this story may be apocryphal but it serves anyway to make the point that, ironic as it may seem, one of the tasks of experts called into appraise a particular project should be to ask whether the need for the whole scheme could not be totally or partially eliminated by undertaking some other less-costly course of development. Is groundwater an alternative to surface-water storage? Does it meet the same water requirement as efficiently and at less cost? Even if it doesn't, we must ask if that water requirement really is as fixed and immutable as it seems. Or whether it can't be shaved a little, bearing in mind that money saved on one project can be invested elsewhere in the economy.

Indeed we might ask not only whether the water requirement can be shaved but whether it may actually be severely reduced by the formulation of other non-water projects. One of the things, for example, the Bank has found so encouraging in its recent work in Pakistan is the response to new agricultural inputs -- seed and fertilizer and pesticide -- as well as to improved farming practices. The engineer must always ask himself -- particularly in view of the high costs involved in developing water resources -- what is the alternative potentiality of rain-fed agriculture. Perhaps some combination of inputs other than water could at much less cost enable satisfactory levels of production to be achieved.

Another of the choices which confronts the engineer again and again is the choice of hydro versus thermal power. There are, of course,

real economic advantages in hydro. Lower operating costs is one of the most important. Hydro power may also eliminate fuel imports and thus ease the pressure on the balance of payments. In some cases, such as with Mangla and Tarbela, there will be extensive multipurpose benefits.

On the other hand the advantages of thermal power are not negligible. Power output can be expanded in relatively small stages, and in locations which minimize transmission requirements. There is a shorter construction period and, in general, lower and more easily determined capital requirements. These factors may be very relevant to a developing economy where power requirements frequently do not justify the immediate installation of large scale generating facilities, where load factors may be relatively low, where demand is difficult to forecast and where capital is scarce.

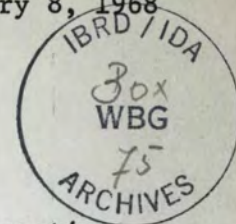
Or again, the engineer habitually has to choose between road and railway transportation. Any highway study he produces ought to pay detailed attention to the railway alternatives; a railway study must present a clear unbiased picture of highway or waterway alternatives.

These, as I have said, are the traditional choices an engineer/economist has to face. But they are no less formidable for being familiar, I cannot, I confess, say we have always reacted to these choices in the right way. Part of the problem, I am sure, is to do with costing. A great deal of money may have been spent investigating the project itself, while possible alternative projects have simply not been costed as thoroughly. Nor has any satisfactory system of contingency rating yet been devised. But this fact merely argues the need for engineers and economists to work together at an early stage of their investigations, to delve deeply into specific alternative projects and programs that may suggest themselves when a little imagination is applied.

Well, I've probably said enough. More than enough. You may be feeling that you'll never be happy looking through a theodolite or manipulating a slide-rule again. If that is the case, forgive me. I certainly wouldn't want you or anyone else to concentrate on all these economic aspects of project appraisal all of the time. Or even some of them all of the time. But some of them, perhaps, some of the time.

Speech given by Mr. Aldewereld in New York on January 31, 1968, before the Netherlands Chamber of Commerce in the U.S., Inc.

DRAFT
January 8, 1968



THE RATIONALE BEHIND SOME CURRENT BANK OPERATIONS

Gentlemen, in the light of recent events involving some prospective personnel changes down in Washington, I'm going to assume that you have heard of the World Bank Group; by this I mean the World Bank itself, its affiliate the International Development Association, and the International Finance Corporation.

More than that, I'm going to assume that you have some idea of what we do. You may already know, for example, that over the years the World Bank Group as a whole has committed over 12 1/2 billion dollars. You probably know too the sort of things we lend for - power and transportation, agriculture, industry, education and so on. So I don't intend today to cover all this ground again.

~~No priest can put all his rheology into a single sermon, unless he's a very poor priest or it's a very long sermon.~~ If, at the end of my talk, anyone wants more detail on our lending - how much, where and for what - I'll gladly arrange to supply this information. But when I talk today of the World Bank Group operations I will be referring to something rather larger than an inventory of projects we are currently financing.

I'm going to talk about the problems of underdeveloped countries, and the Bank's role in this respect. But I do not intend to act as a kind of verbal atlas of economic geography, producing statistics of comparative per capita income in Asia, Africa and the Americas; statistics of the number of inhabitants per telephone; statistics of kilowatt-hours generated or of class-size in the average primary school in the less-developed world. I won't even give you statistics on the lack of statistics, though this is always one of the difficulties we face. This isn't because I underrate the importance of these

things, or because I am insensitive to what is undoubtedly the greatest challenge of our century: ~~and what will probably be the greatest challenge of the next century as well.~~ I mean the global problems of poverty, disease and illiteracy. It is simply because I feel sure that you are as aware of these problems as I am. All I would do by elaborating on them at length would be to reawaken and perhaps aggravate your concern. That might be a perfectly valid objective but it is not my purpose - or certainly not my main purpose - today.

What I would like to do instead is to focus on the rationale behind current Bank operations, thereby giving you some idea of how we are helping the underdeveloped countries to achieve a measure of forward momentum.

Let me say at once, that I don't feel that the World Bank's methods are the only useful methods for promoting economic development, or perhaps even the best possible methods. We ourselves are constantly refining our approach and increasing our own understanding of the problems we face; we are constantly drawing on the experience of others who are involved in this field. What I do suggest, though, is that the World Bank has had sufficient experience in its field, and has achieved a large enough measure of success, for our approach to be used - if not as a blueprint - then at least as a rough working model.

What is the rationale behind our operations? In the first place, we believe in economic development. I don't say this as though it were beyond question that development is desirable. In a different world, a world where the jet airplane and the transistor radio were as yet unknown and where tribal societies subsisted contentedly in a state of equilibrium with their own environment - I am perfectly prepared to concede that in that sort of world a case for maintaining the "status quo" could well be made. Indeed, it would be an unjustifiable form of conceit to assume that what was good for us - the industrialized world - was automatically and unreservedly good for everyone else.

But except for a few isolated spots which the anthropologists guard with ferocity as living museums like parts of New Guinea or the Upper Amazon - apart from these few places, that Rousseau-esque world no longer exists. The jet airplane and the transistor have penetrated every corner of the world. They are here to stay and it's no use pretending that this isn't so. Medicine has arrived too, and with it lower mortality rates and a concomitant growth in population - another happening which has rendered inapplicable and irrelevant any hypothetical notions of "contented equilibrium." So when I say that the World Bank believes in development, I mean that since the revolution of rising expectations has begun, whether one likes it or not, we feel compelled to try to direct the energies which are being released all over the world into productive channels.

We have, I admit, a rather wide concept of our function in this respect. We have come to believe that we must concern ourselves not merely with the "development of productive facilities and resources in less developed countries" - to quote the language worked out at Bretton Woods in 1945 - but also with the whole range of economic policies and economic performance of our borrowers. This is a cornerstone of our operating philosophy, and I would like to dwell on it for a moment.

It is occasionally said that the only way in which the World Bank resembles a bank is that the word "Bank" occurs in its title. The World Bank is not a bank, the argument runs; it is a development institution. This is a neat idea and there is a lot of truth in it, but I would prefer to express it somewhat differently. I would say that it is precisely because the World Bank is a bank that it is a development institution.

As you know, we lend long-term money. We are repaid not in five years or eight years, but in fifteen or even thirty years. This means that

we must be concerned not only with short-term creditworthiness but also with long-term prospects. ~~The larger our lending program in any particular country,~~ ^{the more important it is} that we engage in a forthright and continuous dialogue with ~~that country~~ ^{our borrowing countries} on ~~its~~ ^{their} economic, financial and development policies, programs and performance. This is prudent banking, and if we did not so operate, we would fail in our responsibilities to the investors who buy our bonds and to the taxpayers of richer countries who support the International Development Association, our so-called concessionary loan window which finances projects in the very poorest countries.

Also, the World Bank has in many instances - through the media of aid coordinating groups - made itself the agent, as it were, of bilateral assistance programs. For it has recommended, as being worthy of support, various development programs and, as a result of these recommendations, loans have been forthcoming in the expectation of repayment.

We have then, as you can see, multifarious responsibilities which we cannot take lightly. I am not for a moment suggesting that we see ourselves, or want to be seen as, a kind of international policeman. The policeman's lot, as we all know, is not a happy one. Nor am I suggesting that we - the World Bank Group - have a monopoly on good sense or a corner on sound economic planning. This is far from the case. We are acutely conscious that our techniques of economic analysis are often inadequate, we continuously seek ways to explore much more fully many issues which go far beyond the conventional economic indicators which we currently employ. I refer, for example, to the whole question of the structural balances within an economy: what is the pattern of income distribution? what are the employment effects of different types of investment? what are the likely social implications of economic development? Again, I am not suggesting that our economic missions will - as an end-result of their work -

produce a set of prescriptive measures which we expect in all cases to be adopted.

This leads me to repeat and reemphasize an expression I used earlier; it is a dialogue which we hold with our borrowers. Forthright, yes, but still a dialogue. We will make clear what kind of changes in policies, programs and performance will, in our best judgment, speed up the pace of economic growth and make possible an increased volume of lending and investment by the Bank Group of institutions, by members of the Bank who are giving or might give aid through their own programs, and by private foreign investors. But we are not so unrealistic as to insist on instant, total reform. We will be content with progress at reasonable speed in the right direction.

I must also point out, of course, that it always remains the sovereign prerogative of any country not to engage in this dialogue. The ostrich has a perfect right to bury its head in the sand, and the patient to ignore the advice of his physician.

In an ideal world it would be unnecessary for the Bank to season, as it presently does, infusions of capital with a condiment of technical advice and assistance. The economic policies and performance of our borrowers would be such that we could without hesitation lend large amounts of money; indeed, it would even be unnecessary to finance specific projects. We could make the assumption that the investment program which we were supporting already reflected the optimal allocation of resources among sectors, that a correct assessment of priorities within sectors had been made, and that the individual projects which made up a sectoral program would be properly constructed, operated and supervised. Our role would be then quite simply to act as the residual supplier of long-term capital for the general development budget.

But this ideal world, unfortunately, does not exist. If the most advanced countries on earth - the U.S., the U.K., Japan, and so forth - still

have much to learn about the whole process of macroeconomic planning, this is even more true of the underdeveloped world which has, as it were, been thrown in at the deep end of this particular pool, without knowing how to swim. A great many countries have come into existence with little or no preparation for the enormous problems and pressures of self-governing existence.

Indeed, the measure of success which - in face of all obstacles - has been achieved is quite impressive. Greece, Israel, Jordan, Korea, Nicaragua, Panama, The Republic of China, Spain and Thailand - these countries provide impressive testimony, or evidence that the battle can be won and that it is worth winning.

But these are the exceptions. In many other countries who are members of the Bank the battle is still to be won; external assistance, given with firmness and goodwill, is sorely needed. It is needed not only, as I have suggested, at the level of macroeconomic planning and policy. It is also needed at the microeconomic level, the level of project construction, operation and supervision. For the Bank, this is the obverse side of the coin, in that projects are the building materials from which the planner's design is materialized. Politicians and administrators in a borrowing country have sometimes charged the Bank with being unduly conservative, rigid, cautious and bureaucratic. Our lengthy processes of project appraisal have raised considerations which seem to them - in the language of Perry Mason - irrelevant, incompetent and immaterial. I believe this charge is much exaggerated. When we lend to a country, we have to know that the specific project for which we lend will be neither badly engineered, nor of low economic priority, nor likely to be inadequately managed. This means that we must involve ourselves in the details of construction; we must be satisfied that proper management exists, and if it does not, we take steps to ensure that the gap is filled; we want to be sure that the training aspect is

fully emphasized and that there will be the optimum transfer of skills to the borrowing country. All this takes time. Sometimes, it may take too much time, and then we and our procedures are at fault. But it is a small fault, surely, when we consider the penalties of too much haste in terms of wasted resources. Dams without water, international airports without traffic, highways without cars, power plants or kilowatts without consumers -whatever else may be happening to the wildlife of the Southern Hemisphere, the white elephant is unfortunately far from extinct.

Let me summarize. The rationale behind the Bank's operations, the reason we engage so extensively in the process of macroeconomic planning on the one hand, and - on the other hand - in the process of project appraisal and supervision is our deeply-held belief that the less-developed world has a great deal still to learn about the management of its affairs. This being so, we are required - as trustees of other people's money - to do what we can to minimize the effect of this deficiency both on our borrowers' ability to execute the projects we finance and also on their ability to repay our loans. Insofar as Bank projects (and of course other projects) contribute to the productive capacity of an economy, the latter is ultimately related to the former.

This is, of course, to describe the rationale behind our operations in the most pragmatic way - which is very right and proper for a banker. At the same time - since nowadays we are all idealists - I feel that I should end on a somewhat more elevated note. As an international institution, the World Bank Group is in a unique position to mobilize both capital and human resources on a rather large scale in the cause of the economic development of backward lands. Given the right sort of support, not only in the Congresses and Parliaments but also in the mind of the public, and provided that we can continue to recruit men of the calibre we need, I believe that the World Bank is likely to prove as effective an instrument for development as anyone could devise.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT



1818 H STREET, N.W., WASHINGTON D. C. 20433 TELEPHONE: EXECUTIVE 3-6360



Opening Remarks Delivered by Mr. S. Aldewereld, Vice President,
at the Mangla Dam Discussion
Institution of Civil Engineers, London
January 23, 1968

May I express on behalf of the President of the World Bank my appreciation for being invited to open these discussions.

Some of you may wonder why it should fall to the lot of a banker to open the discussion on the paper presented here today. A paper which covers the technical aspects of one of the most notable engineering achievements of recent years. However, I think that most of you are aware that the World Bank, or to give it its full style, the International Bank for Reconstruction and Development, has played an active part for many years in the works of which Mangla forms a part.

I am not going to repeat here the sequence of events which led up to the signing of the Indus Waters Treaty on September 19, 1960. The matter received much publicity at the time and subsequently, both in the international press and in technical publications. Suffice it to say that the Bank has been involved since the discussions began in 1952,

What I shall talk about today is the role played by the Bank since the Treaty was signed, for it was at that time that I personally became intimately involved. Perhaps before going into the organizational and procedural arrangements I should explain a little of the Bank's responsibilities.

The Bank is a signatory to the Indus Waters Treaty, but only for the purposes specified in certain parts of the Treaty. I will not go into details of these responsibilities this evening but will refer to the role of the Bank under the Indus Basin Development Fund Agreement. The Fund Agreement between the Governments of Australia, Canada, the Federal Republic of Germany, New Zealand, Pakistan, the United Kingdom, the United States of America and the World Bank, designates the Bank as Administrator. In this capacity the Bank was essentially responsible to the donor countries and to Pakistan to ensure that the works were properly carried out and the money properly spent.

When it undertook these responsibilities, the Bank decided that it would be desirable to employ both a firm of consulting engineers and a firm of accounting consultants to assist it in executing its responsibilities. This decision was influenced not only by the size and

complexity of the works to be constructed, but also by the fact that the Bank would be acting as trustee of other people's money, taxpayers' money.

The firms were selected and the appointments were provisionally made in anticipation, so that an immediate start was possible on the signing of the Treaty. The Government of Pakistan designated the West Pakistan Water and Power Development Authority (WAPDA) as the executing agency for carrying out the works. The Government also established a board under the Chairmanship of the Secretary, Ministry of Fuel, Power and Natural Resources (subsequently renamed the Ministry of Industries and Natural Resources), of which the Chairman of WAPDA is a member, together with representatives of various ministries and departments with a substantial interest in the program, to coordinate the efforts of the many agencies involved.

At a very early stage a mission from the Bank, accompanied by representatives of its consultants, visited Pakistan. Meetings were held with the central and provincial governments, with WAPDA, with Pakistan Western Railways, with Karachi Port Trust, with the oil companies and with other bodies that would be required to play a part if the works were to be begun and completed on schedule. It will be appreciated that the resources of the Fund were to be applied toward meeting the cost of certain specified works. They were not intended to develop the general transport and communication facilities of West Pakistan, however desirable or even necessary that might be if the works were to proceed expeditiously. Therefore, the Bank as Administrator was not able, in instances where it located weaknesses or potential weaknesses in such facilities, to make resources available to improve the situation. However, matters which appeared to warrant attention were brought to the notice of the requisite authorities. The Bank as Chairman of the Pakistan Consortium has been able in some instances to assist with arranging for the financing of plans to overcome deficiencies.

The early meetings with WAPDA were devoted almost entirely to the establishment of procedures for the execution of the works. Among the first things we had to do at this stage was to make a complete re-estimate of the probable cost of the works, as the earlier estimates had been based on insufficient and incomplete data.

By the beginning of 1961 an allocation of the funds available for specific works had been agreed and disbursement procedures and related matters had been formalized. Agreement had been reached on the different types of applications that WAPDA should submit to us for every disbursement, together with appropriate documentation. Those disbursement applications were forwarded by WAPDA direct to the Bank in Washington, but at the same time copies were sent to the Bank's consultants both in Pakistan and in London. The Bank requires that its consultants jointly certify that each application is eligible and correct before we make payment.

You may think that these procedures, which involve a number of parties, are ponderous and lead to delays. In fact, in no instance through the past

eight years has a payment not been made to a contractor within the time specified in his agreement.

To enable the Bank's consultants to fulfill their responsibilities, as well as to be able to assist and advise WAPDA in the day-to-day operations under the Fund Agreement, the consultants opened an office in Lahore in January 1961. The checking of the design of the projects was carried out in the head office of the Bank's engineering consultants and included confirmation that the works had been designed in accordance with sound engineering practice, were the most economic for the circumstances and fulfilled the functions defined in the Fund Agreement.

When the Treaty was signed WAPDA had been in existence for only about two years and was in the process of expanding and reorganizing to be able to undertake the task of administering and directing the Indus works on behalf of the Government. The Bank decided that it would be constructive and appropriate to make a contribution from the Fund toward the operating cost of WAPDA's head office. The amount was established on the basis of the extra staff that would be required solely on account of the Indus works and has been paid in regular quarterly installments.

Another early decision was to contribute from the Fund toward the cost of operating the West Pakistan Irrigation Department's Research Institute. This Institute already had a small hydraulic research laboratory in Lahore and a field station at Nandipur some 50 miles away. There was a small nucleus of trained staff, but equipment and resources were limited. In this instance the contribution was not on a fixed basis, but was reviewed every year or two. In the early years over 80 per cent of the staff and facilities of the Institute were studying hydraulic problems related to the Indus works, although more recently this proportion has diminished very considerably. The additional equipment purchased and the experience gained will, however, remain as an asset to Pakistan for use in resolving the hydraulic problems of future developments.

A further example of a relatively small, but nonetheless important, item which it was decided should be paid for from the Fund was a flood warning system. Clearly, early news of heavy rainfall or rising river levels could be of immeasurable benefit to those working on projects further downstream. For some sites it was possible to give a day or two's warning, for others only hours, but even that was welcome.

Another very important feature of our work as Administrator was setting up the procurement procedures, designed to assure the widest possible international competition. In this connection we took an active interest in the form of the tender documents and, in particular, in the conditions of contract, which as mentioned in the paper are basically the same for all Indus works contracts. These conditions are based on the conditions of contract (international) recommended by the Federation Internationale des Ingenieurs Conseils (FIDIC). The

fact that on the Indus contracts we have departed, in certain respects, from the FIDIC conditions does not imply a criticism of the original, but rather that we have gone forward in the light of experience. We also had to take into account, of course, the particular requirements relating to the laws of Pakistan, which govern all Indus contracts.

The Bank's consultants evolved in collaboration with WAPDA a number of procedures to ensure the orderly sequence of events. The procedures lay down the instances when discussion and possibly approval is necessary before the next step is taken and designates the parties concerned. The procedures list the papers and documents required so that decisions can be reached, and so forth. To name a few of the major items: procedures for financial control and administration, procedure for remodeling of existing works, procedures for financing the purchases of structural plant. This last item relates to the special plant advance for which provision is made in the conditions of contract for all Indus contracts.

The Bank's consultants maintained, in addition to their office in Lahore, an engineer as an observer at or near the site of each major project. These site observers had a number of functions, including advising WAPDA on the requirements of the Bank as Administrator, bringing immediately to the notice of WAPDA occurrences which might involve costs which could not be recommended for reimbursement from the Fund and reporting back through their head office to the Bank on the progress of the work.

Not by any means all of the issues to be decided stemmed from the construction works themselves. In the early years particularly, the Bank as Administrator held a number of meetings with the contributing governments. A major issue which had to be faced was when the re-estimates, to which I referred earlier, revealed that the cost of the works described in the Treaty was likely to exceed greatly the resources of the Fund. Discussions between the Bank, the Government of Pakistan and the contributing governments proceeded over a period of two years and finally the Indus Basin Development Fund (Supplemental) Agreement, 1964, was signed and became effective on April 6 of that year. Under this Agreement sufficient additional funds were made available to finance the full cost of the works.

Again, I do not propose to go into details, but would like to refer briefly to another major responsibility that the Supplemental Agreement placed on the Bank. Namely, that the Administrator shall organize and administer a study of the water and power resources of West Pakistan which would provide the Government of Pakistan with a basis for development planning in the water and power sectors of the economy within the content of their successive Five-Year Plans. To direct this study the Bank established a special group of its own staff, supported by five firms of specialist consultants.

This study was perhaps the most ambitious study ever made of the water and power resources of a country. It took three years to complete and it cost \$5 million. I hope that this study will be published shortly and, if this materializes, I recommend it to your attention. Let me say in this connection that the Government of Pakistan is in full agreement with the conclusions of the study and has stated that it will be guided in its future investment decisions by the study.

I fear I may have overrun the time allotted to me and I must stop. There are many other aspects of the role of the Bank as Administrator which I could tell you about, but time does not allow me to do so. Still, I hope that what I have said has been of interest to you and has explained in some degree the role that we have played in the execution of the Indus works, a system of works of a size and complexity unexampled in history. I am sure that many of you know that before long we may well be playing the same role in the execution of the giant Tarbela Dam. The experience gained with the Indus works should stand us in good stead.

January 23, 1968

OPENING OF DISCUSSION ON MANGLA DAM -- INSTITUTION OF CIVIL ENGINEERS London



MAY I EXPRESS ON BEHALF OF THE
PRESIDENT OF THE WORLD BANK MY APPRECIATION
FOR BEING INVITED TO OPEN THESE DISCUSSIONS.

SOME OF YOU MAY WONDER WHY IT SHOULD
FALL TO THE LOT OF A BANKER TO OPEN THE
DISCUSSION ON THE PAPER PRESENTED HERE
TODAY. A PAPER WHICH COVERS THE TECHNICAL
ASPECTS OF ONE OF THE MOST NOTABLE
ENGINEERING ACHIEVEMENTS OF RECENT YEARS.
HOWEVER, I THINK THAT MOST OF YOU ARE
AWARE THAT THE WORLD BANK, OR TO GIVE
IT ITS FULL STYLE, THE INTERNATIONAL
BANK FOR RECONSTRUCTION AND DEVELOPMENT,
HAS PLAYED AN ACTIVE PART FOR MANY YEARS
... IN THE WORKS

IN THE WORKS OF WHICH MANGLA FORMS A PART.

I AM NOT GOING TO REPEAT HERE THE SEQUENCE OF EVENTS WHICH LED UP TO THE SIGNING OF THE INDUS WATERS TREATY ON SEPTEMBER NINETEEN, 1960. THE MATTER RECEIVED MUCH PUBLICITY AT THE TIME AND SUBSEQUENTLY, BOTH IN THE INTERNATIONAL PRESS AND IN TECHNICAL PUBLICATIONS. SUFFICE IT TO SAY THAT THE BANK HAS BEEN INVOLVED SINCE THE DISCUSSIONS BEGAN IN 1952.

WHAT I SHALL TALK ABOUT TODAY IS THE ROLE PLAYED BY THE BANK SINCE THE TREATY WAS SIGNED, FOR IT WAS AT THAT TIME THAT

... I PERSONALLY

I PERSONALLY BECAME INTIMATELY INVOLVED. PERHAPS BEFORE GOING INTO THE ORGANIZATIONAL AND PROCEDURAL ARRANGEMENTS I SHOULD EXPLAIN A LITTLE OF THE BANK'S RESPONSIBILITIES.

THE BANK IS A SIGNATORY TO THE INDUS WATERS TREATY, BUT ONLY FOR THE PURPOSES SPECIFIED IN CERTAIN PARTS OF THE TREATY. I WILL NOT GO INTO DETAILS OF THESE RESPONSIBILITIES THIS EVENING BUT WILL REFER TO THE ROLE OF THE BANK UNDER THE INDUS BASIN DEVELOPMENT FUND AGREEMENT. THE FUND AGREEMENT BETWEEN THE GOVERNMENTS OF AUSTRALIA, CANADA, THE FEDERAL REPUBLIC OF GERMANY, NEW ZEALAND, PAKISTAN, THE
... UNITED KINGDOM,

UNITED KINGDOM, THE UNITED STATES OF AMERICA AND THE WORLD BANK, DESIGNATES THE BANK AS ADMINISTRATOR. IN THIS CAPACITY THE BANK WAS ESSENTIALLY RESPONSIBLE TO THE DONOR COUNTRIES AND TO PAKISTAN TO ENSURE THAT THE WORKS WERE PROPERLY CARRIED OUT AND THE MONEY PROPERLY SPENT.

WHEN IT UNDERTOOK THESE RESPONSIBILITIES, THE BANK DECIDED THAT IT WOULD BE DESIRABLE TO EMPLOY BOTH A FIRM OF CONSULTING ENGINEERS AND A FIRM OF ACCOUNTING CONSULTANTS TO ASSIST IT IN EXECUTING ITS RESPONSIBILITIES. THIS DECISION WAS INFLUENCED NOT ONLY BY THE
... SIZE AND COMPLEXITY

SIZE AND COMPLEXITY OF THE WORKS TO BE CONSTRUCTED, BUT ALSO BY THE FACT THAT THE BANK WOULD BE ACTING AS TRUSTEE OF OTHER PEOPLE'S MONEY, TAXPAYERS' MONEY.

THE FIRMS WERE SELECTED AND THE APPOINTMENTS WERE PROVISIONALLY MADE IN ANTICIPATION, SO THAT AN IMMEDIATE START WAS POSSIBLE ON THE SIGNING OF THE TREATY. THE GOVERNMENT OF PAKISTAN DESIGNATED THE WEST PAKISTAN WATER AND POWER DEVELOPMENT AUTHORITY (WAPDA) AS THE EXECUTING AGENCY FOR CARRYING OUT THE WORKS. THE GOVERNMENT ALSO ESTABLISHED A BOARD UNDER THE CHAIRMANSHIP ... OF THE SECRETARY,

OF THE SECRETARY, MINISTRY OF FUEL,
POWER AND NATURAL RESOURCES (SUBSEQUENTLY
RENAMED THE MINISTRY OF INDUSTRIES AND
NATURAL RESOURCES), OF WHICH THE CHAIRMAN
OF WAPDA IS A MEMBER, TOGETHER WITH
REPRESENTATIVES OF VARIOUS MINISTRIES
AND DEPARTMENTS WITH A SUBSTANTIAL
INTEREST IN THE PROGRAM, TO COORDINATE
THE EFFORTS OF THE MANY AGENCIES INVOLVED.

AT A VERY EARLY STAGE A MISSION FROM
THE BANK, ACCOMPANIED BY REPRESENTATIVES
OF ITS CONSULTANTS, VISITED PAKISTAN.
MEETINGS WERE HELD WITH THE CENTRAL AND
PROVINCIAL GOVERNMENTS, WITH WAPDA,
WITH PAKISTAN WESTERN RAILWAYS, WITH
... KARACHI PORT TRUST,

KARACHI PORT TRUST, WITH THE OIL COMPANIES AND WITH OTHER BODIES THAT WOULD BE REQUIRED TO PLAY A PART IF THE WORKS WERE TO BE BEGUN AND COMPLETED ON SCHEDULE. IT WILL BE APPRECIATED THAT THE RESOURCES OF THE FUND WERE TO BE APPLIED TOWARD MEETING THE COST OF CERTAIN SPECIFIED WORKS. THEY WERE NOT INTENDED TO DEVELOP THE GENERAL TRANSPORT AND COMMUNICATION FACILITIES OF WEST PAKISTAN, HOWEVER DESIRABLE OR EVEN NECESSARY THAT MIGHT BE IF THE WORKS WERE TO PROCEED EXPEDITIOUSLY. THEREFORE, THE BANK AS ADMINISTRATOR WAS NOT ABLE, IN INSTANCES WHERE IT ... LOCATED WEAKNESSES

LOCATED WEAKNESSES OR POTENTIAL WEAKNESSES IN SUCH FACILITIES, TO MAKE RESOURCES AVAILABLE TO IMPROVE THE SITUATION. HOWEVER, MATTERS WHICH APPEARED TO WARRANT ATTENTION WERE BROUGHT TO THE NOTICE OF THE REQUISITE AUTHORITIES. THE BANK AS CHAIRMAN OF THE PAKISTAN CONSORTIUM HAS BEEN ABLE IN SOME INSTANCES TO ASSIST WITH ARRANGING FOR THE FINANCING OF PLANS TO OVERCOME DEFICIENCIES.

THE EARLY MEETINGS WITH WAPDA WERE DEVOTED ALMOST ENTIRELY TO THE ESTABLISHMENT OF PROCEDURES FOR THE EXECUTION OF THE WORKS. AMONG THE FIRST THINGS WE HAD TO
... DO AT THIS STAGE

DO AT THIS STAGE WAS TO MAKE A COMPLETE RE-ESTIMATE OF THE PROBABLE COST OF THE WORKS, AS THE EARLIER ESTIMATES HAD BEEN BASED ON INSUFFICIENT AND INCOMPLETE DATA.

BY THE BEGINNING OF 1961 AN ALLOCATION OF THE FUNDS AVAILABLE FOR SPECIFIC WORKS HAD BEEN AGREED AND DISBURSEMENT PROCEDURES AND RELATED MATTERS HAD BEEN FORMALIZED. AGREEMENT HAD BEEN REACHED ON THE DIFFERENT TYPES OF APPLICATIONS THAT WAPDA SHOULD SUBMIT TO US FOR EVERY DISBURSEMENT, TOGETHER WITH APPROPRIATE DOCUMENTATION. THOSE DISBURSEMENT APPLICATIONS WERE FORWARDED BY WAPDA
... DIRECT TO THE BANK

DIRECT TO THE BANK IN WASHINGTON, BUT AT THE SAME TIME COPIES WERE SENT TO THE BANK'S CONSULTANTS BOTH IN PAKISTAN AND IN LONDON. THE BANK REQUIRES THAT ITS CONSULTANTS JOINTLY CERTIFY THAT EACH APPLICATION IS ELIGIBLE AND CORRECT BEFORE WE MAKE PAYMENT.

YOU MAY THINK THAT THESE PROCEDURES, WHICH INVOLVE A NUMBER OF PARTIES, ARE PONDEROUS AND LEAD TO DELAYS. IN FACT, IN NO INSTANCE THROUGH THE PAST EIGHT YEARS HAS A PAYMENT NOT BEEN MADE TO A CONTRACTOR WITHIN THE TIME SPECIFIED IN HIS AGREEMENT.

TO ENABLE THE BANK'S CONSULTANTS TO
... FULFILL

FULFILL THEIR RESPONSIBILITIES, AS WELL AS TO BE ABLE TO ASSIST AND ADVISE WAPDA IN THE DAY-TO-DAY OPERATIONS UNDER THE FUND AGREEMENT, THE CONSULTANTS OPENED AN OFFICE IN LAHORE IN JANUARY 1961.

THE CHECKING OF THE DESIGN OF THE PROJECTS WAS CARRIED OUT IN THE HEAD OFFICE OF THE BANK'S ENGINEERING CONSULTANTS AND INCLUDED CONFIRMATION THAT THE WORKS HAD BEEN DESIGNED IN ACCORDANCE WITH SOUND ENGINEERING PRACTICE, WERE THE MOST ECONOMIC FOR THE CIRCUMSTANCES AND FULFILLED THE FUNCTIONS DEFINED IN THE FUND AGREEMENT.

WHEN THE TREATY WAS SIGNED WAPDA HAD
... BEEN IN EXISTENCE

BEEN IN EXISTENCE FOR ONLY ABOUT TWO YEARS AND WAS IN THE PROCESS OF EXPANDING AND REORGANIZING TO BE ABLE TO UNDERTAKE THE TASK OF ADMINISTERING AND DIRECTING THE INDUS WORKS ON BEHALF OF THE GOVERNMENT. THE BANK DECIDED THAT IT WOULD BE CONSTRUCTIVE AND APPROPRIATE TO MAKE A CONTRIBUTION FROM THE FUND TOWARD THE OPERATING COST OF WAPDA'S HEAD OFFICE. THE AMOUNT WAS ESTABLISHED ON THE BASIS OF THE EXTRA STAFF THAT WOULD BE REQUIRED SOLELY ON ACCOUNT OF THE INDUS WORKS AND HAS BEEN PAID IN REGULAR QUARTERLY INSTALLMENTS.

ANOTHER EARLY DECISION WAS TO CONTRIBUTE
... FROM THE FUND

FROM THE FUND TOWARD THE COST OF OPERATING
THE WEST PAKISTAN IRRIGATION DEPARTMENT'S
RESEARCH INSTITUTE. THIS INSTITUTE
ALREADY HAD A SMALL HYDRAULIC RESEARCH
LABORATORY IN LAHORE AND A FIELD STATION
AT NANDIPUR SOME 50 MILES AWAY. THERE
WAS A SMALL NUCLEUS OF TRAINED STAFF,
BUT EQUIPMENT AND RESOURCES WERE LIMITED.
IN THIS INSTANCE THE CONTRIBUTION WAS NOT
ON A FIXED BASIS, BUT WAS REVIEWED EVERY
YEAR OR TWO. IN THE EARLY YEARS OVER 80
PER CENT OF THE STAFF AND FACILITIES OF
THE INSTITUTE WERE STUDYING HYDRAULIC
PROBLEMS RELATED TO THE INDUS WORKS,

... ALTHOUGH MORE RECENTLY

ALTHOUGH MORE RECENTLY THIS PROPORTION HAS DIMINISHED VERY CONSIDERABLY. THE ADDITIONAL EQUIPMENT PURCHASED AND THE EXPERIENCE GAINED WILL, HOWEVER, REMAIN AS AN ASSET TO PAKISTAN FOR USE IN RESOLVING THE HYDRAULIC PROBLEMS OF FUTURE DEVELOPMENTS.

A FURTHER EXAMPLE OF A RELATIVELY SMALL, BUT NONETHELESS IMPORTANT, ITEM WHICH IT WAS DECIDED SHOULD BE PAID FOR FROM THE FUND WAS A FLOOD WARNING SYSTEM. CLEARLY, EARLY NEWS OF HEAVY RAINFALL OR RISING RIVER LEVELS COULD BE OF IMMEASURABLE BENEFIT TO THOSE WORKING ON PROJECTS FURTHER DOWNSTREAM. FOR SOME SITES IT WAS POSSIBLE TO GIVE A DAY OR TWO'S

WARNING

WARNING, FOR OTHERS ONLY HOURS, BUT EVEN THAT WAS WELCOME.

ANOTHER VERY IMPORTANT FEATURE OF OUR WORK AS ADMINISTRATOR WAS SETTING UP THE PROCUREMENT PROCEDURES, DESIGNED TO ASSURE THE WIDEST POSSIBLE INTERNATIONAL COMPETITION. IN THIS CONNECTION WE TOOK AN ACTIVE INTEREST IN THE FORM OF THE TENDER DOCUMENTS AND, IN PARTICULAR, IN THE CONDITIONS OF CONTRACT, WHICH AS MENTIONED IN THE PAPER ARE BASICALLY THE SAME FOR ALL INDUS WORKS CONTRACTS. THESE CONDITIONS ARE BASED ON THE CONDITIONS OF CONTRACT (INTERNATIONAL)

... RECOMMENDED BY

RECOMMENDED BY THE FEDERATION

INTERNATIONALE DES INGENIEURS CONSEILS (FIDIC). THE FACT THAT ON THE INDUS CONTRACTS WE HAVE DEPARTED, IN CERTAIN RESPECTS, FROM THE FIDIC CONDITIONS DOES NOT IMPLY A CRITICISM OF THE ORIGINAL, BUT RATHER THAT WE HAVE GONE FORWARD IN THE LIGHT OF EXPERIENCE. WE ALSO HAD TO TAKE INTO ACCOUNT, OF COURSE, THE PARTICULAR REQUIREMENTS RELATING TO THE LAWS OF PAKISTAN, WHICH GOVERN ALL INDUS CONTRACTS.

THE BANK'S CONSULTANTS EVOLVED IN COLLABORATION WITH WAPDA A NUMBER OF PROCEDURES TO ENSURE THE ORDERLY SEQUENCE
... OF EVENTS.

OF EVENTS. THE PROCEDURES LAY DOWN THE INSTANCES WHEN DISCUSSION AND POSSIBLY APPROVAL IS NECESSARY BEFORE THE NEXT STEP IS TAKEN AND DESIGNATES THE PARTIES CONCERNED. THE PROCEDURES LIST THE PAPERS AND DOCUMENTS REQUIRED SO THAT DECISIONS CAN BE REACHED, AND SO FORTH. TO NAME A FEW OF THE MAJOR ITEMS: PROCEDURES FOR FINANCIAL CONTROL AND ADMINISTRATION, PROCEDURE FOR REMODELLING OF EXISTING WORKS, PROCEDURES FOR FINANCING THE PURCHASES OF CONSTRUCTURAL PLANT. THIS LAST ITEM RELATES TO THE SPECIAL PLANT ADVANCE FOR WHICH PROVISION IS MADE IN THE CONDITIONS OF CONTRACT FOR ALL INDUS
... CONTRACTS.

CONTRACTS.

THE BANK'S CONSULTANTS MAINTAINED, IN ADDITION TO THEIR OFFICE IN LAHORE, AN ENGINEER AS AN OBSERVER AT OR NEAR THE SITE OF EACH MAJOR PROJECT. THESE SITE OBSERVERS HAD A NUMBER OF FUNCTIONS, INCLUDING ADVISING WAPDA ON THE REQUIREMENTS OF THE BANK AS ADMINISTRATOR, BRINGING IMMEDIATELY TO THE NOTICE OF WAPDA OCCURRENCES WHICH MIGHT INVOLVE COSTS WHICH COULD NOT BE RECOMMENDED FOR REIMBURSEMENT FROM THE FUND AND REPORTING BACK THROUGH THEIR HEAD OFFICE TO THE BANK ON THE PROGRESS OF THE WORK.

NOT BY ANY MEANS ALL OF THE ISSUES
... TO BE DECIDED

TO BE DECIDED STEMMED FROM THE CONSTRUCTION WORKS THEMSELVES. IN THE EARLY YEARS PARTICULARLY, THE BANK AS ADMINISTRATOR HELD A NUMBER OF MEETINGS WITH THE CONTRIBUTING GOVERNMENTS. A MAJOR ISSUE WHICH HAD TO BE FACED WAS WHEN THE RE-ESTIMATES, TO WHICH I REFERRED EARLIER, REVEALED THAT THE COST OF THE WORKS DESCRIBED IN THE TREATY WAS LIKELY TO EXCEED GREATLY THE RESOURCES OF THE FUND. DISCUSSIONS BETWEEN THE BANK, THE GOVERNMENT OF PAKISTAN AND THE CONTRIBUTING GOVERNMENTS PROCEEDED OVER A PERIOD OF TWO YEARS AND FINALLY THE INDUS BASIN DEVELOPMENT FUND

... (SUPPLEMENTAL) AGREEMENT,

(SUPPLEMENTAL) AGREEMENT, 1964, WAS
SIGNED AND BECAME EFFECTIVE ON APRIL 6
OF THAT YEAR. UNDER THIS AGREEMENT
SUFFICIENT ADDITIONAL FUNDS WERE MADE
AVAILABLE TO FINANCE THE FULL COST OF
THE WORKS.

AGAIN, I DO NOT PROPOSE TO GO INTO
DETAILS, BUT WOULD LIKE TO REFER BRIEFLY
TO ANOTHER MAJOR RESPONSIBILITY THAT THE
SUPPLEMENTAL AGREEMENT PLACED ON THE BANK.
NAMELY, THAT THE ADMINISTRATOR SHALL
ORGANIZE AND ADMINISTER A STUDY OF THE
WATER AND POWER RESOURCES OF WEST PAKISTAN
WHICH WOULD PROVIDE THE GOVERNMENT OF
PAKISTAN WITH A BASIS FOR DEVELOPMENT
... PLANNING

PLANNING IN THE WATER AND POWER SECTORS OF THE ECONOMY WITHIN THE CONTENT OF THEIR SUCCESSIVE FIVE-YEAR PLANS. TO DIRECT THIS STUDY THE BANK ESTABLISHED A SPECIAL GROUP OF ITS OWN STAFF, SUPPORTED BY FIVE FIRMS OF SPECIALIST CONSULTANTS.

THIS STUDY WAS PERHAPS THE MOST AMBITIOUS STUDY EVER MADE OF THE WATER AND POWER RESOURCES OF A COUNTRY. IT TOOK THREE YEARS TO COMPLETE AND IT COST \$5 MILLION. I HOPE THAT THIS STUDY WILL BE PUBLISHED SHORTLY AND, IF THIS MATERIALIZES, I RECOMMEND IT TO YOUR ATTENTION. LET ME SAY IN THIS CONNECTION ... THAT THE GOVERNMENT

THAT THE GOVERNMENT OF PAKISTAN IS IN FULL AGREEMENT WITH THE CONCLUSIONS OF THE STUDY AND HAS STATED THAT IT WILL BE GUIDED IN ITS FUTURE INVESTMENT DECISIONS BY THE STUDY.

I FEAR I MAY HAVE OVERRUN THE TIME ALLOTTED TO ME AND I MUST STOP. THERE ARE MANY OTHER ASPECTS OF THE ROLE OF THE BANK AS ADMINISTRATOR WHICH I COULD TELL YOU ABOUT, BUT TIME DOES NOT ALLOW ME TO DO SO. STILL, I HOPE THAT WHAT I HAVE SAID HAS BEEN OF INTEREST TO YOU AND HAS EXPLAINED IN SOME DEGREE THE ROLE THAT WE HAVE PLAYED IN THE EXECUTION OF THE INDUS WORKS, A SYSTEM OF WORKS
... OF A SIZE

- 23 -

OF A SIZE AND COMPLEXITY UNEXAMPLED IN HISTORY. I AM SURE THAT MANY OF YOU KNOW THAT BEFORE LONG WE MAY WELL BE PLAYING THE SAME ROLE IN THE EXECUTION OF THE GIANT TARBELA DAM. THE EXPERIENCE GAINED WITH THE INDUS WORKS SHOULD STAND US IN GOOD STEAD.



(apparently given in Bonn)

"DEUTSCHLAND UND DIE WELTBANKGRUPPE"

Ansprache des Herrn S. Aldewerold, Vizepräsident der Weltbank, an den Verband unabhängig beratender Ingenieurfirmen, in Frankfurt am 20. Februar 1968.

Sehr geehrter Herr Vorsitzender:

Ich bin Ihnen und dem Verband unabhängig beratender Ingenieurfirmen sehr dankbar, zu diesem auserlesenen Kreis sprechen zu dürfen. Da eine Anzahl von uns hier geschäftlich miteinander in Kontakt ist und einige von uns bereits gute Freunde sind, ist es mir ein besonderes Vergnügen, Sie heute hier zu sehen.

Es wird oft behauptet: "Bei Geldfragen hört sich die Freundschaft auf." In meinen nachstehenden Ausführungen möchte ich versuchen, Ihnen zu beweisen, dass dieser Ausspruch in Bezug auf die Zusammenarbeit zwischen der Bundesrepublik Deutschland und den einzelnen Organisationen der Weltbank-Gruppe nicht zutrifft. Denn diese Verbindung war durch die 15 Jahre ihres Bestehens durch einen hohen Grad von Herzlichkeit und gegenseitiger Achtung bestimmt. Darüber hinaus gereichte diese Zusammenarbeit zum gegenseitigen Vorteil und ich hoffe, dass ich dies in der Folge meiner Ausführungen zeigen werde können.

Selbst auf die Gefahr hin, dass ich über etwas spreche, was Ihnen möglicherweise sehr bekannt ist, möchte ich Ihnen doch zu Anfang meiner Ausführungen eine kurze Beschreibung der verschiedenen Mitgliederorganisationen der Weltbank-Gruppe geben. Die Weltbank selbst ist das älteste und wichtigste Mitglied der Gruppe. Zurückgehend auf die Konferenz in Bretton-Woods im Jahre 1944, zählt die Bank derzeit 107 Länder zu ihren Mitgliedern, und das gezeichnete Kapital beläuft sich auf 91,6 Milliarden DM, wovon ein Zehntel tatsächlich eingezahlt ist. Seit der Aufnahme der Geschäfte im Jahre 1946 gewährte die Bank an 82 Mitgliedstaaten Kredite im Ausmass von nicht ganz 45 Milliarden DM. Der Schwerpunkt der Anleihen war auf Projekte ausgerichtet, die die Grundlage wirtschaftlichen Wachstums darstellen. In dieser Hinsicht wurden besonders für die Entwicklung der Stromversorgung, Strassen, Eisenbahn und Häfen ungefähr zwei Drittel unserer Kredite aufgewendet. Der Rest kam der Landwirtschaft, Industrie, Erziehung, Wasserversorgung, dem Nachrichtenwesen und allgemeinen Entwicklungszwecken zugute.

Die jüngere Tochterorganisation der Bank, die Internationale Entwicklungsorganisation, allgemein bekannt als IDA, wurde 1960 gegründet, um jenen Entwicklungsländern zu helfen, deren Bedarf und Fähigkeit für den konstruktiven Gebrauch von Fremdkapital grösser ist als die Möglichkeit, konventionelle Kredite aufzu-

nehmen. Folglich sind die IDA-Bedingungen auf 50 Jahre Laufzeit und Zinsfreiheit aufgebaut, um der Zahlungsbilanz eines kreditnehmenden Landes die geringstmögliche Last aufzubürden. In den sieben Jahren seit dem Bestehen der IDA hat diese Institution Kredite im Gesamtbetrag von nicht ganz sieben Milliarden DM gewährt. IDA finanziert genau dieselbe Art von Projekten wie die Bank, und die Kriterien, nach denen ein Projekt beurteilt wird, sind genauso streng wie jene, die auf bankfinanzierte Vorhaben angewendet werden.

Die zweite und auch ältere Tochterorganisation ist die Internationale Finanz-Corporation, die 1956 gegründet wurde, um weniger entwickelten Mitgliedstaaten durch Förderung des Privatsektors ihrer Wirtschaften zu helfen. In Zusammenarbeit mit Privatinvestoren hilft diese Organisation in der Finanzierung produktiver privater Unternehmungen von hoher wirtschaftlicher Priorität in all jenen Fällen, in denen privates Kapital zu annehmbaren Bedingungen nicht vorhanden ist. Die Corporation zählt derzeit 85 Länder zu ihren Mitgliedern und hat ein gezeichnetes Kapital von etwas über 400 Millionen DM. Investitionszusagen von insgesamt 965 Millionen wurden in 36 Ländern gemacht. Eine Tatsache, die die erfolgreiche Wiederverwendung des Kapitals aufzeigt.

Über die Arbeit aller drei Organisationen der Weltbank-Gruppe werde ich in einigen Augenblicken mehr sagen. Vorerst möchte ich die besondere Unterstützung der Gruppe hervorheben, die durch Ihr Land bewirkt wurde. Deutschland wurde 1952 Mitglied der Weltbank und wurde später Mitbegründer der IFC und der IDA. Der einbezahlte Anteil der deutschen Kapitalzeichnung für die Weltbank beträgt 512 Millionen DM, ein Betrag, der keine Zinsen trägt, voll konvertierbar und verfügbar für Bankkreditoperationen ist. Im Bezug auf das Stimmenverhältnis im Vorstand, der sich aus 20 Exekutivdirektoren zusammensetzt, steht Deutschland mit seinen 5,5 % des Gesamtkapitals der Bank an dritter Stelle nach den Vereinigten Staaten und England. Die nicht einbezahlte Differenz der deutschen Kapitalzeichnung im Betrag von 4,6 Milliarden DM ist ein wichtiger Teil des Gesamtkapitals, da sie für die Kreditaufnahme auf dem Welt-Kapitalmarkt eine Sicherheit darstellt.

Bis zum gegenwärtigen Zeitpunkt stammen aus der Bundesrepublik Deutschland Bankmittel in Höhe von rund drei Milliarden DM, abzüglich Rückzahlungen. Diese Kredite kamen von verschiedenen deutschen Stellen; hauptsächlich von der Deutschen Bundesbank und zu einem kleineren Teil von privat untergebrachten Schuldscheinen und Schuldverschreibungen. Diese Kreditaufnahmen waren natürlich von gegenseitigem Vorteil. Die Bank hat Zinszahlungen im Gegenwert von rund 940 Millionen DM an die Inhaber der Schuldscheine und Schuldverschreibungen bezahlt. Darüber hinaus haben deutsche Anleger auch Teile von Bankdarlehen an Mitgliedstaaten mit einer Gesamtsumme von 69 Millionen DM aufgekauft und dadurch zusätzlich Geld für weitere Kreditoperationen der Bank freige-macht.

Deutschland leistet auch einen wichtigen Beitrag zum Fonds der IDA. Bedingt durch die IDA-Konditionen ist es für diese Organisation unmöglich, Geldmittel auf den Kapitalmärkten aufzunehmen, und IDA muss sich daher auf die Zuschüsse der Mitgliedstaaten verlassen. Seit ihrer Gründung hat Ihr Land der Entwicklungsorganisation eine willkommene finanzielle Unterstützung gewährt. Deutschland, eines der Länder der Gruppe I, das heisst, einer der 18 reichen Mitgliedstaaten, auf die die IDA für den überwiegenden Teil der Geldmittel angewiesen ist, zeichnete anfänglich 212 Millionen DM oder 5,3 % des Gesamtkapitals. Als die Gruppe I-Mitglieder später einer allgemeinen Aufstockung zustimmten, trug Deutschland weitere 290 Millionen DM bei. Nachdem das Gesamtkapital der IDA für die Finanzierung von Projekten verpflichtet war, sind wir mit Gruppe I-Ländern in Verhandlungen getreten, die auf eine weitere grössere Aufstockung zielen. Was wir für die Entwicklungsorganisation zu erreichen versuchen, ist eine Gesamtaufstockung von 4,8 Milliarden DM, die in drei Jahresraten von je 1,6 Milliarden DM zahlbar wären, wobei die erste Rate während des am 30. Juni 1969 endenden Finanzjahres zahlbar ist. Wir blicken nochmals voll Vertrauen auf Deutschland, in der Erwartung, dass es wieder einen bedeutenden Beitrag leisten wird.

Aber der Beitrag Ihres Landes zur Weltbank-Gruppe beschränkt sich nicht nur auf die Bereitstellung von Geldmitteln. Vielmehr stellt die Fähigkeit und Tatkraft deutscher Staatsbürger, welche bei der Weltbank arbeiten, einen bedeutenden Beitrag zur Tätigkeit der Bank dar. Gegenwärtig bekleiden 43 Deutsche verantwortliche Posten bei der Weltbank-Gruppe, einschliesslich zweier leitender Beamter bei der Internationalen Finanz-Corporation. Auch möchte ich erwähnen, dass Dr. Hermann ABS, der Vorstand der Deutschen Bank, einer der fünf Mitglieder der aus Investment-Fachleuten bestehenden internationalen Beratergruppe der IFC ist. Seine rege Beteiligung an der Tätigkeit der IFC, fundiert durch seine grosse Erfahrung und Fachkenntnis, ist von unschätzbarem Wert.

Es gibt ein anderes wichtiges Feld, in dem Deutschland und die Weltbank zusammenarbeiten. Während der letzten zehn Jahre organisierte die Bank konsultative Gruppen, in denen interessierte Geberländer die Entwicklungshilfe an ein bestimmtes Entwicklungsland gemeinsam erwägen. Deutschland ist ein Mitglied von elf dieser Gruppen: zwei Hilfskonsortien für Indien und Pakistan und neun beratende Gruppen, die sich besonders um die Erfordernisse von Kolumbien, Korea, Malaysia, Marokko, Nigerien, Peru, Sudan, Thailand und Tunesien kümmern. Deutschland ist auch Mitglied einer Gruppe, die die Wirtschaftshilfe für Ceylon organisiert.

Meine Herren, ich habe Sie bis jetzt mit Zahlenmaterial nahezu überschüttet, obwohl ich weiss, dass dies unter keinen Umständen eine empfohlene Methode ist, freundschaftliche Beziehungen zu knüpfen, beziehungsweise Leute zu überzeugen, nicht einmal internationale Bankfachleute. Jedoch hoffe ich, dass ich all jenen von Ihnen, die bis dato noch nicht vertraut waren mit dem

Ausmass, in welchem ihr Land die Institutionen der Weltbank-Gruppe tatkräftigst unterstützt, ein Gefühl berechtigten Stolzes vermittelt habe.

Erlauben Sie mir aber, dass ich zur gleichen Zeit und ohne in irgendeiner Weise Ihren Stolz, beziehungsweise die Dankbarkeit der Bank herabsetzen zu wollen, bemerke, dass der Bundesrepublik Deutschland auch Vorteile durch ihre Beziehung mit der Weltbank-Gruppe erwachsen sind. Durch das von der Bank angewandte Prinzip der internationalen Ausschreibung von Kontrakten für die Lieferung bzw. Errichtung von Projektvorhaben kam die deutsche Geschäftswelt sehr gut zum Zuge. Im Rahmen der Bankdarlehen nahmen deutsche Firmen an Projektaufträgen in 60 Ländern, bzw. Territorien teil. Mit anderen Worten, Darlehensnehmer aus drei Viertel aller Länder, in denen Bankprojekte finanziert wurden, haben vom deutschen Markt Ausrüstungen bezogen, welche durch Bankdarlehen finanziert wurden. Bis zum heutigen Tage gewann Deutschland Aufträge verschiedener Grössen aus drei von fünf vergebenen Bankanleihen. Dies ist ohne Zweifel eine sehr beachtliche Leistung und bedeutet für Deutschlands Industrie und Handel einen sehr guten finanziellen Ertrag. Die auf Deutschland entfallenen Auszahlungen von bankfinanzierten Kontrakten beliefen sich Ende 1967 auf 2,8 Milliarden DM. Dieser Betrag stammt nur aus bankfinanzierten Projekten. Weitere 595 Millionen DM wurden aufgrund von IDA-Krediten zur Auszahlung gebracht. Falls Sie sehen möchten, wo deutsche Ausrüstungsgegenstände für bankfinanzierte Energieprojekte verwendet wurden, brauchen Sie nicht weiter als zum angrenzenden Österreich zu gehen oder nördlich nach Finnland, südlich nach der Sierra Leone, westlich nach Kolumbien oder Uruguay oder östlich nach Malaysia oder Indien. Und dies sind nur einige der Länder, welche die Entwicklung ihrer Energieanlagen zu einem grossen Teil dem Können der deutschen Industrie verdanken. Das ist auch zutreffend für Ihre Maschinen- und Werkzeugfabrikation, Ihre Erzeugung von Verkehrsanlagen und Ihre Eisen- und Stahlindustrie. In Anbetracht all dessen haben Sie noch mehr Grund, auf die Qualität und Wettbewerbsfähigkeit der deutschen Industrie stolz zu sein.

In diesem Zusammenhang möchte ich auch erwähnen, dass deutsche Beratungs- und Ingenieurfirmen eine langsam, aber sicher steigende Zahl von unseren Projekten vorbereiten und bearbeiten. Ich will nicht verschweigen, dass in der Vergangenheit die Beziehungen zwischen deutschen Beratungsfirmen und der Weltbank oft hätten besser sein können; aber ich hoffe, dass diese Phase unserer Zusammenarbeit der Vergangenheit angehört. - Dies ist nicht zuletzt das Resultat der offenen und sehr konstruktiven Aussprache, die wir vor etwa einem Jahr in Washington mit Vertretern des deutschen Beratungswesens gehabt haben. Wir sind zuversichtlich, dass es uns gelungen ist, in dieser Aussprache die Grundlage für eine fruchtbare und ausgedehntere Zusammenarbeit zu schaffen.

Ich möchte jedoch noch einmal die Gelegenheit ergreifen, vor diesem Kreis zu betonen, dass die Arbeit in Entwicklungsländern

den Beratungsfirmen Aufgaben stellt, die über das spezifische Fachgebiet des Ingenieurwesens hinausgehen und die nur durch enge Zusammenarbeit von Ingenieuren, Betriebswirten und Volkswirten erfolgreich gelöst werden können. Die Vorbereitung und Bearbeitung eines Entwicklungsprojekts kann nur erfolgreich ausgeführt werden, wenn das Investitionsvorhaben in seinem wirtschaftspolitischen Zusammenhang gesehen wird. Unter den gegebenen Verhältnissen in vielen Entwicklungsländern ist es darum nicht selten, dass der beratenden Ingenieurfirma neben ausgesprochen technischen Fragen Aufgaben zufallen, die in Industrieländern von dem qualifizierten Stab der investierenden Behörde oder Firma ausgeführt werden würden. - Es ist deshalb notwendig, bei der Vergabe und Ausführung von Beratungsaufträgen diesen Tatsachen von vornherein Rechnung zu tragen. Ich habe diesen Aspekt unseres gemeinsamen Interesses an einem wirksamen Einsatz des beratenden Ingenieurwesens besonders betont, weil ich überzeugt bin, dass das deutsche Beratungswesen auf diesem Gebiet durch einen ausgeglichenen Einsatz seiner Ingenieure und seiner Volks- und Betriebswirte den Vorsprung des Beratungswesens anderer Industrieländer durchaus aufholen kann.

Nachdem ich Ihnen die Vorteile aufgezeigt habe, die Ihnen aus der Assoziation mit der Bank-Gruppe erwachsen sind, möchte ich noch einmal betonen, dass diese Resultate im scharfen, internationalen Wettbewerb erzielt wurden und Ihnen daher ganz besonderen Anlass zu stolzer Genugtuung geben sollten.

Die herzliche und konstruktive Art der Beziehung zwischen Ihrem Land und der Institution, die ich vertrete, ist in jeder Hinsicht von eminenter Bedeutung. Die Aufgabe der Weltbank in den Entwicklungsländern ist so gross und komplex, dass sie ohne die moralische und materielle Unterstützung unserer Mitglieds-länder ein aussichtsloses Unternehmen wäre. Wir betrachten es als die Aufgabe der Weltbank, den massiven Angriff gegen die wirtschaftliche Unterentwicklung zu führen. Falls dies als eine etwas überhebliche Feststellung klingen mag, so möchte ich bemerken, dass wir dies nicht in Verblendung einer institutionellen Vollkommenheit oder intellektuellen Unfehlbarkeit für uns in Anspruch nehmen. Keine einzige der rasch aufstrebenden Gruppen von nationalen und internationalen Institutionen, welche sich der Wirtschaftsentwicklung widmen, kann von sich in Anspruch nehmen, das Vorbild zu sein, dem alle anderen nachzueifern haben. Trotzdem können wir als Entwicklungs-Finanzinstitution mit 21-jähriger Erfahrung dem Zwang der Umstände nicht entweichen, der Welt die Wichtigkeit der Entwicklungsfragen ständig vor Augen zu halten und alles in unserer Kraft stehende zu unternehmen, um die wirtschaftliche Entwicklung der ärmeren zwei Drittel unserer Erde zu fördern.

Ich glaube, dass all jene, die uns hier in Deutschland gut kennen, verstehen, was wir in dieser Hinsicht zu unternehmen versuchen. Deshalb möchte ich mir erlauben, noch ein wenig Ihrer Zeit in Anspruch zu nehmen, um Ihnen noch mehr über die Tätigkeit der Bank zu berichten.

Als im Jahre 1946 die Bank ihre Geschäftstätigkeit aufnahm, bezweifle ich sehr, dass auch nur einer der annähernd zwei Dutzend Beamten sich vorstellen konnte, dass die damals 41 Mitglieder umfassende Institution sich zu einem Riesen mit 107 Mitgliedsländern ausdehnen würde. Der damalige Staatsuntersekretär der Vereinigten Staaten, Dean Acheson, stellte die Vermutung auf, dass die Bank innerhalb von zehn Jahren ihre Finanzmittel erschöpft haben würde. Zweifelsohne gab es auch andere, die dieser etwas seltsamen neuen Institution eine noch kürzere Lebensdauer prophezeiten. Jedoch wir existieren noch heute. Die ursprüngliche Bank und ihre zwei Tochtergesellschaften finanzieren jährlich wirtschaftliche Entwicklungsprojekte in einem Ausmass von annähernd 5 Milliarden DM. Trotzdem sind wir aber für einige nach wie vor eine etwas eigenartige Institution. In unserem Hauptquartier in Washington wäre ein uneingeweihter Besucher erstaunt, unter unserem Stab Tierzuchtexperten und Schularchitekten zu finden. Sein Erstaunen wäre verständlich, denn es gab eine Zeit, in der wir selbst der notwendigen Entwicklung in der Zusammensetzung unseres Stabes mit Skepsis gegenüberstanden. Aber mit dem Ablauf der Jahre und zunehmender Erfahrung wurden wir immer mehr mit den verschiedenen Möglichkeiten und Auswirkungen der Entwicklungshilfe und der Wirtschaftsentwicklung konfrontiert. Jedesmal mussten wir uns die wichtige Frage stellen, sollen wir, können wir etwas mit dieser oder jener Entwicklungsmöglichkeit tun. Nicht immer haben wir die richtige Antwort gefunden. Zum Beispiel kamen wir wirklich ungemein langsam zur Erkenntnis, dass der Tourismus eine sehr wichtige Einkommensquelle für eine wachsende Anzahl von Entwicklungsländern sein werde, und dass in diesem Bereich auch ein Aufgabenkreis für uns bestünde. Jetzt zum Beispiel haben wir in Kenia durch unsere Schwestergesellschaft, die Internationale Finanz-Corporation, unser erstes derartiges Projekt unternommen. Wir hoffen, noch mehr zu tun. Die Bank ist und wird wahrscheinlich immer hauptsächlich ein Projektfinanzierungsinstitut bleiben, und die zukünftige Entwicklungspolitik der Bank wird eher eine Ausweitung dieses Aufgabenkreises bringen als eine drastische Änderung in der grundlegenden Orientierung unserer Kapitalhilfe. Was wir heute tun, muss und kann auch noch immer mit den sehr sorgfältig ausgearbeiteten Statuten der Weltbank in Einklang gebracht werden. Diese Statuten sind heute noch für uns genauso richtungsgebend wie in der Frühzeit der Bank.

Der Gewährung von Kapitalhilfe durch die Bank liegt eine ganz einfache Überlegung zugrunde, nämlich, dass es in einer bestimmten Zeitperiode nur einen bestimmten Betrag von Entwicklungskapital gibt, der an Entwicklungsländer weitergeleitet werden kann. Es ist deshalb wesentlich, dass diese beschränkten Fonds nur für Prioritätszwecke verwendet werden, die einen dauernden Beitrag zur Erhöhung des Lebensstandards der Einwohner der Entwicklungsgebiete gewährleisten. Sie werden mir zugestehen, dass das eine ganz einfache Erwägung ist. Aber gleichzeitig führt diese Erwägung zu den umfassendsten und umstrittensten Fragen im gesamten Entwicklungsbereich, nämlich die der Prioritäten. Diese Frage muss die Bank zusammen mit dem betreffenden Entwicklungsland jedesmal zufriedenstellend beantworten. Bis diese Frage beantwortet

den Beratungsfirmen Aufgaben stellt, die über das spezifische Fachgebiet des Ingenieurwesens hinausgehen und die nur durch enge Zusammenarbeit von Ingenieuren, Betriebswirten und Volkswirten erfolgreich gelöst werden können. Die Vorbereitung und Bearbeitung eines Entwicklungsprojekts kann nur erfolgreich ausgeführt werden, wenn das Investitionsvorhaben in seinem wirtschaftspolitischen Zusammenhang gesehen wird. Unter den gegebenen Verhältnissen in vielen Entwicklungsländern ist es darum nicht selten, dass der beratenden Ingenieurfirma neben ausgesprochen technischen Fragen Aufgaben zufallen, die in Industrieländern von dem qualifizierten Stab der investierenden Behörde oder Firma ausgeführt werden würden. - Es ist deshalb notwendig, bei der Vergabe und Ausführung von Beratungsaufträgen diesen Tatsachen von vornherein Rechnung zu tragen. Ich habe diesen Aspekt unseres gemeinsamen Interesses an einem wirksamen Einsatz des beratenden Ingenieurwesens besonders betont, weil ich überzeugt bin, dass das deutsche Beratungswesen auf diesem Gebiet durch einen ausgeglichenen Einsatz seiner Ingenieure und seiner Volks- und Betriebswirte den Vorsprung des Beratungswesens anderer Industrieländer durchaus aufholen kann.

Nachdem ich Ihnen die Vorteile aufgezeigt habe, die Ihnen aus der Assoziation mit der Bank-Gruppe erwachsen sind, möchte ich noch einmal betonen, dass diese Resultate im scharfen, internationalen Wettbewerb erzielt wurden und Ihnen daher ganz besonderen Anlass zu stolzer Genugtuung geben sollten.

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ist, kann die Bank nicht ihre eigentliche Rolle als Entwicklungsfinanzierungsinstitut erfüllen. Ausserdem ist es unsere Meinung, dass ein Land, welches sich die Frage nach den richtigen Prioritäten nicht selbst stellt, keinen wirklichen wirtschaftlichen Fortschritt erzielen kann.

Die Frage nach den richtigen Prioritäten beschäftigt uns in der Bank auf jeder Stufe unserer Arbeit; denn es ist unsere Überzeugung, dass die Verfügungsstellung von Entwicklungskapital allein nicht gewährleistet, dass diese Mittel in der besten Weise eingesetzt werden.

Es besteht kein Zweifel, dass man niemals richtig beurteilen kann, ob ein Projekt von hoher wirtschaftlicher Priorität ist, wenn man nicht mit der Wirtschaftslage des bestimmten Landes vertraut ist. Die Bank sieht sich deshalb vor die Aufgabe gestellt, sich mit der Wirtschaftslage von ungefähr 80 darlehensnehmenden Ländern vertraut zu machen und darüber hinaus die zur Verfügung stehenden Informationen auf dem laufenden zu halten. Diese Mammutaufgabe ist besonders schwierig, wenn man in Betracht zieht, wie schwierig es ist, genaue statistische Informationen in einigen der ärmeren Länder zu erhalten.

Mit der raschen Ausweitung der Mitgliederzahl in der Weltbank-Gruppe, nämlich 18 neue unabhängige afrikanische Länder, die z.B. in einem Zeitraum von zwölf Monaten Mitglieder wurden, nimmt diese volkswirtschaftliche Arbeit viel Zeit unseres Mitarbeiterstabes in Anspruch. Da wir diese Arbeit für wesentlich halten, mussten wir unseren Stab erweitern, um mit diesen wachsenden Anforderungen Schritt zu halten.

Die Frage nach der Priorität eines Projektes, d.h. die wirtschaftliche Rechtfertigung des Projektes, ist die entscheidende Voraussetzung für unsere Kapitalhilfe. Ohne eine solche Rechtfertigung können wir ein Projekt für Finanzierung nicht in Betracht ziehen. Sogar wenn es diese kritische Phase übertaucht hat, gibt es noch andere wichtige Kriterien, die angewandt werden müssen. Könnte das Projekt zum Beispiel durch Aufnahme von Kapital zu günstigen Bedingungen von anderen Quellen finanziert werden? Die Bank selbst ist an jener Art von Projekten interessiert, die nicht unter normalen Bedingungen ausländisches Privatkapital anziehen würden. Daher liegt der Schwerpunkt unserer Investitionen, nämlich zwei Drittel all unserer Darlehen bis jetzt, auf Infrastruktur-Projekten, die die Entwicklung von Transport- und Elektrizitätsinstallationen betrafen. Das ist ausserdem der Grund, warum wir uns immer mehr mit der Finanzierung von landwirtschaftlichen Projekten oder Projekten im Erziehungssektor befassen. Die Entwicklung der Landwirtschaft in den ärmeren Ländern ist leider besonders langsam. Langsamer Fortschritt oder Mangel an Landreformmassnahmen und die weitere Ausübung altmodischer Anbaumethoden haben die Wachstumsraten in der Agrarproduktion zurückgehalten. Während die Nahrungsmittelverarbeitende Industrie und der Handel ausländisches Kapital anziehen vermögen, befasst sich die Bank mit langfristigeren Entwicklungsprojekten, wie z.B. der Bewässerung, der Einführung neuer Anbaumethoden und der Finanzierung von landwirtschaftlichen Kreditinstitutionen.

Als wir uns das erste Mal 1962 mit Projekten im Erziehungssektor befassten, dachten einige der alteingesessenen Investitionsbankiers, dass die Bank in diesem Fall nun wirklich im Begriff sei, die Grenzen verantwortlicher Investitionspolitik zu überschreiten, denn wo liegt schliesslich der finanzielle Ertrag eines solchen Projekts? Die Bank argumentierte jedoch, dass der wirtschaftliche Fortschritt in den ärmeren Ländern entscheidend vom Angebot an technisch ausgebildeten Fachkräften für Landwirtschaft, Industrie und Verwaltung abhängt. Da die Nachfrage nach derartigen Fachkräften ständig zunimmt, muss schon jetzt Vorsorge getroffen werden, um zukünftige kostspielige Engpässe auf dem Arbeitsmarkt zu vermeiden. Daher beschloss die Bank, dass es eine sehr legitime Tätigkeit sei, den reinen Bauaspekt der Erweiterung von technischen Mittel- und Berufsschulen zu finanzieren. Diese Art von Schulen wird Fachkräfte hervorbringen, die in kürzester Zeit die Produktivität der Wirtschaft beeinflussen können.

Unsere Arbeit auf diesen zwei wichtigen Gebieten, nämlich der Landwirtschaft und der Erziehung, weitete sich so schnell aus, dass wir vor ungefähr dreieinhalb Jahren beschlossen, unsere Bemühungen in enger Zusammenarbeit mit der Welternährungsorganisation der Vereinten Nationen (FAO) und der UNESCO fortzusetzen. Diese Zusammenarbeit bezieht sich besonders auf die Identifizierung von geeigneten Projekten auf diesen beiden Sektoren.

Unsere Arbeit endete aber nicht mit der Finanzierung von neuen Produktionsmöglichkeiten mit hoher wirtschaftlicher Priorität. Wir fanden oft, dass die wirksame Finanzierung durch das Fehlen von geeigneten Institutionen behindert wird, die in der Lage sind, die neuen Einrichtungen zu verwalten und zu betreiben. Wie wirksam kann eine Investition in einem neuen Hafen sein, wenn es keine verantwortliche Hafenbehörde für seine Leitung gibt? Wie können Verbesserungen in den Anbaumethoden wirksam durch landwirtschaftlichen Kredit finanziert werden, wenn es keine geeignete Kreditinstitution für diesen Zweck gibt? Dieses Problem hat sich wiederholt ergeben, und wir bemühen uns, unseren Mitgliedsländern bei der Schaffung der notwendigen neuen Institutionen helfend zur Seite zu stehen. Zum Beispiel wurden wir manchmal aufgefordert, Darlehen für Elektrizitätsprojekte zu gewähren, obwohl keine geeignete Organisation für die wirksame Verwaltung eines solchen Unternehmens bestand. In diesen Fällen machte die Bank die Anleihe von der Schaffung einer geeigneten Elektrizitätsbehörde für die Verwaltung des Projekts und für die Planung von Erweiterungsinvestitionen abhängig. Dieser Aspekt unserer Entwicklungs Bemühungen ist nicht so weit bekannt und wird nicht so gut verstanden, wie er es eigentlich verdient. Trotzdem spielt er eine sehr wesentliche Rolle in unserem Streben nach wirksamer und fruchtbarer Kapitalhilfe. Ausserdem tragen wir damit bedeutend zum Aufbau der Verwaltungs-Infrastruktur in den darlehensnehmenden Ländern bei. Denn, wie Benjamin Disraeli einmal sagte: "Individuen formen Gemeinschaften, aber nur durch Institutionen werden Nationen geschaffen."

Sie mögen sagen, dass dies alles sehr feine Erwägungen seien, aber wie steht es mit der Kreditwürdigkeit der Darlehensnehmer? Natürlich ist dies eine Erwägung von grosser Wichtigkeit, denn die schwere Bürde des Auslandsschulddienstes, die viele Entwicklungsländer tragen und tragen werden, ist eines der ernstesten Probleme der Wirtschaftsentwicklung. Das Aufnehmen von Auslandsschuld ist an sich keine verdammungswürdige Praxis für Entwicklungsländer mit ausreichendem Entwicklungspotential. In der Tat ist es für viele Entwicklungsländer eine Voraussetzung für die Beschleunigung ihres Wirtschaftswachstums. Worauf es jedoch wirklich ankommt, sind die Bedingungen, unter welchen Geldmittel aufgenommen werden. Leider haben sich, wie Sie ja selbst wissen, viele Entwicklungsländer in ihrer Begeisterung und Ungeduld dazu verleiten lassen, Auslandskapital aufzunehmen, ohne auf die Bedingungen zu achten. Die Kombination aus einer unbedachten Aufnahme kurzfristiger Auslandskredite und die oft unerwartete Langsamkeit des wirtschaftlichen Wachstums hat in vielen Ländern zu einem sehr ernstesten Schuldendienstproblem geführt. Für die Gesamtheit der Entwicklungsländer beträgt der Rückfluss von Kapital an die kapitalausführenden Länder in Form von Kapitalrückzahlung, Zinsen und Dividenden jährlich fast 28 Milliarden DM. Dies entspricht ungefähr der Hälfte des gesamten Bruttokapitalflusses in die Entwicklungsländer im Jahre 1965. Zum Beispiel wird ungefähr ein Drittel der Bruttokapitalzufuhr für den vierten Plan von Indien für den Schuldendienst benötigt werden.

Was kann die Weltbank in dieser Beziehung tun? Fürs eine bemessen wir unsere Kapitalhilfe zu konventionellen Bankbedingungen nach der Fähigkeit des Landes, konventionelle Schulden aufzunehmen. Leider hat uns die gegenwärtige Lage des internationalen Kapitalmarktes gezwungen, unseren Darlehenszinssatz auf 6 1/4 % anzuheben. Eine notwendige Entscheidung in Anbetracht unserer eigenen Bedürfnisse, auch in der Zukunft Zugang zu den Kapitalmärkten der Welt zu haben. Ohne diesen Zugang würde die Bank bald ihre Tore schliessen müssen, und Dean Acheson würde nur einen Irrtum hinsichtlich des Zeitpunktes seiner Vorhersage gemacht haben.

Dies bedeutet natürlich eine viel schwerere Bürde für die IDA. Die Anforderungen der ärmeren Mitgliedsländer an die IDA sind sowohl dringend als auch gerechtfertigt. Das ist auch der Grund für unsere hartnäckigen Bemühungen, ein Abkommen über die Auffüllung der IDA-Bestände zwischen jenen Ländern, die die IDA mit dem Grossteil ihrer Mittel versorgen, herbeizuführen. Daneben gibt es eine Reihe von Dingen, die die Bank mit Bezug auf dieses Schuldendienstproblem tun kann. Wir, die leitenden Beamten der Bank, und besonders der Präsident, wenden uns wiederholt mit dringenden Bitten an die kapitalausführenden Länder, die Bedingungen ihrer Kapitalhilfe so günstig und elastisch wie möglich zu halten. Ich tue das gleiche hier vor Ihnen. Es ist durchaus im Interesse der reichen Länder, dass dies getan wird. Denn wenn die Zinssätze weiter steigen und wenn die Stundungs- und Tilgungsfristen kürzer werden, so ist der Zeitpunkt nicht mehr weit, da die Entwicklungsländer fast die gesamte Kapital-

einfuhr für ihren Schuldendienst aufwenden werden müssen. Wenn wir eine solche Entwicklung zulassen, so ist dies gleichbedeutend mit dem Zusammenbruch aller unserer Bemühungen um eine Verbesserung der Lebensbedingungen in den ärmeren Ländern der Welt, und keine Nation, reich oder arm, wird den Folgen eines solchen Zusammenbruchs der internationalen Wirtschaftshilfe entgehen können. Denn wie Präsident Kennedy einmal warnend bemerkte: "Es wird der Gesellschaft unmöglich sein, die wenigen Reichen zu retten, wenn sie nicht den vielen, die arm sind, hilft."

Unausweichlich stellen wir auch die dringende Bitte um ein grösseres Ausmass der Entwicklungshilfe. Trotz aller Probleme, die ich bezüglich der wirksamen Ausnützung von Entwicklungsinvestitionen andeutete, erhöht sich die Fähigkeit der Entwicklungsländer, das Kapital wirksam einzusetzen, stetig. Trotzdem hat sich der Betrag der Kapitalhilfe an die Entwicklungsländer nach Abzug des Kapitaldienstes nicht wesentlich über die 24 Milliarden DM, die schon im Jahre 1961 erreicht wurden, erhöht, und die Kapitalhilfe als Anteil des Volkseinkommens der entwickelten Länder ist in der Tat unter die Grenze von 0,6 % gefallen.

Ich nehme an, dass Sie von uns als einer internationalen Institution erwarten, dass wir diese Probleme eindringlich und klar formulieren. Wir haben keine politischen Motive und sind von keiner Wählerschaft abhängig. Wir können uns die Entwicklungsprobleme kühl und objektiv ansehen und dann entscheiden, was wir als eine internationale Institution in dem gegebenen Fall zu tun haben. Wenn wir uns mit Dringlichkeit an die reichen Nationen wenden und sie auffordern, grössere Anstrengungen zur Beschleunigung der Entwicklung der ärmeren Länder zu machen, so sprechen wir als eine Organisation, die von Ihnen eigens zu diesem Zweck geschaffen wurde. Und wenn wir uns an die ärmeren Nationen wenden und ihnen ernsthaft nahelegen, sich um eine verantwortlichere Verwaltung und Wirtschaftspolitik zu bemühen, so mögen sie solche Erwägungen von uns annehmen, denn schliesslich sind wir auch ihre Bank.

Ich wünschte, ich hätte genügend Zeit, um Ihnen in grösseren Einzelheiten über die Bemühungen der Weltbank-Gruppe zu berichten, den Fortschritt der Wirtschaftsentwicklung zu stützen. Aber ich denke, es wäre jetzt wahrscheinlich besser, in die Zukunft zu blicken und mit Ihnen zusammen darüber nachzudenken, wie Deutschland grosszügig und konstruktiv an dieser Aufgabe teilnehmen könnte.

Erstens wird die Nachfrage der Bank nach weiteren Kapitalmitteln bestehen bleiben und wahrscheinlich weiter anwachsen. Wir hoffen daher, dass wir von Zeit zu Zeit an das Tor Ihres Kapitalmarktes klopfen können. Diese Tore wurden uns schon oft geöffnet, und wir hoffen, dass diese Bereitschaft auch in der Zukunft bestehen bleiben wird.

Zweitens legen wir Ihnen die weitere Unterstützung der IDA nahe. Die IDA hat eine grosse Aufgabe zu erfüllen, und die Hoff-

nungen von so vielen liegen in ihrer Fähigkeit, jenen Nationen zu helfen, die den echten Willen, sich selbst zu helfen, haben. Sie bräuchten nur Entwicklungskapital zu Bedingungen, die sie sich leisten können. Sie können versichert sein, dass die Strenge, mit der wir die Kriterien für Projekte anwenden, auch bei IDA-Finanzierungen wirksam wird. Die IDA-Mittel werden nach wie vor nur den produktivsten und wichtigsten Projekten zukommen.

Drittens hoffen wir - und wir haben keinen Grund, dies zu bezweifeln - dass die weitere Konkurrenzfähigkeit und ausgezeichnete Qualität Ihrer Teilnahme an internationalen Ausschreibungen für Bank- und IDA-finanzierte Aufträge sich fortsetzen wird. Die deutsche Industrie ist dabei gut abgekommen, und ich bezweifle nicht, dass dies auch in Zukunft der Fall sein wird.

Viertens würden wir es sehr begrüßen, wenn Sie weiterhin soviel wie möglich Ihre grossen technischen, finanziellen und volkswirtschaftlichen Talente in den Entwicklungsländern arbeiten lassen würden. Dies sind Länder mit wenig Erfahrung, und der Beitrag, den Ihr Land zum wirtschaftlichen Fortschritt durch das Zusammenfügen Ihres Wissens und Könnens mit den nationalen Entwicklungsbestrebungen leisten kann, übersteigt fast jeden Geldwert. Eine solche vereinte Anstrengung schafft auch die Grundlage für eine sinnvolle Kapitalhilfe.

Ich hoffe, es ist mir wenigstens teilweise gelungen, an Sie den Gedanken weiterzuleiten, dass Deutschland und die Weltbank sehr wirksame Partner in einem äusserst wichtigen Unternehmen sind. Gegenüber den eher entmutigenden Problemen der Armut der Bevölkerung der Entwicklungsländer, die zwei Drittel der Weltbevölkerung umfasst, scheinen Worte nur ein schwacher Beweis unserer ernstesten Absichten zu sein. Schiller schrieb: "Stets ist die Rede kecker als die Tat." Es gilt jetzt endlich, unseren kühnen Worten auch kühne Taten folgen zu lassen.

Ich danke Ihnen.

Mr. Grenfell

Room 455

GERMANY AND THE WORLD BANK GROUP



Address delivered in Frankfurt on the 28 February 1968 by Mr. S. Aldewereld, Vice-President of the World Bank, to the Association of Independent Firms of Consulting Engineers (VERBAND UNABHAENIG BERATENDER INGENIEURFIRMEN).

Mr. Chairman:

I am very grateful to you, and to the Association of Independent Firms of Consulting Engineers, for the opportunity of speaking to this select gathering. Since a number of us here do business together, and some of us are already good friends, it gives me particular pleasure to see you assembled here today.

It is often maintained that: "Bei Geldfragen hort sich die Freundschaft auf" ("Business is business"). In the following remarks I should like to prove to you that this saying is not true as regards collaboration between the Federal Republic of Germany and the individual institutions of the World Bank Group, for this relationship has been marked, throughout the fifteen years of its existence, by a high degree of cordiality and mutual respect. Besides this, our joint activities have benefited both sides, as I trust that I shall be able to show you in the course of my remarks.

Even at the risk of telling you something that you may perhaps very well know already, I should like to preface my remarks by a short description of the various institutions of which the World Bank is composed. The World Bank itself is the oldest and largest member of the Group. It goes back to the Bretton-Woods Conference [held in 1944] and now has 107 member countries and a subscribed capital of DM 91.6 billion, one tenth of which has been actually paid in. Since going into business in 1946, the Bank has made loans to 82 member countries, to a total value of almost DM 43 billion. Our lending has been mainly directed towards projects that are basic to economic growth, and, with this object in view, about two-thirds of our loans have been made for the special purpose of developing electric power systems, roads, railways and ports, the balance having been granted for agricultural, industrial, educational, water supply, telecommunications and general development purposes.

The Bank's junior affiliate, the International Development Association, commonly known as IDA, was set up in 1960 with the object of helping those developing countries whose need of foreign capital, and ability to use it constructively, are greater than the opportunities

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available to them of raising conventional loans. In consequence of this, the terms of IDA credits, i.e. a life of 50 years and no interest payments, are designed to impose the least possible burden on a borrowing country. During the seven years that IDA has been in existence, this institution has extended credits to a total value of almost DM 7 billion. IDA finances precisely the same types of project as does the Bank, and the criteria according to which a project is judged are just as strict as those applied in the case of Bank-financed projects.

The second, but senior, of our affiliates is the International Finance Corporation, which was formed in 1956 to help less-developed member countries by promoting the growth of the private sector of their economies. In collaboration with private investors, this institution assists in the financing of productive private enterprises of high economic priority, in all cases where private capital is not available on acceptable terms. At the present time, 85 countries are members of the Corporation, representing a subscribed capital of rather more than DM 400 million. Investment commitments to a total value of 965 million have been made in 36 countries, which shows how successful the Corporation has been in revolving its funds.

I shall have more to say in a few moments regarding the work of all three of the institutions of which the World Bank Group consists, but I should first like to stress the outstanding support that the Bank has received from your country. Germany became a member of the World Bank in 1952 and was later a co-founder of both IFC and IDA. The paid-in portion of Germany's capital subscription to the World Bank amounts to DM 512 million, a sum that does not bear interest, is fully convertible and remains available for use by the Bank in making loans. As regards voting power on the Board of 20 Executive Directors, Germany, with its holding of 5.5% of the Bank's total capital, ranks third, after the United States and the United Kingdom. The balance of Germany's capital subscription, that portion, in other words, which has not been paid in, and which amounts to DM 4.6 million, constitutes an important part of total capital, since it represents a guarantee of the Bank's borrowings on the capital markets of the world.

The Federal Republic of Germany has so far provided the Bank with funds amounting to about DM 3 billion, net of repayments. These loans came from various German institutions, but primarily from the Deutsche Bundesbank and, to a smaller extent, from privately-placed notes and bonds. These borrowings proved, of course, to be of mutual advantage. The Bank has paid out, to the holders of the notes and bonds, in interest, the equivalent of about DM 940 million, besides which German investors have purchased portions of Bank loans to member countries, to a total value of DM 69 million, and thereby released additional money for further lending by the Bank.

Germany is also a major contributor to IDA funds. Owing to the terms on which IDA lends, the Association is unable to raise funds on the capital markets, and is therefore obliged to depend upon the contributions of member countries. Ever since this development institution was formed your country has provided it with welcome financial support. Germany, as one of the Group I countries, that is to say one of the 18 richer member countries on which IDA depends for the overwhelming bulk of its funds, originally subscribed DM 212 million, or 5.3% of total capital. When the Group I members later agreed to a general replenishment of funds, Germany contributed a further DM 290 million. Since all IDA's capital has now been earmarked for the financing of projects, we have been conducting negotiations with Group I countries with the object of securing a further substantial replenishment of funds. What we are seeking to achieve for this development institution is a total replenishment of DM 4.8 billion, which would be payable in 3 annual installments of DM 1.6 billion each, the first such installment being payable during the financial year ending on the 30th June 1969. It is with confidence that we once again look forward to Germany being a major contributor.

Your country's contribution to the World Bank Group is not, however, confined to the provision of funds, but has also been made available to us in the form of the ability and energy of the German citizens who work at the World Bank and thus make their own substantial contribution to its activities. At the present time 43 German nationals are holding responsible posts with the World Bank Group, two of them being leading officials of the International Finance Corporation. I should also like to mention that Dr. Hermann Abs, the Chairman of the Deutsche Bank is one of the five investment specialists who form the international advisory panel of IFC. His active participation in the work of IFC, based on his great experience and specialized knowledge, is of inestimable value.

Germany and the World Bank work together in another important field also. During the past 10 years the Bank has been organizing Consultative Groups in which interested donor countries jointly consider the development aid that is to be given to a specific developing country. Germany is a member of 11 of such groups, two of these being aid-consortia for India and Pakistan and the remaining nine Consultative Groups formed to devote special attention to the needs of Colombia, Korea, Malaysia, Morocco, Nigeria, Peru, the Sudan, Thailand and Tunisia. Germany is also a member of a Group that organizes economic assistance to Ceylon.

Gentlemen, I have so far almost showered you with statistics, although I know that this is by no means to be recommended as a method of making friends and influencing people, not even international banking experts. I hope, however, that I have been able to impart a feeling of justified pride to all those of you who had not previously been aware of how vigorously your country supports the institutions of the World Bank Group.

Allow me, however, at the same time - and without in any way wishing to diminish your pride, or the gratitude that the Bank feels towards you - to point out that the Federal Republic of Germany has also received benefits from its relationship with the World Bank Group. Owing to the fact that the Bank makes it a rule to invite international tenders when placing contracts for the supply of goods and/or construction of projects, very substantial advantages have been obtained by the German business world. Within the scope of Bank loans, German firms have participated in orders for projects in 60 countries or territories. In other words, borrowers in three quarters of all the countries in which the Bank has financed projects have obtained from German suppliers, equipment that has been financed by Bank loans. So far Germany has secured orders, of various sizes, in the case of three out of every five loans made by the Bank. This is beyond doubt a very considerable performance, and it means that Germany's industry and commerce have obtained a very good financial return. Up to the end of 1967, the disbursements from Bank financed contracts falling to Germany's share amounted to DM 2.8 billion, and this figure relates only to Bank-financed projects. Further disbursements, of DM 595 million, resulted from IDA credits. If you would like to see where German equipment for Bank-financed power projects has been used, you need to go no farther afield than to neighboring Austria, or you could go North to Finland, South to Sierra Leone, West to Colombia or Uruguay or East to Malaysia or India, and these are only a few of the countries which have largely to thank the skill of German industry for the development of their electric power installations. This is also true in the case of your machinery and machine-tool manufacture, your production of transport equipment and your iron and steel industry. In view of all this, you have still further reason to be proud of the quality and competitiveness of German industry.

In this connection I should also like to mention that the number of our projects prepared and processed by German firms of consulting engineers is slowly, but steadily, increasing. I will not conceal from you the fact that, in the past, relations between German firms of consultants and the World Bank could often have been better, but I hope that this phase of our collaboration already belongs to the past. This is not the least result of the frank and very constructive discussion that took place in Washington, about a year ago, between us and representatives of German firms of engineering consultants. We are hopeful that we were able, in the course of that discussion, to lay the foundations of fruitful and more extensive collaboration in future.

I should, however, once again like to take this opportunity of emphasizing to this gathering that work in the developing countries brings firms of consultants face to face with problems that go beyond the engineering specialist's own field, and can only be successfully solved by close collaboration between engineers, businessmen and economists. The preparation and processing of development projects can be carried out successfully only if the capital investment project is seen in the context of economic policy. Given the conditions prevailing in many developing countries, it therefore often happens that the firm of consulting engineers has to deal not only with straightforward technical questions, but also with tasks which, in industrialized countries, are handled by the qualified staff of the authority or firm

necessary, when placing

and carrying out orders for consultants' services, to take these facts into account at the outset. I have laid special stress on this aspect of our joint interest in the effective employment of consulting engineers because I am convinced that German engineering is entirely capable, by a balanced use of its engineers, economists and businessmen, of making up for the lead enjoyed by the consulting engineers of other industrialized countries.

Having shown you what advantages you have derived from association with the World Bank Group, I should like once more to emphasize that these results have been achieved in keen international competition, and that they ought, therefore, to give you special cause for pride and satisfaction.

The cordial and constructive nature of the relationship between your country and the institution I represent is, in every respect, a matter of the greatest importance. The World Bank's task in the developing countries is such a huge and complex one that, without the moral and physical support of our member countries, it would be a hopeless undertaking. We regard it as the World Bank's mission to lead a massive attack on economic underdevelopment. In case this should sound a somewhat presumptuous remark to make, I should like to say that we do not lay claim to this function because we suffer from any delusions on the score of institutional perfection or intellectual infallibility. Not one of the rapidly-growing groups of national and international institutions engaged in economic development can set itself up as a model that all the others should emulate. Nevertheless, as a development finance institution with 21 years experience, we are compelled by circumstances, constantly to remind the World of the importance of development questions, and to do everything in our power to further the economic development of the poorer two-thirds of the inhabitants of the planet on which we live.

I think that all those who, here in Germany, know us well will understand what we are seeking to achieve in this respect, and I should therefore like to take up a little more of your time and describe the Bank's activities to you still further.

I very much doubt whether, in 1946, when the Bank began its work, a single one of its approximately two dozen officials could have imagined that an institution which then had 41 member-countries would grow into a giant with a membership of 107. The then United States Secretary of State, Dean Acheson, surmised that the Bank would have exhausted its funds within ten years, and there were doubtless others who prophesied an even shorter life for this rather strange new institution. However, here we are, still in existence today. The original Bank and its two affiliates finance each year economic development projects to a value of about DM 5 billion. Nevertheless, to some we still remain a somewhat peculiar institution. The uninitiated visitor to our Washington headquarters would be astonished to find livestock experts and school architects among our staff members. His astonishment would be understandable, for there was a time when we ourselves viewed with some

skepticism the necessary expansion in the composition of our staff. As the years passed, however, and with increasing experience, we were brought face to face, to an ever-growing extent, with the various possibilities and effects of development aid and economic development. We had every time to ask ourselves the important question as to whether we could or ought to make anything of this or that possibility in the field of development, and we did not always find the right answers. For example, we were very slow indeed to recognize that tourism would become a very important source of income for a growing number of developing countries, and that there would be a whole range of tasks for us to perform in this field also. Now of course we have undertaken in Kenya, through the medium of our affiliate the International Finance Corporation, our first project of this type, and are hoping to do still more in this direction. The Bank is and will probably always remain, primarily an institution concerned with the financing of projects and its future policy in the development field will more likely involve a broadening of the scope of these operations rather than any violent change of direction in the matter of the capital assistance we provide. What we do today can still be - indeed has to be - reconciled with the very carefully worked out Articles of Agreement of the World Bank. Those Articles remain for us today just as authoritative as they were in the earliest days of the Bank's existence.

In providing capital assistance, the Bank has to bear a quite simple consideration in mind, namely the fact that since, in any given period of time, only so much development capital is available for passing on to developing countries, it is essential that these limited funds are used only for priority projects that will make a lasting contribution to the raising of living standards in the development areas in question. You will agree that this is a quite simple fact to bear in mind. At the same time, however, consideration of this fact leads to one of the most far-reaching and vexed questions in the whole range of development - that of the priorities to be observed. The Bank has, every time, to find a satisfactory answer to this question, working in close collaboration with the developing country concerned. Until this question has been answered, the Bank cannot play its proper part as an institution engaged in financing for development purposes. In our opinion, furthermore, a country that does not ask itself which priorities are the right ones cannot achieve any real economic progress.

We in the Bank have to deal with this question of the proper priorities at every stage of our work, for we are convinced that the provision of development capital does not, in itself, afford any guarantee that these funds will be used in the best way.

It goes without saying that a correct decision as to whether a project is of high economic priority or not cannot be reached unless one is familiar with the economic situation of the country in question, and the Bank therefore regards it as its task to familiarize itself with the economic situation prevailing in approximately 80 borrowing countries, and also to keep up to date the information thus acquired. This is a

mammoth task for the Bank, especially when one bears in mind the difficulty of obtaining accurate statistical data in some of the poorer countries.

With the rapid increase in the membership of the World Bank Group - 18 newly-independent African countries, for example, have become members within a period of twelve months - a great deal of our staff members' time is taken up with this work in the economic sphere. Since we regard this work as essential, we have had to increase our staff in order to keep pace with these growing demands.

The question of the priority nature of a project, that is to say the economic justification for carrying it out, is the deciding factor so far as our capital assistance is concerned, for without such justification we cannot consider a project for financing. Even when a project has passed this crucial test, other important criteria have to be applied. For example, could the project be financed on favorable terms from other sources? The Bank itself is interested in those projects which would not normally attract foreign private capital, and this is why the main emphasis of our capital investment - two-thirds of all our loans to date - has been on infrastructure projects for the development of transport and electric power facilities. This is also why we are devoting increasing attention to the financing of agricultural projects and projects in the education sector. The development of agriculture in the poorer countries is, unfortunately, a particularly slow process. Slow progress in carrying out land reform, or an absence of land reform, plus the continued use of old fashioned methods of cultivation, have held back rates of growth in agricultural production. While the food-processing industry and (distributive) trade may be able to attract foreign capital, the Bank is interested in longer-term development projects, such as, for example, irrigation, the introduction of modern farming methods and the financing of agricultural credit institutions.

When, in 1962, we concerned ourselves for the first time with projects in the field of education, some of the old-established investment bankers thought that the Bank really was about to overstep the bounds of responsible investment policy, for, after all, what financial return was to be expected from such projects? The Bank argued, however, that economic progress in the poorer countries depended, to a decisive degree, upon a supply of experts in agriculture, industry and administration with technical training. Since the demand for such staff was steadily growing, steps had at once to be taken to avoid costly future bottlenecks on the labor market, and the Bank therefore decided that it was an entirely legitimate task for it to finance the purely constructional aspect of the expansion of secondary technical and vocational schools. The skilled products of schools of this type may well, within a very short time, have an important effect on economic productivity.

Our work in these two important spheres, agriculture and education, grew so rapidly that we decided, about three and a half years ago, to continue our efforts in close cooperation with the Food and Agriculture

Organization of United Nations (FAO) and UNESCO. This collaboration relates particularly to the identification of suitable projects in these two sectors.

Our work has not, however, ended with the financing of new productive facilities of high economic priority. We have found that effective financing is often hampered by a lack of suitable institutions, capable of administering and operating the new installations. How effective, for example, can capital investment in a new harbor be, if there is no responsible harbor authority available to manage it? How can improvements in methods of cultivation be effectively financed by farm credit, if no suitable credit institution is available for the purpose? This problem has arisen repeatedly, and we try to provide our member countries with assistance in setting up the necessary new institutions. For example, we have sometimes been asked to make loans for electric power projects, although no suitable organization for the effective administration of such an undertaking existed. In such cases, the Bank has made the granting of a loan conditional upon the setting up of a suitable electricity authority to administer the project and plan the capital investments required for expansion. This aspect of our development work is not so widely known and not so well understood as it deserves to be. Nevertheless, it plays a most essential part in our efforts to provide effective and fruitful capital assistance. In addition, in carrying it out, we make a substantial contribution to the building up of an administrative infrastructure of institutions in the borrowing countries for, as Benjamin Disraeli once said: "Individuals may form communities but it is institutions alone that can create a nation."

You may well say that these are all very fine considerations, but what about the creditworthiness of the borrowers? This is, of course, a matter of great importance, for the heavy burden of foreign-debt service that many developing countries bear, and will continue to bear, is one of the most serious problems met with in economic development. For developing countries with adequate development potential, the borrowing of funds abroad is not, in itself, a practice that is to be condemned. In fact, for many developing countries, it is a prerequisite for the speeding up of their process of economic development. What really matters, however, is the terms on which these funds are raised. Unfortunately, as you yourselves know, in their enthusiasm and impatience, many developing countries have been induced to raise foreign capital without regard to the terms on which it was lent. The combination of an ill-considered raising of short-term foreign loans and the often unexpectedly slow process of economic development has in many countries, led to a very serious problem of debt service. For the whole of the developing countries, the return-flow of capital to the capital-exporting countries, in the form of repayments of capital, interest and dividends, amounts to almost DM 28 million yearly. This corresponds to about half the total gross flow of capital to the developing countries in 1965. For example, about a third of the gross inflow of capital for India's Fourth Plan will be required for debt-service purposes.

What can the World Bank do in this connection? For one thing, the capital assistance we provide on conventional banking terms and conditions is determined by the ability of the country in question to raise conventional loans. Unfortunately, the present position of the international capital market has forced us to raise the rate of interest on our loans to 6-1/4%. This was an absolutely necessary decision to take in view of our own need to have future access to the capital markets of the World. Without such access, the Bank would soon be obliged to shut its doors, and Dean Acheson's prophesy would have been wrong only with regard to the period he mentioned.

This constitutes, of course, a far greater burden for IDA. The demands of the poorer member countries on IDA are both pressing and justified. This is also why we have so persistently sought to secure agreement among those countries which provide IDA with the bulk of its resources on the replenishment of those funds. Besides this, there are a number of things that the Bank can do with regard to this problem of debt service. We, the leading officials of the Bank, and especially our President, have repeatedly and urgently requested the capital-exporting countries to keep as favorable and flexible as possible the terms on which they provide capital assistance, and this is the request that I now make in speaking to you here. It is entirely the rich countries' own interest that this should be done, for, should there be a further rise in interest-rates, and a shortening of the periods of grace and amortization, the time will not be far distant when the developing countries will be obliged to spend almost all the capital they receive on servicing their debts. If we were to allow such a thing to come about, it would be tantamount to the collapse of all our efforts to improve living conditions in the poorer countries of the World, and no nation, rich or poor, would be able to escape the consequences of such a breakdown in international economic assistance, for, as President Kennedy once warned us, society will not be able to save its few rich members unless it helps the many who are poor.

Inevitably, we also make an urgent plea for a greater volume of development aid. In spite of all the problems which I have touched upon, connected with the effective use of investment for development purposes, there is a steady increase in the capability of the developing countries to use capital effectively. Nevertheless, the amount of capital assistance given to those countries, after deduction of debt service, has not risen much above the DM 24 billion level reached as far back as in 1961, and capital assistance as a proportion of the national income of the developed countries has actually fallen below six-tenths of one per cent.

I take it that you expect us, as an international institution, to bring these issues before you forcefully and clearly, and this we do. We have no political axe to grind and are not responsible to any electorate. We can take a cool and objective look at development problems and then decide what we, as an international organization, have to do in any given case. If we make an urgent appeal to the richer countries of the World, asking them to devote more effort to speeding up the development of the poorer countries, we are speaking as an

organization that was created, by you, expressly for that purpose, and if we turn to the poorer countries, urging them to strive towards higher standards of responsibility in administration and economic policy, they can accept such advice from us for, after all, it is their Bank also that is speaking to them.

I wish that time allowed me to tell you in greater detail about the efforts that the World Bank Group is making on behalf of progress in economic development. Perhaps, however, it will be better if I now take a look at the future and consider, with you, how Germany can share in this task in a generous and constructive fashion.

Firstly, the Bank's need for more capital funds will continue as before, and will indeed probably become still greater. We therefore hope that, from time to time, we can come knocking on the doors of your capital markets. Those doors have often been opened to us in the past, and we trust that this readiness to help will also be shown in future.

Secondly, we urge you to provide further support for IDA, which has a huge task to perform. The hopes of so many are pinned on its ability to help those countries that have a genuine desire to help themselves, if only they can find development capital on terms and conditions they can afford. You may rest assured that the strictness of the criteria by which we judge Bank projects will also apply in the case of IDA financing. IDA funds will continue to be used only for the most productive and important schemes.

Thirdly, we hope - and we have no reason to doubt this - that your participation in international bidding for Bank and IDA financed orders will continue to be marked by competitiveness and excellence. German industry has done well out of these orders in the past, and doubtless, this will also prove to be so in future.

Fourthly, we should also greatly welcome your continuing, to the maximum extent possible, to put your great technical, financial and economic talents to work in the developing countries. These are countries with little experience, and the contribution which your country can make to economic progress by uniting your knowledge and ability with their national efforts in the sphere of development is almost beyond price. Such a combined effort also provides a foundation for capital assistance on a significant scale.

I hope that I have, at least partially, succeeded in conveying to you the idea that Germany and the World Bank are very effective partners in a supremely important venture. Faced as we are with the rather discouraging problems of the poverty of the populations of the developing countries, who constitute two-thirds of the population of this planet, words seem only a poor proof of our earnest intentions. Schiller wrote: "Stets ist die Rede kecker als die Tat." ("The word is always bolder than the deed.") The time has at length arrived for us to see that our bold words are followed by bold deeds.

Thank you for your attention.

Discours prononcé par M. S. Aldewereld, Vice-Président de la
Banque Mondiale devant le Conseil National du Patronat Français,
Paris, le 25 juin 1968.



Monsieur le Président, Messieurs,

Je suis particulièrement honoré de pouvoir prendre la parole aujourd'hui devant un auditoire aussi distingué, dont les membres contrôlent tant de rouages essentiels de l'économie française. Ma reconnaissance va tout d'abord à mon ami le Président Huvelin, qui porte depuis des années à la Banque Mondiale un intérêt bienveillant et efficace et qui m'a invité à vous entretenir des réalisations et des perspectives d'avenir de notre Groupe, engagé au premier rang de la bataille mondiale pour le Développement. Comment ne pas être encouragé dans nos efforts par la présence à la tête de l'organisation patronale française d'un homme à l'esprit si véritablement international? L'excellente coopération qui a toujours régné entre notre Organisation et la France ne saurait qu'en être renforcée.

Il faut bien dire que nous trouvons en France un climat favorable à l'aide au développement et des dirigeants politiques et économiques conscients de sa nécessité. Si le mot de "cartiérisme" a été inventé ici, votre pays a moins que d'autres été atteint par le mal. Le pourcentage de son revenu national que la France consacre à l'aide au développement sous toutes ses formes dépasse largement l'objectif de 1%, unanimement fixé dans les conférences internationales de la CNUCED, mais dont d'autres pays riches ne se rapprochent que trop lentement. Certes, de multiples raisons d'ordre historique et politique expliquent l'importance des liens privilégiés que votre pays conserve avec beaucoup de nations, notamment sur le continent africain; ce que l'on connaît moins bien, cependant, c'est le rôle important que la France joue dans une institution multilatérale comme la nôtre. Ce rôle, Messieurs, je me propose de le rappeler brièvement tout d'abord devant vous. Nous évoquerons ensuite les avantages non négligeables que l'industrie française a retirés de cette collaboration, puis nous examinerons ce qui reste à faire, en commun, pour l'institution d'un ordre social meilleur à l'échelle de la planète.

* * *

Quelle part la France représente-t-elle dans nos organisations? A la Banque proprement dite, sur un capital souscrit de 23 milliards de dollars, votre pays figure pour un milliard cinquante millions avec un droit de vote de 4,22%. Cent cinq millions de dollars ont été versés en espèces; le reste, soit 945 millions, constitue une part du capital de garantie sur la base duquel sont émises les obligations de la Banque. Ai-je besoin d'ajouter que les commandes passées en France à l'occasion des prêts de la Banque se montent à plusieurs fois cette souscription en espèces. Pour ce qui est de l'Association Internationale de Développement, il s'agit, vous le savez, d'une filiale de la Banque pratiquant des prêts à des conditions financières très favorables, les seules qui conviennent à la plupart des pays pauvres, qui ne peuvent faire face aux charges des emprunts ordinaires. Dans ces conditions, l'IDA, ainsi que nous la nommons pour éviter la confusion avec un organisme gouvernemental des Etats-Unis aux initiales presque identiques, doit faire appel uniquement, pour ses ressources, aux contributions des gouvernements.

Sur le milliard et demi de dollars de dotations qu'elle a reçu en deux versements jusqu'à présent, la France a apporté 115 millions. Le dernier versement a été fait en 1967 et des négociations sont en cours pour permettre à l'IDA de disposer d'un milliard deux cents millions de dollars au cours des années 1968, 1969 et 1970. Nous espérons que la France y participera pour 97 millions de dollars au total.

Enfin la troisième institution, la Société Financière Internationale, qui cherche à encourager les placements privés dans le Tiers-Monde et ne demande pas la garantie des gouvernements, a un capital de 100 millions de dollars, sur lequel la France a souscrit six millions.

Je voudrais pouvoir dire que sur les trois milliards et demi d'obligations que la Banque a émis sur les marchés internationaux, une fraction importante a été placée à Paris: ceci n'a malheureusement pas été le cas, mais nous ne perdons pas espoir, sachant que nos vœux dans ce domaine rejoignent ceux des autorités françaises, qui souhaitent voir consacrer la vocation internationale de la place de Paris et qui étudient actuellement une réforme du marché financier français susceptible de répondre à certains de nos desiderata. Cependant, quelques unes de nos émissions sont cotées à la Bourse de Paris et des épargnants français ont acheté des obligations émises sur d'autres marchés. Il est difficile d'en déterminer le montant, mais 40 millions de dollars semble une estimation raisonnable. Enfin la France a racheté des titres représentant des dettes de nos emprunteurs, et ceci pour une somme de l'ordre de 170 millions de dollars. Autrement dit, en plus de ses souscriptions au capital de nos trois institutions, s'élevant aujourd'hui à un total de 226 millions, la France a contribué à nos ressources, sous d'autres formes, pour 200 millions de dollars supplémentaires.

Le premier prêt de la Banque, en fait, avait été accordé en 1947 au Crédit National et avait permis de financer des achats de matières premières prioritaires. Le solde de ce prêt a été racheté dès 1963. La signature de la France figure cependant toujours dans le portefeuille de la Banque, puisque votre pays, avant la fin de sa période coloniale, s'était porté garant pour toute une série de prêts accordés à des pays aujourd'hui indépendants. Permettez-moi de citer ces réalisations: les chemins de fer d'Afrique Occidentale, pour 7 millions et demi de dollars, l'Electricité et le Gaz d'Algérie, pour 10 millions de dollars, COMILOG, la Compagnie Minière de l'Ogoué (au Gabon et au Congo-Brazzaville), pour 35 millions de dollars; l'oléoduc de la SOPEG, en Algérie, pour 50 millions de dollars et la MIFERMA (Mines de Fer de Mauritanie) pour 66 millions de dollars, soit un total de 168.500.000 dollars, dont, à vrai dire, par suite des ventes de portefeuille et des amortissements, il ne reste plus que 18 millions de dollars entre les mains de la Banque. La garantie de la France à ces prêts a donc joué un rôle très positif.

La Société Financière Internationale s'est trouvée à maintes reprises en coopération étroite avec des intérêts français, ainsi que vous le montrerez ces quelques exemples: La Société Mahindra-Ugine, dont le nom en dit assez; Industriale de Hierro, au Mexique, qui compte parmi ses actionnaires les groupes Alstom, Neyrpic et quelques autres; la Compagnie des Ciments

Titan, en Grèce, a une direction française; la Société Industrielle d'Engrais, au Sénégal, où figurent l'ONIA et une société privée; la Société Acos Villares, au Brésil, qui a des accords techniques avec un de vos principaux groupes métallurgiques. Je pourrais citer également de nombreuses Banques de Développement, au capital desquelles participe la Société Financière Internationale et qui sont soit des Banques privées, soit des entreprises semi-publiques: la Financiera Valle, de Colombie, la Société Financière de Finlande, celle de Grèce, celle de l'Inde et celle de l'Iran, la Banque Ivoirienne de Développement, celle de Malaisie, du Maroc, de Nigeria. Il y en a d'autres en Espagne, en Turquie, au Venezuela. Si je me suis permis cette énumération, au risque de lasser certains d'entre vous, c'est que pour d'autres, je le sais, ces noms évoquent des exemples précis de collaboration fructueuse avec les institutions de notre Groupe.

Il me serait bien difficile, par contre, de vous énumérer de façon détaillée les commandes de matériel et d'équipement qui ont pu être passées en France grâce au système de soumission internationale imposé par la Banque pour tous les travaux bénéficiant de son aide: les exemples seraient trop nombreux et le temps que vous voulez bien m'accorder n'y suffirait pas. Vous connaissez d'ailleurs l'importance des contrats de travaux que les entreprises françaises ont pu obtenir grâce à ce système d'appels d'offres internationaux. Le plus récent et aussi le plus important est le contrat de construction du plus grand barrage du monde dans sa catégorie, à Tarbela, au Pakistan, qui a été attribué à un syndicat franco-italien dans lequel figurent la Compagnie Française d'Entreprises, les Constructions des Batignolles et la Compagnie de Constructions Internationales. La construction du barrage, à elle seule, représentera plus de 300 millions de dollars et l'ensemble des travaux porte sur environ 900 millions. Un exemple comme celui-ci montre de façon éclatante combien l'existence de la Banque Mondiale est bénéfique pour les grandes entreprises françaises: le système de l'appel d'offres international garantit des conditions de concurrence authentiques et loyales et leur permet de s'affirmer dans des parties du monde où elles n'avaient parfois pénétré que difficilement. L'importance des contrats, par ailleurs, les conduit à s'associer avec des entreprises étrangères, le plus souvent européennes, mettant en commun leurs connaissances techniques et leurs moyens financiers. Les pays du Tiers-Monde y trouvent leur avantage également: la concurrence internationale ainsi établie, l'accès aux meilleures techniques, la sélection des entreprises les plus expérimentées dans un secteur donné contribuent à abaisser de façon sensible les coûts des réalisations, permettant ainsi un emploi optimum des ressources toujours insuffisantes qui sont mises à la disposition des efforts de développement.

Devons-nous pour cela nous monter satisfaits, les uns et les autres, de la contribution que nous avons apportée à la lutte pour le développement? Je ne le pense pas et je voudrais maintenant faire écho au cri d'alarme qu'a lancé, avant de quitter ses fonctions, notre ancien Président, M. Woods, à la Conférence de New-Delhi. Après avoir évoqué l'ampleur de la tâche à entreprendre, nous examinerons ensemble le rôle déterminant que peuvent jouer les institutions de notre Groupe et l'aide que nous espérons recevoir de la part des gouvernements, de l'opinion publique et des hommes d'affaires des pays les plus favorisés.

Comment ne pas être angoissé par les inégalités dont le monde nous donne aujourd'hui le spectacle? D'un côté, un groupe de nations riches, qui connaissent certes leurs problèmes internes, mais qui dans l'ensemble deviennent de plus en plus prospères; de l'autre, la masse des deux tiers de l'humanité qui vit dans les pays pauvres et qui, si les tendances actuelles de l'évolution ne sont pas corrigées, sera de plus en plus nombreuse et de plus en plus misérable dans les années à venir. Alors que nous voyons, dans les pays industriels, des couches sociales nouvelles bénéficier du progrès économique et accéder à la société de consommation, nous risquons de nous trouver plongés demain dans une lutte des classes à l'échelle planétaire dont l'issue serait fatale pour la civilisation. Des voix plus autorisées que la mienne ont souligné les aspects moraux de ce problème et à quel point il domine notre époque. Qu'il me suffise de rappeler les paroles du pape Paul VI: "Le développement, c'est le nouveau nom de la paix!".

Le réalisme, tout autant que la justice, nous interdit de nous réfugier dans l'égoïsme: ce serait une dangereuse illusion, pour les pays développés, que d'espérer poursuivre leur progrès économique de façon isolée, sans subir les contrecoups des agitations du Tiers-Monde. Les dirigeants des principales nations industrielles se déclarent convaincus de la priorité du développement; malgré cela, les actes ne sont pas toujours en accord avec les paroles, puisque, dans l'ensemble du monde, l'aide publique et privée au développement stagne de façon dangereuse, alors que les besoins se font de plus en plus pressants, du fait notamment de l'explosion démographique.

L'une des raisons de cette situation est un certain désenchantement de l'opinion publique, dans les pays riches, devant l'ampleur de la tâche à entreprendre. De plus en plus, on entend affirmer que les efforts déployés pour réduire l'écart entre les deux parties du monde ou du moins pour l'empêcher de se creuser davantage sont vains. Certes, les exemples ne manquent pas d'aides accordées pour des raisons politiques et dont les résultats économiques sont discutables ou de pays où l'incompétence ou la vénalité ont conduit au gaspillage des quelques ressources existantes. Les paroles sévères que M. Woods a prononcées à ce sujet à New-Delhi n'ont rencontré aucun démenti.

Faut-il donc renoncer? Faut-il interrompre une aide, bilatérale ou multilatérale, qui ne serait, selon l'expression familière, qu'une "goutte d'eau dans la mer"? A la Banque Mondiale, nous ne le pensons pas.

Notre expérience de vingt années au service du développement nous a en effet appris que de nombreuses réussites sont possibles: il faudra un jour que nous renoncions à la discrétion qui a marqué jusqu'ici nos rapports avec le public et que nous fassions connaître à l'opinion mondiale, non plus seulement les chiffres de nos emprunts ou les données techniques des projets auxquels nous participons, mais les résultats positifs qui ont été obtenus, en partie grâce à notre action, dans un certain nombre de pays, aujourd'hui sur la voie du "décollage" économique. Au cours des années, nous avons mis au point, au sein du groupe de la Banque, un outil adapté au problème du développement.

Une équipe internationale d'hommes, tout d'abord: experts, techniciens, économistes, financiers, dont on veut bien reconnaître assez unanimement qu'elle n'a pas d'égale tant par sa compétence que par son impartialité. Les Français y sont nombreux et actifs, représentant près de 8% des cadres et venant, en nombre absolu, au troisième rang après les citoyens des Etats-Unis et de Grande-Bretagne. C'est d'autant plus remarquable que vos compatriotes, Messieurs, ont eu à surmonter un certain handicap dans le domaine de la langue et des méthodes de travail. Ils y occupent souvent des positions éminentes: qu'il me suffise de citer les noms de MM. Léonard Rist, Conseiller Spécial du Président et Bernard Chadenet, ancien Président de la Société Nyrpic, qui m'a succédé à la tête du Département des Projets et Réalisations. Notre équipe vient de se trouver considérablement renforcée par la décision des Administrateurs de la Banque d'appeler à la Présidence M. Robert S. McNamara. Personne ne doute qu'il ne mette au service du développement les qualités d'efficacité dont il a su faire preuve dans les affaires publiques et privées.

Nous avons également trouvé des méthodes, toutes empiriques d'ailleurs, pour la sélection des projets productifs et l'établissement des priorités économiques. Cela nous permet dans bien des cas de jouer le rôle de leader, ou si vous le préférez, de chef d'orchestre, dans les efforts concertés entrepris en faveur du développement. C'est sous la Présidence de la Banque que se réunissent de plus en plus nombreux, et très souvent dans votre capitale, les Consortiums d'aide et les Groupes consultatifs qui permettent une concertation entre les principaux pays donneurs afin de réduire les risques de dispersion des efforts et de surenchère. Ces groupes ont une utilité supplémentaire: dans leur cadre, les experts de la Banque peuvent coopérer de façon très étroite avec les dirigeants économiques des pays bénéficiaires et donner des avis que ces derniers n'accepteraient sans doute pas de représentants d'un gouvernement étranger.

Quels sont les domaines dans lesquels nous pensons qu'une action est non seulement nécessaire, mais possible, pour apporter une contribution positive au développement du Tiers-Monde?

Il y a tout d'abord l'amélioration, en qualité et en quantité, de la production de denrées alimentaires des pays en voie de développement. Pour beaucoup d'entre eux, le problème majeur est tout simplement la faim et les distributions de surplus en provenance de pays mieux pourvus, pour nécessaires qu'elles soient dans l'immédiat, ne constituent qu'un palliatif. Alors que la majorité des pays qui le composent ont une économie à dominante agricole, le Tiers-Monde, dans son ensemble, connaît un déficit sur le plan alimentaire et doit dépenser pour des achats de nourriture une part importante de ses rares ressources en devises. Ce problème doit être attaqué dans deux directions: par la création d'usines d'engrais dans les pays moins développés; par une assistance technique massive pour l'amélioration des méthodes et des types de culture. Nous nous sommes, à la Banque, engagés de façon relativement récente dans le domaine agricole, mais ce secteur est appelé à occuper une place croissante dans nos programmes.

Il faut ensuite mettre de l'ordre dans le commerce international des matières premières pour éviter que ne s'accroisse davantage la détérioration des termes de l'échange au détriment des pays moins développés. Une résolution de la Conférence de New-Delhi, adoptée à l'initiative de la France et d'un

groupe de nations africaines, a chargé les experts de la Banque d'étudier les solutions techniques qui pourraient être apportées à ce problème pour un certain nombre de produits de base et nous pensons être en mesure de faire des propositions lors de la prochaine assemblée générale de nos Institutions, en septembre prochain.

Il faut, d'une façon générale, dégager des crédits, à un taux accessible aux pays sous-développés. Dans bien des cas, en effet, le problème n'est plus, comme dans les premières années de nos activités, de découvrir des projets rentables et utiles mais que beaucoup de pays dans lesquels ces projets pourraient être réalisés ne peuvent pas faire face au remboursement d'emprunts normaux. L'endettement du Tiers-Monde a atteint un point critique et si l'on veut poursuivre l'oeuvre de développement là où elle est le plus nécessaire, c'est-à-dire dans les pays les plus pauvres, il faut dégager des ressources nouvelles permettant d'assurer un financement à des conditions financières appropriées, qui ne soient pas une charge insupportable pour les bénéficiaires. L'Association Internationale de Développement, notre filiale, représente pour cela un outil irremplaçable. En effet, elle prête pour une durée de 50 ans, sans intérêt, à l'exception d'une redevance pour frais administratifs de 0,75% des encours et elle accorde à ses emprunteurs un délai de grâce de dix années avant les premiers remboursements. Ce sont des conditions rarement réunies: seuls les dons purs et simples sont plus avantageux pour les bénéficiaires. Une telle générosité nécessite évidemment, de la part des pays les plus riches, des contributions périodiques pour le renouvellement des ressources. Les négociations, assez difficiles, que nous avons menées avec les pays donateurs nous permettent d'espérer un niveau de financement annuel de 400 millions de dollars au cours des trois années qui viennent. Bien que cela représente une amélioration de près de 50% du niveau des ressources de l'IDA, bien que la Suisse, qui n'est pas membre de nos organisations nous prête des sommes appréciables aux mêmes conditions favorables que celles qu'accorde l'IDA à ses emprunteurs, même si la Banque Mondiale peut de son côté prélever une partie de ses bénéfices à l'accroissement des ressources de l'IDA et si certains pays, suivant l'exemple de la Suède et de la Norvège effectuent des contributions supplémentaires, les besoins d'argent à bon marché des pays sous-développés restent infiniment plus élevés que nos ressources.

Du moins est-il indispensable, au moment où les caisses de l'IDA sont vides, tous les fonds existant ayant été affectés, que l'apport d'argent frais ne soit pas retardé par des lenteurs administratives dans les pays donateurs. Plusieurs pays, dont les Etats-Unis, qui fourniront près de 40% des ressources nouvelles, ont déjà entamé la procédure parlementaire nécessaire: nous espérons qu'elle aboutira rapidement.

L'opinion publique des pays riches et les élites économiques elles-mêmes ne sont peut-être pas assez conscientes des avantages qu'apporte l'IDA pour l'efficacité maximum de l'aide aux pays sous-développés. Tout d'abord, le concours des experts de la Banque permet une sélection des projets tout aussi rigoureuse que celle qui préside à nos opérations normales. Le financement privilégié qui est assuré n'empêche nullement l'application des critères d'utilité économique et de rentabilité mis en oeuvre selon notre principe de base: "soft money for hard projects" que l'on pourrait traduire de façon suivante: "de l'argent à bon marché pour des réalisations sérieuses". C'est donc, pour

les entreprises et pour les gouvernements associés à ces projets, une garantie essentielle et appréciée. Par ailleurs, l'existence de l'IDA permet à certains pays riches venus tard à l'aide au développement, souvent par manque de tradition coloniale, d'améliorer leur participation à l'effort commun, sans pour cela devoir développer une administration spécialisée, assurant une meilleure répartition de charges qui jusqu'ici étaient fort inégalement supportées.

Il est un reproche que l'on a fait parfois, en France, à l'Association Internationale de Développement et auquel je voudrais répondre brièvement: c'est de négliger le continent africain et notamment l'Afrique francophone. Certes l'Inde et le Pakistan continueront à absorber une part importante des crédits: mais, compte-tenu de leur population, cette proportion n'est nullement exagérée et l'aide, calculée par tête, qui va au sous-continent indien est même inférieure à la moyenne des autres parties du monde. En ce qui concerne l'Afrique, il faut tenir compte de plusieurs facteurs: tout d'abord, l'accession relativement récente de beaucoup de pays à l'indépendance: les projets de développement mettent souvent plusieurs années à se dégager; d'autre part, certains pays n'étaient pas en mesure de présenter suffisamment de projets intéressants: deux bureaux techniques ont été créés par la Banque, à Abidjan et Nairobi, pour les y aider, avec des résultats très encourageants; enfin, ces pays ont reçu une aide bilatérale ou européenne relativement importante. Aujourd'hui, une coopération de plus en plus étroite a commencé à s'établir entre les experts de la Banque et ceux des organismes nationaux (notamment français) ou européens d'aide au développement, qui collaborent de plus en plus souvent à des programmes communs ou complémentaires. Cela montre la vanité de la querelle d'école que certains ont voulu introduire entre les aides bilatérale et multilatérale. Pour toutes ces raisons, et sous condition de disposer des ressources nécessaires, nous envisageons très favorablement le développement de nos activités en Afrique.

Des problèmes de financement se posent également, bien qu'avec moins d'acuité, en ce qui concerne les opérations normales de la Banque. Le développement continu de nos activités, la multitude des projets intéressants, notamment dans la partie du Tiers-Monde qui se trouve la plus avancée sur la voie du "décollage" économique, nous imposent un recours de plus en plus large au marché financier international, qui jusqu'ici a fait un accueil excellent à nos émissions d'obligations. Cependant, les problèmes d'ordre monétaire et commercial que connaissent plusieurs des pays dans lesquels nous effectuons traditionnellement nos emprunts ont conduit à une hausse des taux d'intérêts dont nous espérons qu'elle sera passagère, mais qui nous a obligé à relever le taux de nos propres prêts à 6,25% et à renoncer dans certains cas à la marge de sécurité que nous entendons conserver entre le taux auquel nous empruntons et celui auquel nous prêtons. La solution de ce problème, en dehors des mesures internes que les pays intéressés ont commencé à prendre, réside pour nous dans une plus grande diversification de nos ressources et un appel plus fréquent au marché financier européen, y compris, je l'espère un jour, la place de Paris.

Il y a une illusion que nous n'entretenons pas à la Banque: nous ne pensons pas être en mesure à nous seuls, même si nos moyens étaient décuplés, de résoudre les problèmes du développement. Certes, notre expérience, les

ressources que nous avons pu réunir, font de notre organisation le chef de file dans cette bataille sans cesse renouvelée: entre 15 et 20% de l'effort mondial en faveur du développement du Tiers-Monde est aujourd'hui effectué sous l'égide de notre Groupe. Mais nous savons que la tendance actuelle ne pourra être renversée que le jour où le secteur privé prendra massivement le relais des organisations gouvernementales, nationales ou internationales. Cela n'est possible que si un climat de confiance s'instaure, conduisant les entreprises et les épargnants des pays industriels à placer leurs disponibilités dans les pays les plus pauvres.

Ce climat, nous cherchons à le créer, pour notre part, de plusieurs façons:

Notre filiale, la Société Financière Internationale, prouve par son action, et par les bénéfices qu'elle réalise, que des investissements bien choisis dans le Tiers-Monde peuvent être rentables. Son intervention est devenue une référence pour les hommes d'affaires avisés et chaque dollar qu'elle investit est désormais accompagné de six dollars supplémentaires.

De longue date, nous avons insisté, dans nos relations avec les pays en voie de développement, pour le respect des intérêts étrangers. Nous reconnaissons que ces pays ont le droit de nationaliser certains secteurs de leur économie (même si ce n'est pas bien souvent la politique la plus favorable à leur développement), mais nous insistons pour que les investisseurs étrangers soient dédommagés. Nous avons dans ce domaine, et par la seule persuasion, remporté quelques succès et plusieurs d'entre vous connaissent sans doute le rôle que notre ex-Président, M. Woods, a joué récemment dans le règlement du conflit qui opposait au gouvernement tunisien un certain nombre de sociétés françaises.

Nous engageant plus loin sur cette voie, nous avons récemment organisé le Centre International pour le Règlement des Différends relatifs aux Investissements dont 40 pays ont à ce jour ratifié la Convention. Il s'agit, sur la base d'une liste d'arbitres et de conciliateurs, de permettre aux pays signataires, au cas où ils seraient d'accord avec l'entreprise étrangère de demander un arbitrage. Ils n'y sont pas obligés dans tous les cas mais dès lors qu'ils ont demandé qu'un conflit particulier soit soumis à cette procédure, le verdict du conciliateur et de l'arbitre sera automatiquement accepté par eux. Ceci constitue un progrès considérable: un certain nombre d'entreprises qui se sont installées au cours de l'année passée dans divers pays en voie de développement ont obtenu sans peine dans les contrats qui les lient au gouvernement local l'insertion d'une clause de recours au Centre. C'est une bonne nouvelle et une garantie appréciable pour l'avenir.

Il existe, vous le savez, un projet plus ambitieux, celui d'une assurance internationale pour les investissements privés et vous n'ignorez pas que cette question fait l'objet de discussions fréquentes et approfondies de notre conseil d'administration. Les obstacles sont encore nombreux, mais nous ne nous décourageons nullement, répondant ainsi aux vœux que vos organisations professionnelles ont exprimés à plusieurs reprises.

Telles sont, Messieurs, quelques unes des directions dans lesquelles doit s'orienter notre effort commun pour le développement. Pas plus que les autres institutions nationales ou internationales qui s'intéressent à ce problème, la Banque Mondiale ne peut réussir sans le concours agissant des gouvernements et des milieux économiques des pays les plus développés, sans le soutien d'une opinion publique souvent insuffisamment informée. Nos efforts du passé, vous le savez, n'ont pas été vains: mais il reste beaucoup plus à faire si l'on veut gagner la grande bataille de l'Humanité contre la misère, l'ignorance et la faim. Votre attention de ce soir, dont je vous remercie, est un sérieux encouragement.

FIN

*Draft Mr Bahl
Copy went to Paris*

DEVELOPMENT AID

By S. Aldewereld
Vice President, International Bank
for Reconstruction and Development



Over the last few years, disappointment has spread round the world over what many feel has been the failure of the Development Decade. In the richer countries, the belief has been growing that the amounts of aid given year after year have done little to promote the economic progress of the less developed countries: that much of the aid has been wasted for reasons of ignorance, incompetence, or worse. In the poorer countries, the impression has spread that the aid they have received has been inadequate in relation to their needs and the immensity of the problems they face. In such circumstances, they say, disappointment was inevitable; the aid-givers set out to do less than half the job with less than half a heart, so failure can occasion no surprise.

But is the disappointment justified? The truth is that, contrary to the impressions of many, the Development Decade has not been the failure it is sometimes alleged to be. When the targets for the Decade were set seven years ago, the hope was expressed that the rate of economic growth of the less developed countries would increase to five per cent a year during the 1960s. The statistics available so far indicate that it did in fact average 4.8 per cent through 1966, and the average for 1967 is likely to have been a little higher.

Some might say that statistics, and especially statistical averages, do not always tell the full story. And indeed no one would seriously deny that while on the whole the growth of the developing countries has not been discouraging, the average conceals certain notable weaknesses. The first is that

the average of 4.8 per cent disguises great differences in performance. In two important regions -- South Asia and Africa, which together account for more than half the population in developing countries -- economic growth has fallen considerably short of the average. The main areas of progress have been southern Europe, the Middle East, East Asia and to a lesser extent Latin America. Secondly, because the population of less developed countries has increased rapidly, the average rise in per capita GDP has been small -- only about 2.3 per cent per year. In some countries, it has been negligible.

The weaknesses and qualifications, however, do not alter one fundamental fact. It is that the developing world as a whole has achieved a fairly encouraging rate of growth in the last twenty years -- as far as we know, a higher rate than in any other comparable period before. Those who complain about waste and inefficiency in the less developed countries need particularly to remember this. Along with it, they need also to remember one other fact: that the developing countries have accomplished this despite the great uncertainties, political and economic, pervading the world during this period and even though the net flow of foreign aid and private investment to them has been less than was estimated as necessary.

The statistics relating to the economic growth of the less developed countries, furthermore, are not a complete measure of the progress they have made. Development in such countries is a wide-ranging experiment affecting every facet of their national lives -- social, political and cultural. GDP figures alone do not measure many of the broader aspects of transformation and change that are integral to the process of development. Many of these countries have made impressive progress in strengthening the foundations of economic growth -- by increasing their capacity for producing electric power,

improving transport and communications, organizing better irrigation and water supply systems, and creating new educational and medical facilities. In this way, they have moved towards building the social and physical infrastructure that is essential to future economic progress. Such investments do not always, by themselves, lead to an early and rapid increase in national income, but they are of vital importance in that they eventually increase the returns on directly productive investments.

Indeed, because the foundations for economic growth have been strengthened, an outstanding feature of recent years has been the remarkable increase in the developing countries' capacity to make effective use of the aid they are offered. The increase reflects also the impressive progress made over the years in understanding the problems and perfecting the techniques of economic development. Given the lessons that have been learned, the greater capacity of the developing countries to use resources effectively, and the greater knowledge of the development finance institutions, the scope for accelerating the economic progress of the developing countries is better now than ever before. Yet this is the critical point at which the developed countries' willingness to give more aid appears to have begun to falter.

The danger now is that the job is going to be left half done; and nobody -- neither the engineer, nor the economist, nor the planner -- needs to be told that a job half done is sometimes worse than a job not done at all. There is little point, for instance, in launching a venture by clearing the ground and laying the foundations -- and then being told that no more money can be spared for the superstructure of the factory, the machinery, the equipment and the myriad other things that must be organized before production begins. In this situation lie the seeds of waste and frustration. Yet this

is almost precisely the situation which the current hesitations over aid are threatening to create.

In the developing countries, the ground has been cleared and the foundations have been laid; now that the time has come to start building the superstructure necessary for sustained economic progress, they are being told by the opponents of aid in a number of developed countries that there is not enough money to spare. The fundamental problem today is not that the developing countries are wasting the aid they are getting. The fundamental problem is the richer countries' increasing reluctance over aid; it is threatening to cast to waste many of the investments that have already been made.

A variety of reasons have been offered to explain why the richer countries find their heart dropping out of the aid effort. One main reason, it is said, is that the effort has not yielded the results that were expected of it; disenchantment is the inevitable result. The assertion is garnished with gossip galore about the fate of various projects, plans and countries; about waste, incompetence and inefficiency; about national resources being squandered on corruption, on the dictates of personal vanity, on the whims of political leadership, on national status symbols, or on regional conflicts and military adventures. Let it be acknowledged straightway that some of this gossip is rooted in fact. But the story of development is not a story only of greased palms, golden beds and gunfire. It is a story of substantial economic progress in the face of formidable handicaps -- of progress substantial enough to have virtually reached the targets of the Development Decade. The success of some countries has truly been outstanding. Where there has been a shortfall from planned targets, the failures have been due not only to the shortcomings noted above but also to shortfalls in foreign aid.

The balance-of-payments difficulties of some of the major aid-givers, notably the United States and Britain, have been another important influence on the total aid effort. The argument is heard that development aid is a burden on the balance-of-payments; when external payments difficulties arise, therefore, a cut in aid becomes unavoidable.

But two points are worth noting here. The first is that the developing countries (apart from a few oil producers) are heavily deficit in their trade with the richer countries, and the deficits run to several billions of dollars each year. The payments deficits of certain developed countries arise mainly from their economic exchanges with other developed countries, and not with the poorer countries. Secondly, when a developed country gives aid, it does not simply take the stipulated amount of gold or convertible currencies out of its foreign exchange kitty and quietly hand it over to the developing country. The aid is given largely in the form of machinery, equipment and other materials which feature as exports on the plus side of the richer country's external payments account. In other words, most, and in many instances all, of the money which represents foreign aid flows back to the richer country in the form of export orders.

An unfortunate influence on aid policies in recent years has been the growth of inward-looking attitudes in the richer countries due to the pressure of domestic political, economic and social problems. The attitudes are reflected in two main arguments. The first is that with severe problems within their own frontiers -- whether taking the form of racial conflicts, the crisis of the cities, the revolt of youth, or the anger of the poor -- the richer countries cannot afford to be more generous with foreign aid: in brief, charity begins at home, and if it does not, it ought to. The second argument

is that foreign aid already represents a huge burden on the richer countries; it is a burden they can hardly afford, and certainly cannot increase.

After the events of recent months and years, few would wish to underestimate the seriousness of the domestic problems which some of the richer countries face. But it would be a sign of shortsightedness to argue that development aid should be reduced in order to release the resources necessary for dealing with these problems. The unrest among the underprivileged in some of the richer countries should instead serve as a reminder of what is likely to happen in the less developed areas of the world if poverty, frustration and economic stagnation are allowed to continue. Many of the problems which the richer countries face represent, on a smaller scale, almost precisely the sort of problems against which the poorer countries are struggling in the face of far more formidable handicaps. Within their own frontiers, many of the richer countries have begun increasingly to recognize the need to deal with these problems by erasing pockets of poverty. They are doing so for sound political, economic and social reasons. The same reasons apply in the international sphere, and justify the effort to promote the economic growth of the poorer countries.

Nor can it be seriously argued that aid represents an impossible burden on the richer countries. For several years, the net flow of official aid from these countries has not been appreciably increased despite the fact that aggregate national incomes in the industrialized world have been rising at the rate of \$40 billion or \$50 billion a year. Critics need also to remember that for every \$1 the poorer countries have received as development aid, they have invested \$4 from their own meager resources -- the \$4 being squeezed out of economies where consumption is usually not far above the subsistence level and where the scope for saving and investment is consequently very limited.

The present is a particularly appropriate time for intensifying the aid effort because many of the poorer countries are approaching the stage where they may soon be able to solve their most difficult problem -- the food shortage. The disastrous experience of recent years has persuaded them to devote more attention to their agriculture. Stronger efforts have been made to improve the supply of inputs, such as fertilizer, water and high-yielding varieties of food grains, and to introduce the policies and programs necessary for stimulating their agrarian activity. The result is that, in the assessment of experts, many countries today stand on the threshold of what is described as "the green revolution" -- a revolution that could bring large, quick and sustainable increases in agricultural productivity. But one thing is clear: if "the green revolution" is to succeed, there will have to be a much larger flow of capital, including private capital, and technical assistance to the developing countries in the coming years.

The prospect of an agricultural breakthrough is significant, considering that much of the disappointment over the progress of the less developed countries has centered on their agricultural failures in recent years. In these countries, the manufacturing sector, in general, has expanded quite rapidly, while agriculture has lagged far behind. In countries where agriculture accounts for a third, and often more, of the national income, an agricultural breakthrough promises to have a major impact on overall economic growth. The time has therefore come for the richer nations to make a supreme effort by providing the capital and technical assistance required for the transformation of the farms -- in what would be the first major and organized endeavor in history to ensure that hunger is not the inescapable fate in some parts of the world.

Not in the case of agriculture alone, but for economic development generally, there is a strong case for providing more of the aid, whether financial or technical, through multilateral channels. One of the encouraging features of the 1960s is that the value of the multilateral approach has been more clearly recognized. Apart from the multilateral finance it has provided from its own resources, the World Bank Group has helped to organize consortia and consultative groups to coordinate the aid efforts of various countries; it has also played an important role in the joint financing of particular projects. Partly as a result of these efforts, close to 40 per cent of the development finance now goes to countries for which consortia or consultative groups have been organized.

Being multilateral in nature, agencies like the World Bank Group enjoy the advantage that they do not have to try and do three or four things at once: apart from trying to help develop the country, they do not, for instance, have to try and promote the exports of a particular nation's capital goods, or to create and assist military allies, or to win friends for this or that foreign policy. This gives their assistance a greater clarity of purpose and sharpness of impact.

A multilateral effort also opens a worldwide choice of financial resources and technology. The World Bank Group and its borrowers, for instance, employ a large variety of technicians and consultants for services in such fields as engineering, architecture, agriculture, agronomy, economics and management. The range of choice is widened by the fact that the consultants can be drawn from a very large number of countries. The multilateral nature of the organization helps mobilize all the skills that are required. It makes available a wide choice of technology and institutional forms from all parts of the world.

It gives an underdeveloped country access to the assistance most suitable for its own stage of development, and in fact makes it possible, within a multilateral framework, for underdeveloped countries with comparable problems to assist one another.

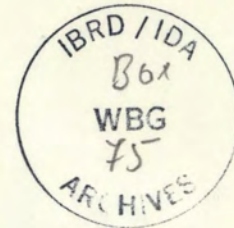
Perhaps the greatest of the advantages of multilateral aid is that it facilitates international competitive bidding, thus ensuring that the developing countries get full value for the money. The Bank Group knows from its own experience that there are often wide variations in tender prices from different countries. In a recent case, an Asian country actually cancelled a tied loan for a highway program when it discovered that the lowest eligible bid under the loan, some \$27 million, was \$5 million more than the international, competitive price for the kind and amount of work in question. Variations are sometimes wider than that: in another instance, suppliers from six industrialized countries quoted prices for equipping a cement plant. The lowest price quoted by suppliers in country "A" was \$450,000. A company in country "B" got the contract by offering similar -- and entirely satisfactory -- equipment for only \$176,000. Examples such as these show that the difference between the purchasing power of the tied funds generally provided through bilateral assistance, and the untied funds coming from multilateral agencies, is by no means minor.

In recent years, the developing countries have been becoming increasingly sensitive about the political strings that they claim accompany bilateral aid. In many cases, the sensitivities have got to the point where they have been allowed to harm their economic progress. The sensitivities would be offended much less if aid were given multilaterally, by non-political institutions, according to purely economic criteria. It is easier -- although not always easy -- for a multilateral lender to influence the economic performance of a

developing country. An international organization can work more closely with the country to draw up the policies, the programs and the projects that will foster economic development -- measures that may range all the way from finding expert advisers on special problems to comprehensive advice on the size and composition of an investment program.

Much more is known now than was a few years ago about the problems and the techniques of economic development. This is not just a body of theoretical knowledge; it is the sort of knowledge that can be applied in practice, since most of it has been derived from the actual experience of recent years. The main need now is for the financial and other facilities, especially technical assistance, which would enable the knowledge and the techniques to be put to productive use on a wider scale. The fundamental question in the field of development aid today is whether the world, having acquired the ability and the know-how, can now find the resolution necessary to make a success of the development experiment. Engineers and scientists know from their own experience that some of the greatest technological innovations of our time, which have opened vast horizons of opportunity and progress for mankind, took years of endeavor and a cornucopia of investment, both of faith and of money. The development experiment is not dissimilar. It is not easy. It will take time. But it is entirely within the capacity of man. And it promises to open horizons of opportunity and progress that few could have dreamt of before.

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SOME ASPECTS OF THE WORLD BANK GROUP'S
ROLE IN ECONOMIC DEVELOPMENT

Address delivered in Colorado Springs, Colorado,
on September 24, 1968

by

Mr. S. Aldewereld, Vice President

of the

International Bank for Reconstruction and Development

to the

Fourth Institute for International Engineering

It is a pleasure and an honor to address so distinguished an audience this evening. The Fourth Institute for International Engineering provides a forum for discussing a subject that lies close to the World Bank's heart and work -- the financing of international economic development.

From our earliest days it has been clear to us at the Bank that economic progress is never purely a function of the money that is invested; the money has to be supported by skills which in the less developed countries are often even more scarce than the capital available for investment. I am particularly grateful, therefore, for the opportunity to share with you some ideas about the work we do, how we do it, and the vital contribution which engineers make to it.

The World Bank Group is a group of three institutions which share the common purpose of providing capital for productive projects in the underdeveloped countries.

The first of the three institutions is of course the World Bank itself. It makes long-term loans at conventional interest rates to governments, government agencies and, with a government guarantee, to private borrowers. It finances infrastructure projects -- power, transportation, telecommunications and water supply -- and projects in agriculture, industry and, most recently, in education.

The younger of the Bank's two affiliates is the International Development Association, commonly known as IDA. IDA lends for much the same kind of projects as the Bank, but to countries which are not able to bear the burden of loans made on conventional terms. Its credits are made at very long term and free of interest, although there is a small service charge.

The older of the two affiliates is the International Finance Corporation, which began operations in 1956. Whereas the Bank and IDA may lend to either public or private borrowers, IFC works exclusively in the private sector, without government guarantee. It concentrates its efforts on the development of industry by making long-term loans or providing equity capital, in conjunction with private investors, both foreign and domestic, frequently playing the role of a promoter and middleman.

When the World Bank first opened its doors for business in the summer of 1946, it was concerned mainly with the reconstruction of the economies of European countries which had been seriously damaged by the second world war. But as the Marshall Plan got under way, the Bank began to turn its attention to what is now its central aim -- the furtherance of economic development in the poorer countries of the world. Over the past 22 years the Bank and IDA have loaned more than \$13 billion for development projects in 94 countries. Together they stand today as by far the biggest single source of long-term development finance.

Almost a third of the total lending of the Bank and IDA has been used to expand capacity for the generation and transmission of electric power. Another third has gone into improving transportation facilities: roads, railways and ports. The remainder has been devoted to agriculture, industry, education, water supply, telecommunications and general development purposes. The emphasis on agriculture and education, in particular, has increased greatly in recent years. The Bank and IDA have together put roughly \$1-1/4 billion into agriculture, more than half of it within the last six years. Our first educational credit was made six years ago. Now we have financed 22 projects for a total of \$170 million.

The electric power projects which the Bank Group has helped to finance have added nearly 30 million kilowatts to the world's generating capacity. In 14 Latin American countries, the money has gone into projects which have trebled the generating capacity that existed in 1946. In the field of transportation, Bank and IDA funds have helped to build or modernize enough roads and railways to go twice around the world. Millions of acres of land have been improved or brought under cultivation as a result of the irrigation and other agricultural development projects we have financed. The Bank Group has provided more than \$2-1/2 billion to support the creation, expansion or modernization of industry in various parts of the world. Over the past few years, the Bank and IDA have made loans to expand educational facilities in countries as far apart as Gabon, Nicaragua and the Philippines.

Although all of the World Bank's 109 shareholders are governments, the Bank raises most of the money it lends from the private capital markets of the world. The 109 member-governments have subscribed a total of nearly \$23 billion to the Bank's capital. Of this, one-tenth is actually paid in, and \$1.9 billion of this is available for the Bank's lending activities. The remaining nine-tenths, or more than \$20 billion, is subject to call should it ever be required to meet the obligations the Bank creates by its own borrowings or guarantees. This arrangement provides substantial backing for the Bank's bond and note issues, thus greatly facilitating its ability to raise funds in the world's capital markets, which over time have become the principal source of Bank financing.

We have also supplemented our lending resources by selling parts of our loans, either at the time the loans have been made or out of portfolio. Until June this year the Bank raised more than \$2 billion through such participations in

its loans. A third source of finance is of course the accumulation of the Bank's net earnings from its operations, which at the end of June amounted to almost \$1.2 billion; of this amount close to \$900 million are used in the Bank's lending.

Of all these sources, the sums the Bank raises through its bond and note issues in the world's capital markets are easily the biggest. Until the end of June this year, the Bank had made 123 bond and note issues to raise a total of more than \$6 billion. Of these, 78 issues aggregating about \$3.3 billion were still outstanding at the time.

The market for the Bank's bonds is international; altogether they have been sold in more than 60 countries. Although many of the issues have been made in the United States, and are denominated in U.S. dollars, part of these issues have been bought by investors outside the United States. Several issues have been made in other countries and other currencies, such as Belgian francs, Canadian dollars, German marks, Italian lire, Dutch guilders, pound sterling, Swedish kronor and Swiss francs. In the last three months the Bank borrowed almost \$730 million in Germany, in Kuwait, and in the United States, from American investors and foreign central banks. The Bank is now the largest single external borrower in the German market.

The increasingly international character of the Bank's borrowing activities is underlined by the fact that more than half of its funded debt is held outside the United States.

There are two main reasons why the Bank can raise such large sums. The first is the confidence which the Bank has created by its record of operations. Secondly, as I mentioned before, borrowers know that the Bank has a large backing of unpaid capital; and it can call up this capital to repay its obligations if the need should ever arise.

Since, as I indicated, the International Development Association lends on highly concessionary terms, it must obtain its funds chiefly from contributions of the advanced countries. It has received over \$1.5 billion from this source. Another \$300 million came from grants from the Bank and from other sources. A further increase in its resources, of \$1.2 billion, has been agreed upon by IDA's member governments but the agreement still awaits ratification from the United States Congress and the Parliaments of several other countries.

The International Finance Corporation received its initial capital, of slightly over \$100 million, from member governments. It also has obtained a loan of \$100 million from the Bank.

The United States, through its Government, but chiefly through its private investors, has made the largest contribution to the financial resources of the Bank Group. On the other hand, U.S. business and industry have also been the most important source of supplies of projects financed by the Bank Group. Total disbursements by the Bank and IDA for American exports until the end of June this year come to almost \$2.7 billion.

Handling other people's money as we do involves major responsibilities, the most important of which is to ensure that the money is lent with the greatest possible care for the best possible purposes.

Not only do we never make a loan unless we are convinced that it will be serviced and repaid on schedule, but we believe our primary duty is to be sure that the projects we finance make a significant contribution to the economic

development of the borrowing countries. That is why from the early years of the Bank's existence loans have been made for well defined projects and programs rather than for general budgetary support.

The Bank directs its attention to all the stages of a project, from conception and design to final execution. We not only look at the technical side but also the financial, managerial, organizational and economic. Unless we can be assured of sound engineering, proper organization and efficient management we cannot be certain that projects will be effectively implemented, even though their economic need is beyond doubt.

In most cases our lending operations start with a survey of the potential resource of an area or sector of an economy to identify and formulate projects. We try to consider the different implications of each of the main alternatives, for example in terms of capital required, the benefits expected, the manpower needed, and the time required for execution. We have found that often projects can be adequately assessed only as parts of a long-term program for a region as a whole. Our experience indicates that one cannot just go along doing many individual projects, each serving its own purpose, as and when the projects become obvious. It is not simply a case that power is needed and there is a river nearby. So let's build a dam and install a power house; and then, when other needs appear, raise the dam for greater storage or provide adjuncts to it. The sum of the results from this type of procedure is usually a good deal less than what can be obtained by careful comprehensive programming, with full consideration from the start of the various possible alternatives.

For these reasons, when we consider a project for appraisal, our starting point is to determine the priority it deserves in the context of the borrower's

whole economy. The Bank is well suited for this task because at regular intervals we undertake a general review of the economy of our borrowing countries to enable a judgment to be formed about their economic performance, creditworthiness and eligibility for Bank financing.

In the course of assessing the creditworthiness of a country, on which we base the decision whether to lend on regular Bank or concessionary IDA terms, we analyze the structure of the economy, and its past and probable future development. The country's development policies are examined. If a development plan or program exists, an analysis is made of its magnitude and consistency, the extent to which it is based on a realistic assessment of the resources available, the sectoral distribution of the plan, the methods of financing and arrangements for execution.

This analysis of the structure of the economy and the likely directions of change helps us determine the relative priorities of different sectors. And this, in turn, indicates the direction in which we look to identify individual projects. In studying one particular economy, for example, the focus was on the persistent problem of inflation. Among other things, the Bank looked at the operations of the public sector in this context and it noticed that the operations of the transport sector represented a continuing and substantial drain on the budgetary resources of the Government. The financial deficit of the transport sector thus was identified as one of the factors feeding the inflationary process and the Bank began to look more closely at the Government's policies and investment programs for this sector. It examined alternative transport projects in this context: the Government, it seems, was keen to enlarge the existing capacity of its railway network; but the real problem was that operational performance on the existing network was quite unsatisfactory and, in fact, was the basic cause

of the persistent deficits in the railway budget. The causes of this poor performance were traced and the investigation ended in a proposal for a railway rehabilitation and modernization project.

Of course, I am not suggesting that the sole purpose of rehabilitating railways is to fight inflation. This example merely illustrates the fact that there are numerous, and close and often subtle links between our overall appraisal of the economy and our ultimate selection of a specific project.

Once a project has been identified, we appraise both its economic and financial aspects. In this appraisal, the view of the economy and the overall plans of the sector provide the necessary framework for analysis. For example, projections of commodity production in different regions of the country determine the traffic flows used for analyzing the economics of an individual railway project. Similarly, to look at the relationship between the project and the overall economy the other way around: if the project is a large one, the economic appraisal must consider the consequences for the economy of implementing it -- i.e., the feedback effects of the project on the economy. We have found it necessary to make the economic analysis of the project as comprehensive as possible -- quantifying as many of the benefits and costs as we can.

This economic analysis still has to be supplemented by a more strictly financial appraisal in which we examine the amount of funds that the project requires, the sources from which these are to come, the terms on which they are likely to be available. However, the objective here is different. It is to ensure that the project is financially viable and that it will not run into liquidity problems.

It should be clear that for us in the Bank, appraisal and supervision of projects are difficult, complex and time-consuming. For example, to provide a suitable environment for the development of the project, the Bank may ask the recipient countries to institute organizational and management reforms, to amend existing procedures or adopt new ones, and to allocate available resources more efficiently. Management assistance in the form of consulting services and training programs is often made a condition of lending, with the foreign exchange costs involved being financed out of the proceeds of loans. Borrowers for revenue-earning projects are often required to have an adequate degree of operating autonomy and acceptable statutory authority. This is a way we can ensure that the projects will be successfully constructed and operated. Our engineers visit the projects during construction to inspect progress and, in general, to find out what problems, if any, exist and how they can be solved.

Since we are concerned to ensure that the projects we finance are successfully implemented, we need to be fully aware of every aspect of the project. For example, at appraisal, we examine the proposed scale of the project, the engineering process or type of equipment to be used, the location, the layout and design, and the availability of the various factors of production. The quality and size of the technical staff available to the borrower, both for carrying out the project and for operating it, are evaluated. A judgment is reached whether outside help is required. If this judgment indicates that consulting engineers or other experts should be brought in to assist those responsible for the engineering arrangements, the Bank may help in preparing detailed terms of reference and reserves the right to approve the Borrower's choice of consultants and experts. The technical skills that are needed cover the whole gamut from the initial reconnaissance of a river basin to the detailed engineering of the various components of a power system.

In cases where the appraisal indicates that experienced local management is not available, the Bank suggests that the borrowing country should look for qualified organizations or individuals to help in running the project, at least in its initial phases, and to assist in training local staff. The Bank frequently helps the borrower to find such an organization or person. In some cases, it is even prepared to engage a small number of experts and to second them to the borrower.

While the project is being constructed it is essential that our borrowers not only get the best value for their money, but also that sound businesslike procedures are followed. That is why we insist on international competitive bidding. We do not impose or accept any conditions requiring the loan to be spent in any particular country. The goods that we finance can come from any of the Bank's member-countries or from Switzerland, which, although not a member, has opened up its capital market to the Bank.

The Bank does not confine itself simply to appraising projects that are put to it; over the years, it has involved itself increasingly in helping borrowers to identify and develop suitable projects. Potential borrowers often need assistance at all stages from the preparation of projects, where relative priorities are evaluated, to the final point of operation. The Bank helps in a variety of ways from assisting the borrower to collect the appropriate information, to the organization of feasibility studies, to the preparation and appraisal of the project and finally to all aspects of management assistance. It would hardly be an exaggeration to say that the greatest contribution the Bank has made over the years to its borrowers has been the experience they have gained from the successful execution of Bank-financed development projects.

Much of the work -- not only at the identification and preparation stage, but also in the implementation and management of projects -- is carried out by consultants. The Bank and its borrowers have retained a great variety of consultants: economists, management specialists, architects, agriculturalists, hydrologists, geologists, educators and many others. The consultants we call in most frequently, however, are engineers, particularly firms of consulting engineers. The aggregate amount of contracts awarded to engineering consultants in connection with projects financed by the Bank and IDA is large. I estimate it to be approximately \$75 million a year.

Against this general background, let me give you an example of how we tried to combine good economics with sound engineering and how we were able to play a role in bringing about economic development which probably would not otherwise be possible. The example I have in mind is the development of the resources of the Indus Basin.

You will recall that in 1947 with the coming of independence the Indian continent was divided into the two states of India and Pakistan; the boundary between West Pakistan and India was drawn across the three eastern rivers of the Indus Basin -- the Ravi, Beas, and the Sutlej. Before independence considerable development of the irrigation potential of these rivers, particularly the Sutlej, had taken place but the irrigation systems were almost wholly in the new state of Pakistan. It very early became clear that India, the upstream riparian, would wish to use the waters of these three rivers for the development of land within its own national boundaries.

There proved to be no possibility of a compromise or a legal solution to this problem. In 1952 the Bank offered to investigate the possibility of finding a technical solution which would leave both countries better off. Prima facie, the possibility of such a solution appeared to exist because full development of the tributaries to the Indus had not at that time been accomplished and above all because no attempt had been made in the upper regions of the Indus River itself to harness the resources of one of the greatest rivers in the world. In brief, the objective was to transfer surplus water from the Indus and the Jhelum rivers to the three eastern tributaries to make good the loss that would be occasioned by the diversion of these rivers for use in India. The complexities of these proposals were immense; and, when we began the investigation, we had no certainty that technically these ideas would prove practical. With the help of engineering consultants we began to carry out the prolonged investigations which were necessary and concurrently sat as mediators between India and Pakistan to work out the innumerable problems which arose as the investigation proceeded.

After eight years of discussions and negotiations with the two countries, these efforts culminated in the signing of the Indus Waters Treaty in 1960 which gave effect to the conclusion, which our investigations had proved feasible, in other words that a technical solution on the lines I have indicated was, indeed, possible.

The cost of the proposed works was extremely large and from the beginning it was clear that the Bank alone could not undertake the financing even of the foreign exchange costs. However, the extraordinary importance of finding a peaceful solution to the dispute between India and Pakistan attracted the attention and support of a number of countries and the Bank was able in 1960 to set up a

Fund the parties to which were Australia, Canada, Germany, New Zealand, Pakistan, the United Kingdom, India, the United States, and the World Bank. The initial subscriptions to the Fund totaled \$895 million including agreed payments to the Fund by India amounting to about \$170 million. Later, in 1964, when more precise information was available of the costs of the civil works involved, a supplementary contribution by the parties to the agreement of \$315 million was made and Pakistan undertook to meet the full rupee costs of completing the works.

India agreed under the terms of the Treaty to continue releasing water from the eastern rivers until 1970, that is, giving ten years for the replacement works in West Pakistan to be completed. These works included amongst other things about 400 miles of link canals, the construction of several major barrages and a huge storage dam on the Jhelum River. Another huge dam at some place on the main stream of the Indus was also contemplated. The dam on the Jhelum at Mangla was completed last year and I attended the inauguration ceremony in November. The main contractor was a consortium headed by Guy Atkinson of California and the work was completed ahead of schedule. To give you some idea about the size of this project, let me briefly give the following figures. The construction of the project involved the placement of 143 million cubic yards of earth and rock fill and 2 million cubic yards of concrete. The height of the main embankment is 454 feet: this is equivalent to the height of a 42 story building. The main embankment is more than a mile and a half long. While this work was going on, investigations were proceeding about the feasibility of the dam proposed on the main stream of the Indus. The construction of such a dam was crucial as only by the use of the waters of the Indus would it be possible for Pakistan to use its natural resources to the full. A site on the Indus was selected at Tarbela and the Bank undertook the investigation of a project at this

place. The scope of the study was expanded to draw up a comprehensive program for the utilization of all of West Pakistan's water and power resources. This plan now is the basis for the Government's development plans for many years to come. To judge the scope of this study, let me mention that it took three years to complete, cost \$5 million and involved the employment of many consulting firms from America and Europe.

By 1965 the study showed that the Tarbela project would be technically feasible and economically justified. The project, of course, will be a vast one. It will be the largest earth and rock fill dam in the world. The storage reservoirs of Mangla and Tarbela will for the first time provide from storage water during the dry season for West Pakistan's irrigation system, which commands 33 million acres and is the largest single integrated system in the world. Furthermore, the combined power potential of the two dams is about 3,000 megawatts. It was agreed to defer a start on the Tarbela project until the Mangla Dam had been closed as, up to that time, it was impossible to be certain how much money would remain in the Indus Fund to finance Tarbela. This point was reached in the summer of 1966. It became clear that of the foreign exchange costs of Tarbela estimated at about \$500 million the amount available to the Fund would be about \$300 million. Accordingly, the Bank held a series of meetings with potential contributors and in May of this year a further agreement was signed to provide the balance required. Pakistan undertook to meet the local currency costs. I should mention that from the very beginning the Bank and IDA have been major contributors to the Fund and that, at the request of the other parties, the Bank has throughout acted as administrator. The contract was awarded to a consortium of Italian and French firms. This civil works contract is the largest such contract ever awarded.

The study of the Water and Power Resources of Pakistan, which confirmed the need for Tarbela, was perhaps the most ambitious study of its kind ever made. Not all of our studies take that long or cost so much as the Indus Study. The hundreds of projects we help to finance are generally far less spectacular. But all of them are examined with great care, in order to assess their basic soundness and their importance in the wider economic setting of the borrowing country. Economic development, in the main, depends on a variety of relatively small, run-of-the-mill projects, well conceived and ably executed.

We have come a long way since the time more than 20 years ago when we first launched out into the business of international economic development. Compared with the methods we use today, the techniques of economic analysis and project evaluation we employed in those early days seem quite elementary. While project evaluation is still perhaps as much an art as a science, our methods have nevertheless been refined considerably. We do not depend on instinct or rule-of-thumb for our judgments. We demand and employ techniques necessitating more searching analysis, more precision and a wider consideration of all the factors involved.

At the very beginning of its operations the Bank established the principle that not only capital, but technical competence would be an essential part of development assistance. Today, we believe more firmly than ever that neither general programs nor adequate supplies of capital will accomplish anything until the right techniques, competent management, and manpower with the proper blend of skills are brought together and focused effectively on well-conceived projects. It goes without saying that, in this process, engineers have a fundamental role to play.

I think that we can look back on the past 22 years of activity with a reasonable degree of satisfaction. The lessons of more than two decades confirm beyond doubt that international economic development is entirely within the realm of the practical and the possible, provided the determination to push it forward to success can be strengthened and sustained. Our knowledge of development problems, and therefore our ability to tackle them more effectively, are greater now than ever before. No less important, it is the sort of knowledge that has been derived largely from practical experience of well trained people, and is therefore of direct relevance in coping with the problems facing the less developed countries today. The development experiment has now reached the stage in many countries where the foundations for economic progress have in large part been laid; the time has come when an adequate investment of capital, supported by technical and engineering skills, could bring much bigger returns in terms of economic growth.

Against this background, the Bank Group looks upon the achievements of the past essentially as a basis for a larger and far more effective role in the future. It expects not only to expand its activities in relatively traditional fields like power and transportation but particularly in the newer fields, such as agriculture and education. The Bank Group is aware that, to achieve its aims, much more money will be required. Indeed, we are already gearing ourselves for a very substantial increase in our borrowing and lending activities.

At the same time, we realize that although money is of vital importance, development is never simply a question of money. No less important is the mobilization of technical and engineering talent -- as consultants, as

contractors, as managers, and in a variety of other ways -- to secure the best results from the investments that are made. It is my conviction that few things could do more to strengthen the world's faith in the development effort than evidence of a growing number of strong, viable and efficient projects -- in the creation of which engineers have so vital a role to play.

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THE WORLD BANK'S ROLE IN PORT DEVELOPMENT



Mr. S. Aldewereld
Vice-President,
International Bank for Reconstruction
and Development.

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The American Association of Port Authorities
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INTRODUCTION

It is for me a great pleasure to present to the American Association of Port Authorities a paper dealing with problems of port development - a subject in which I have taken a special interest for many years in the World Bank. I would like, initially, to outline briefly the Bank's general activities and then to refer to our particular interest and activities in ports and harbors.

The World Bank was founded by international agreement at the Bretton Woods Conference of July 1944 and started operating actively in June 1946. The Bank is a member of the United Nations family of specialized agencies. By June 1968, the Bank's 109 member governments had subscribed \$22,942 million, of which the equivalent of \$2,275 million had been paid in, partly in gold or dollars and partly in local currencies. The remainder is subject to call only to meet obligations of the Bank arising from its own borrowings or guarantees. The fact of having such a large sum on call has been a major factor in allowing the Bank to mobilize funds - primarily by the sale of its bonds - from the capital markets of the world.

The Bank uses the funds available to it to finance projects in member countries with the objective of promoting their economic development. The bulk of the Bank's lending has been for the infrastructure required for sustained economic growth. To date, about one-third of total Bank lending has been utilized for transportation, another one-third towards electric power, and most of the remainder to industrial development, agricultural and educational projects. By June 1968, the Bank had made 545 loans, amounting to over \$11 billion.

In addition to being an international lender, the Bank acts as a catalyst for growth in other ways. In fact, a mere summation of the Bank's project lending commitments considerably understates the substance of its working relationship with developing countries among its membership. Beyond financial assistance, the Bank's role includes technical and administrative assistance in the preparation and execution of individual projects, helping countries draw up long-range national plans for economic development, and making studies of international economic trends that have a bearing on the growth of the less developed countries.

The Bank is also actively interested in coordinating development assistance to member countries. This usually takes the form of a consultative group of countries interested in the development of a particular country. By taking the chair at such group meetings, the Bank, after a careful review of the projects in the country's development plan, can assist in the channeling of badly-needed foreign exchange to the recipient country thus ensuring that the development plan is not curtailed for lack of finances.

Frequently the Bank acts as executing agency for the United Nations Development Programme, whereby assistance is provided for the study of technical, economic and financial aspects of projects.

An affiliate of the Bank, the International Development Association (IDA), was created in 1960 to help meet the needs of developing member countries whose capacity to make productive use of capital is greater than their ability to assume and repay conventional debt. Funds available to IDA - predominantly from industrialized member countries of the World Bank Group - are extended in the form of credits, repayable over fifty years, free of interest, and carrying only a three-quarters of one percent annual service charge. By June 1968, IDA had extended 124 credits amounting to over \$1,700 million.

aspects of the proposed port facilities, to port management and to the financial viability of the port enterprise.

Let me now turn to the subject of the changing trends in port development, with particular reference to ports in the developing countries.

TRENDS IN PORT DEVELOPMENT

One of the most direct physical links between the developed and the developing nations is ocean shipping. The same vessels that call at the ports of New York and London may also call at Karachi, Pakistan, and Callao, Peru, and the same cargo is handled at both ends of the line. The problems of accommodating the vessels and handling the cargo are, therefore, similar at either end. In fact, developments in the ports of New York and London are of limited effectiveness unless the ports of Karachi and Callao are also adequately equipped. This, of course, does not apply to the trade between London and New York, but I would like to focus here on the trade between the developing and the developed nations, which is one of the principal concerns of the World Bank.

Technological advancement in the transport and handling of ocean-borne cargo rapidly spreads to the developing nations. At least the pressure on the ports of Africa, Asia and South America to provide up-to-date facilities is felt soon after new developments have taken place in Europe and North America. Actual construction, however, is often hampered and delayed by the lack of capital and other factors.

In the past, spectacular advances in reducing the cost of ocean transport have been made by the handling of certain dry and liquid cargoes in bulk and this process is still continuing. It particularly applies to oil, minerals, and wheat. To take full advantage of the transport cost reductions

The same wide range of professional services, which forms an integral part of the Bank's activities, is equally available for IDA's operations. Each IDA project must meet the same economic, technical and administrative criteria that are applied to a Bank project.

The Bank's and IDA's interest in transportation is perhaps best illustrated by the fact that it has so far committed more than \$4,250 million to 218 transportation projects. About 10 percent of this total was used for the construction of port works and the acquisition of harbor craft and cargo-handling equipment. Loans for further port projects are under active consideration and a large number of general transportation studies involving ports as well as specific port feasibility studies are under way, with the financial participation of the Bank or of the United Nations Development Programme, with the Bank acting as executing agency. These studies are usually undertaken by consulting firms selected or approved by the Bank.

The use of a great number of consulting firms is essential to the Bank's operations. These firms are either retained by the Bank, when their services are financed by grants from the Bank or the United Nations Development Programme, or retained directly by the Borrower under the terms of a Loan Agreement with the Bank. Consultants are not only engaged to make pre-investment studies, but also to prepare final designs and contract documents and later to supervise the construction of the projects.

The Bank appraises all projects, including port projects, with its own staff of engineers, economists and financial analysts. Its principal concern is with the evaluation of the project's contribution to economic growth. As an essential part of this evaluation, for instance in the case of a port project, close scrutiny is always given to the technical and operational

made possible, for instance, by large and very large oil tankers, the vessel turn-around time at the points of loading and unloading needs to be reduced to a minimum and appropriate installations for rapid loading and unloading of tankers have to be provided. This is being accomplished expeditiously in most developing countries since the (oil major) companies, with their ready access to capital, are usually involved in providing these facilities. In the ore trades similar arrangements are usually made, since there again a private company often has a direct and vital interest in seeing this accomplished.

More serious difficulties arise in the shipping of wheat and other food grains to developing nations. The receiving port is often ill equipped to receive and unload expeditiously the arriving bulk carrier. In countries where major efforts are under way to reduce food grain imports and even to eliminate them altogether, large investments in fixed grain-unloading installations may not be justified. The use of portable unloading equipment is often a suitable measure to alleviate port congestion caused by large and irregular food grain shipments.

The current challenge for ports in the developing countries is how to deal with and plan for unitized cargo, particularly the van-sized container. Pallets are now used in many ports in developing countries, but mostly as an aid in handling of cargo in the port. These pallets usually remain in the ports and are not used to create a unit of cargo, traveling undisturbed from the supplier to the consignee. The use of the van-sized container in developing countries, only incidental at present, is bound to increase greatly in the coming years. It presents far greater opportunities for rationalizing general cargo transport than palletization, but also much greater problems. The efforts to resolve these problems have stimulated many to re-examine their traditional

views and to take a fresh look at the basic function of ports.

The port is no longer considered merely a terminal point in a ship's voyage, a place of shelter for the vessel and a depository of its cargo. Rather the emphasis is on the concept of the port as a link in the transport system, which has as its basic aims minimizing the overall cost of transport and reducing the time of cargo in transit. Transport cost reductions are being sought by taking advantage of the economies of scale made possible by ever larger vessels and by increasing the size and the uniformity of the unit of cargo.

This has brought a number of problems for the ports. In the first place, the larger vessels require deeper ports. Entrance channels have to be deepened and widened and new wharves often have to be built to berth the larger vessels with their increased draft. The capital expenditures needed to accomplish this are usually very substantial and ways have been sought to reduce them. For liquid bulk and, to a lesser extent, dry bulk cargo, offshore terminals connected to land by submerged pipeline or trestle-supported conveyor system have been the answer in many cases. The use of lighters, a time-honored method where a deep draft port did not exist, is now being revived in some ports to deal with the occasional large vessel that, when fully laden, cannot enter the traditional 30-foot deep ocean port. A variation on this method, the lighter-aboard-ship (LASH) system, is being experimented with, to avoid the large investments needed to deepen existing ports.

Having provided a berth or anchorage for the vessel in or near the port, the aim is to have it stay there as short a time as possible. Mechanization of the handling of bulk cargoes is well advanced in most developing countries and few would now question the necessity of these labor-saving devices. Most general or break-bulk cargo, is, however, still handled semi-

manually. To be sure, equipment such as ship's lifting gear, quay-side cranes, forklift trucks and tractors and trailers are increasingly used, but goods are being handled piecemeal, with extensive use of manual labor to position the cargo, assemble it on pallets or in slings, stack it in the transit shed, etc. The variety in the size and shape and weight of the individual packages makes this inevitable. Pre-palletization of cargo on standard size pallets, that leave the port with the cargo, was a first step to make the handling process more efficient. But it is the advent of the standard, van-sized container that promises to revolutionize the handling process of most general cargo. The movement of containers door-to-door from origin to destination is the sought-for ideal in general cargo transport. If the ports are not to become the bottlenecks in this system, measures must be taken to ensure the expeditious transfer of containers between oceangoing vessel and the inland transport system.

Concurrent with the trend to standardize the unit of cargo handled, there is also a trend to reduce the number of ports of entry. Vessel time is expensive, and large container vessels are far more expensive than the conventional general cargo ship. For a container vessel to call at many ports to deliver a few containers would severely diminish the inherent advantages of the system. By the same token, the capital investments required in the ports to handle containers expeditiously are not justified unless the volume of traffic is substantial.

A system of principal container ports supported by smaller "feeder" ports may well be the answer. The installation in the feeder ports could be simple. Special shallow-draft vessels with their own lifting gear could be envisaged for such feeder service. An interesting possibility is that such a

system may make feasible the revival of coastal shipping in some countries with a long coastline, or for a group of smaller countries fronting on a common ocean. Examples of the first are India, Chile, Peru, Brazil and Argentina, and of the last the countries of West Africa and Central America.

Coastal shipping has declined in most countries to such an extent that many people doubt that there is a place for it, except for the transport of certain bulk cargoes such as petroleum, coal, salt, minerals or uniform cargoes such as bagged sugar and rice. The decline of coastal shipping usually set in as soon as highways, more or less parallel to the coast, offered an alternative way of transport and this decline has been most pronounced with respect to general cargo. The principal reason is the better service for general cargo offered by the door-to-door truck. On long hauls, the basic cost of coastal shipping would, of course, be much lower than that of highway trucking, but the advantage is often lost because of the high costs incurred in the ports in the transfer of general cargo from the ship to the inland transportation system. These costs are composed of cargo-handling charges, port charges to the vessel and the cost of vessel time in port. The container is designed to reduce both the handling charges and the vessel time in port, and it is therefore not impossible that for long hauls, coastal shipping would again become competitive with highway trucking for containerized general cargo.

To indicate that this is not as farfetched as it may sound to some, the Australian experience with containers as expressed in Tokyo in 1967 by Mr. V.G. Swanson, Chairman of the Melbourne Harbour Trust, may be quoted here:

"Containerization is not a new concept in Australian coastal trade, as over the past ten years we have seen the development

of container and unitized cargo until the stage has been reached where it is well on the way to completely taking over the interstate general cargo trade, with more than 10,000 containers in regular use, the containers varying in size from a small 3-ton to 17-ton deadweight capacity. The first experiment in the use of the cargo container in interstate cargo trade was in its use in conventional ships to reduce handling costs and enable the coastal trade to compete with road and rail, which were making serious inroads into this trade."

In the concept of a fully-developed container system using large container ships on a major international trade route, there would usually not be room for more than one, or possibly two major container ports at each end of the line. Many of the other existing ports could, however, play a significant role as feeder ports, if an efficient coastal shipping service existed. Depending on the geographic situation of the ports with respect to the centers of production and consumption and the distances from the major container port, coastal shipping could offer strong competition to trucks and railroads in providing this feeder service.

It is clear that there is an ever-increasing need for integrated planning to obtain the maximum economic return of the transport system. A port project cannot be looked at in isolation; it has to be viewed as a link in the transport system. The port will be the optimum link if its capacity for moving cargo through is neither much smaller nor much larger than that of the other links of the system.

Planning for port expansion will increasingly have to be done on a regional, international basis, if the most economical transport system is

to emerge. This is especially important in the case of small countries with a market too small to justify a major container port. The planning cannot be left to individual port authorities, although these agencies have an important role in the planning process.

The basic decision to be made in this long-range planning process is which port or ports should be developed as principal container ports. The aim should be to minimize the cost of transportation to the economy. Among the many factors that will have to be taken into consideration are the existing inland transportation system and its adaptability to container transport, the suitability of existing ports for development into container ports, the relative cost of coastal shipping, railroad or road transport for the feeder services to the major container ports, the optimum location of container consolidation and distributing centers and the level of investment required. All these factors should be related to a projection of the probable development of container traffic over time. Necessary administrative changes in the transportation system, the customs control system, and the manner in which adjustments in the labor force can best be made should be considered.

Although the implementation of such planning may be a long way off, depending on the particular circumstances of each country, the planning process can and should start now. It is not an easy task, but not substantially different in scope and complexity from the national transportation studies that have been made in many developing countries, in many cases with the participation of the Bank.

Many developing countries are fearful that most, if not all, of the benefits of the use of the container and the port investments needed for them will go to the developed nations and their shipping companies. There may be

some validity to this point of view in the initial stages of containerization, but it would be erroneous over the longer term. Although comparisons are dangerous, a parallel may be drawn with the evolution of bulk-handling methods and the large bulk carrier. The lowering of transportation costs, resulting from the use of these methods, has made possible a substantial increase in exports of raw materials from the less-developed countries and has greatly improved their competitive position with alternative sources of supply in the developed countries. This applies not only to oil, but also to iron ore, and other mineral exports. Ocean transport of grain, coal and raw materials for fertilizer production is possible at a much lower cost than before because of bulk-handling facilities. It is sometimes argued that this is an advantage for exports, but that lower transportation costs for imports, especially general cargo imports, are undesirable for developing nations that want to protect their infant industries. If protection against imports is desired, however, it can be achieved by appropriate protective customs duties. The fact that low-cost transportation is available, if desired, must surely in the long run be an advantage to all.

The Bank faces many problems in its efforts to assist the development of transportation through investments in ports. The technical and administrative problems of carrying out physical improvement projects in ports, whether it involves new wharves, deeper channels, breakwaters or procurement of equipment are substantial; they appear easy, however, when compared with the difficulties faced in trying to achieve adequate standards of management and operating efficiency. Equally difficult problems are encountered in the formulation of the project in the face of all the factors to be taken into account in an integrated approach to planning, compounded by the inherent

uncertainties of the trends in traffic and technological developments.

In the following I would like to outline the Bank's approach and policies in dealing with these two sets of problems.

PORT MANAGEMENT AND OPERATION

The Bank considers it to be essential for good port management and efficient port operation that the entity in charge of a port has operational and financial autonomy, subject to government control only in respect of general policy, investment planning, tariffs and budget. Governments should not interfere with the day-to-day operations of a port. The establishment of a port authority may be the best solution in many cases. Such port authorities can take many forms, covering one port, a group of ports or all the ports of a nation. No two cases are exactly alike and the organizational framework that best fits the local circumstances has to be found in each case. Independence should be maximized, management decentralized and government interference kept to a minimum. Within a policy predetermined by the government, a port operating entity should, for example, have complete power in the allocation of berths and the movement of ships and cargoes within the port limits. When such power is exercised without bias, port users will come to accept it as beneficial to all.

Historically, many ports in developing countries were established as part of a railroad operation and some are still run by the railroad management. With the growing importance of transportation to and from the port by highway truck, the management of such ports by the railroad is no longer appropriate. In many countries, ports used to be considered more as a convenient point to store the cargo and collect import duties than as a link in

a transport system with the task of making the transfer process as efficient as possible. In many instances, ports were therefore administered by the customs authorities, who could be expected to have only a marginal interest in expediting the transport of goods.

Operation of a port by an autonomous agency does not resolve the problem of highway and railroad competition or eliminate customs delays. It provides, however, a better framework for protecting the interests of all port users and promoting efficiency in cargo transport.

It is the Bank's policy to strive for financial viability of the port enterprise. Port users should pay rates related to the cost of service and so produce revenues that together cover all costs, including an adequate return on the port's investments. Although well aware that this view is not held in many ports of the world, where port charges are levied according to "what the traffic can bear", the Bank has no misgivings on this policy. It is the best way to ensure that all port users are treated fairly; and by levying such service-related charges, a country helps assure an efficient allocation of resources which maximizes national economic benefits. User charges reflecting costs constitute an efficient rationing device and are one means toward the proper allocation of traffic among the various ports of a country or region. This policy is essential to ensure the economical location of new industries, and it avoids forcing the taxpayer to bear costs that are not covered by the direct beneficiaries. If it is the policy of a government to subsidize a particular cargo movement, means to provide this relief should be found other than through under-payment for the services provided by the port entity.

The traditional governmental "budget" accounting which still exists in many of the world's ports, does not provide sufficient information to the

port management to determine the true financial position of the port as an enterprise. In many Bank-financed port projects, agreements have been reached with the entities involved to introduce a modern commercial accounting system, designed to facilitate cost finding as a basis for setting rates for the services provided by the port.

Governments often try to control day-to-day operations of ports, even where ostensibly autonomous administration of ports exists, by pre-auditing systems, individual control of personnel, and direction of vessels to particular ports. Such control is seldom conducive to efficiency. Governments should review policies and procedures with a view to improving general control on main policy matters, such as investment, budgets, tariffs, etc., and at the same time reduce or eliminate inefficiency-breeding control of management functions.

Senior management for ports in the developing countries is often provided by government-appointed officials who frequently have had no previous experience in commercial port operations. Such appointments are usually only for a short number of years, whereafter the officials are moved to other senior government posts as part of their civil service career. Port management should have continuity and be exercised by people who, through training and experience, acquire the qualifications needed to run an efficient operation. There should be no hesitancy to use the advice of experts: the operation of a modern port is a complex affair. In most of the developed countries, whenever a new problem arises beyond the normal competency of the staff available in the organization, or when a new opinion is wanted on an old situation, an expert is called in. The staff of the organization welcomes the expert in the common search for the best solution to the situation in the expectation that everyone will benefit thereby.

All too often in the developing world, an admission of lack of skill

or experience is unthinkable and an outright "loss of face" is associated with the retention of an expert in an advisory capacity. If the expert happens to be a non-national of the country, then his acceptance is even more difficult and his advice harder to take. Such an attitude toward experts is easy to understand and to sympathize with, but unfortunately is short-sighted. No one country has the monopoly on know-how, and interchange of experts is one way whereby the less well-informed can gain knowledge faster.

The port operating entity should be free to set wage scales which are competitive with other commercial enterprises in the area. This is essential to attract the right caliber of staff. Similarly, the administration of a port should have the right to hire and fire staff without government interference, as a prerequisite to the efficient working of the organization.

Difficult problems of an entirely different nature are encountered in port planning. I would now like to devote a few minutes to these planning problems.

PLANNING FOR PORT DEVELOPMENT

The Bank is involved in the planning for the expansion of existing well-established ports as well as in the planning for the creation of entirely new ports.

When the volume of cargo handled by an existing port threatens to grow beyond the capacity of the facilities to handle it efficiently, plans to expand the facilities or increase the capacity by operational improvements have to be made. Typical problems encountered by the planner in such instances are the lack of space, the port often being hemmed in by a large city, the need to abandon facilities that may be structurally serviceable but operationally out-dated, the need to dredge deeper channels which may endanger existing structures, and the like. But because the port usually has a long record of service, the projections of future traffic and port revenues and costs is, or would appear

to be, relatively easy.

Projecting the future traffic, however, is often the principal difficulty in planning for an entirely new port. Not only is there no traffic history to extrapolate from, but the future traffic usually depends on the concurrent investment in other transportation facilities and in the factors of production. In many developing countries there is political pressure to build ports along thinly populated coasts to encourage economic development. Usually it is claimed that the area has a great potential and vast untapped resources that would be unlocked by a port. It is obvious, however, that the establishment of a new port does not in itself ensure economic growth, even if there is a potential for such growth. At the very least inland transport facilities are required and usually concurrent investments in agriculture, mining or industry have to be made. Even then, a market for the products has to be found, if development is to occur. The Bank has been engaged in the study of a number of such projects, that typically involve a port, highways or railroads, mining ventures or agricultural development schemes and market studies. The analysis of such complex projects requires much time and a variety of professional skills.

Project analysis is an essential function of the Bank and we are constantly trying to perfect our techniques of analysis and appraisal of projects. The scarcity of capital in the developing countries makes it more necessary than elsewhere to make sure that only projects are undertaken that can be expected to make a major contribution to the growth of the economy.

After establishing that there is a need for the expansion of a port or the construction of a new port, the optimum timing of the investment and the size of the "first stage" has to be determined. Port projects, especially projects for new ports, tend to be "lumpy." If a channel, with

or without breakwaters, is necessary for the port, it usually serves ten berths as well as one. If only one or two berths are justified by the anticipated traffic, the large investment in the channel and breakwaters may put too heavy a burden on the project. An alternative, such as lightering from a vessel anchored offshore, although entailing much higher direct operating costs, may well be preferable, at least until the volume of cargo justifies the investment in the deep-water port.

In the expansion of existing ports, the timing and the size of the incremental facilities also have to be considered carefully. The ideal would be to expand so gradually that port capacity would always closely match the requirements of the traffic. But there are significant economies of scale in construction, especially in remote locations, which make it usually economical to build more than one berth at the time. Such investment decisions, which involve the optimum timing of investments, are analyzed in the Bank by means of a method which, for a number of alternative schemes, reduces the stream of future costs and benefits to present values.

In many cases, the capacity of an existing port can be improved by better utilization of the existing facilities. The Bank, in evaluating port projects, pays particular attention to the possibilities of achieving increased capacity by operational improvements. The coordination of the working hours of the port employees with those of customs, the use of second and even third shifts, improvements in the flow of trucks and railroad cars to and from the port, the reduction of "free time" in transit sheds, are some of the aspects that receive our particular attention. Of course, mechanization of cargo handling, the increased use of pallets and forklift trucks or the introduction of bulk-handling equipment are other

measures that are considered before investments in new fixed facilities are made.

In an effort to improve its tools for analysis, the Bank has recently been studying the question of the optimum number of berths in a port. Maximum utilization of port berthing facilities occurs when all berths are occupied 100% of the time. High tonnages moved per linear foot of berthing space result, but at the cost of many days lost by ships waiting for a berth. On the other hand, if enough berths are constructed to eliminate any waiting, many berths would be idle most of the time. The optimum number of berths will be somewhere between the extremes of full berth utilization all year round, which would result in the minimum number of berths and high costs for the shipowners and the other extreme of providing so many berths that ships would never have to wait, which would result in high costs for the port. The principal problem in this type of analysis is the determination of the waiting time of ships for a given number of berths and a given number of ship arrivals per year. Certain assumptions are made concerning the pattern of ship arrival and the time each vessel will occupy a berth. With the help of the queuing theory, the total waiting time is then computed. The Bank is now testing this approach against the past records of a number of ports to check the validity of the assumptions and to find ways to make the theory of more general usefulness.

In planning for port projects, as in most planning exercises, we deal inevitably with a number of uncertainties. Not only the pattern of ship arrival is uncertain but more fundamental elements of the project, such as the traffic forecast, the future costs of construction and operation, shifts in world markets for export products and many other factors are subject to

uncertainty.

In evaluating a project, the Bank tries to test the sensitivity of the project to variations in these factors, by calculating the effect on the rate of return of a number of possible values for costs and benefits.

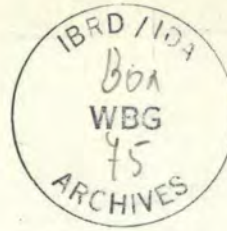
Usually there is a considerable element of judgement involved in compiling a traffic forecast. Minimum and maximum forecasts are often supplied, consisting of the summation of the pessimistic views on all traffic components on the one hand and the summation of the optimistic views on the other. One approach then is to see how the project would look under the minimum forecast. If this still results in a satisfactory rate of return, there is no problem. But if this is not the case, should the project be rejected? If the various elements of the traffic forecast are relatively independent of each other and not, for instance, solely consist of agricultural exports, all dependent on the weather, there would not be much chance for all the worst anticipations to occur in combination. Probability calculus can help us to evaluate what chance there is that a certain set of uncorrelated events will occur simultaneously. This is a useful tool that the Bank is turning to in some of its appraisals. It involves expressing the judgements on the probability of each basic variable in a probability distribution and the mathematical aggregation of these probability distributions. The availability of high speed computers has made this procedure feasible.

The Bank is entering a new phase in its operations. It has made a survey of the next five years and has concluded that a very substantial increase in Bank Group activities is desirable and possible. The emphasis of our lending will increasingly shift to education and agriculture where

we think our lending will be most effective in promoting economic growth. The development of ports, however, will continue to be an important aspect of our lending program and the volume of our lending for port projects is expected to grow steadily, since it is through the ports that the trade between the developing and the developed countries will have to flow in increasing volume as economic activity increases.

October 21, 1968

W. L. Bennett - 7/18/69

INDUSTRIEKURIER -- Mr. S. Aldewereld

It is now slightly more than a year since Robert S. McNamara became President of the World Bank and its affiliated institutions, the International Development Association and the International Finance Corporation.

Since his arrival in April 1968, the institutions of the Bank Group have been characterized by more borrowing, more lending, and a marked increase in staff.

In an early statement after assuming the Presidency, Mr. McNamara indicated his expectation that the needs for external financial and technical aid for development would rise substantially over the next decade. Many of the countries the Bank has helped in the past now possess much of the infrastructure essential to the establishment of modern economies, and are now ready to take advantage of new technologies in industry and agriculture to speed further economic growth. This is true, for instance, of a number of Latin American countries and of Malaysia, Singapore, China (Taiwan), and Korea. At the same time, additional demands for help are coming from another category of countries -- those in the earlier stages of the long process of development. The new republics of Africa, some major Asian countries and a scattering of countries in Latin America comprise this group.

Both categories of countries have traditionally looked to the World Bank for assistance, and in recent years the Bank and its affiliates accounted for about 10% of the total official flow of assistance.

The Bank's role, however, assumes greater importance at this time when the flow of aid from several major capital exporting countries is diminishing.

Shortly after taking office, Mr. McNamara instituted a study of the needs of the developing member countries of the Bank, and of the part the Bank and its affiliates should play in satisfying them. Based on the results of this study it is likely that financing by the Bank and its affiliates will increase substantially in the five-year period 1968-72. In raising the volume of its own lending operations, however, the Bank will maintain prudent loan policies by continuing to apply its high standards to the assessment of the creditworthiness of its borrowers and of their ability to usefully absorb funds for development.

The Bank will lend increasing amounts for power, transportation and basic industry which have traditionally absorbed the bulk of its loans. Relatively speaking, however, it will give more emphasis to lending for agriculture and education; and it may enter a new field, lending for population control, an indication of the Bank's broadening response to the spectrum of development problems.

In the field of agriculture, new seed strains and new technology hold out the prospect of a vast increase in food production in the less developed areas, where despite the fact that the bulk of the population is on the land, serious food shortages persist. To realize this prospect, very sizable investment will be required in irrigation facilities, in plants for production of fertilizers and pesticides,

in agricultural training and extension programs and in credit services for farmers.

Possibly the greatest handicap under which many developing countries labor is a lack of trained and skilled manpower capable of undertaking and meeting the challenges of development. For this reason, from the viewpoint of the developing countries, one of the most profitable categories of investment is in training, technical and vocational schools designed to raise broadly the national level of competence.

The continuing exceptionally high rate of births in a number of developing countries presents them -- and the rest of the world -- with a most difficult problem, in that economic development and growth are offset or overwhelmed by additions to the population. The Bank believes that only by reducing the rate of population growth can the benefits of development be fully realized. It is difficult to predict the level of Bank and IDA lending for family planning, but it is likely to be in small amounts, and I foresee its role in this field as largely an advisory one.

The Bank's operations in the fiscal year ended June 30, 1969 reflected the quickening pace of lending under the five-year program. In the period 84 loans amounting to DM 5,596 million were approved, which in number and amount surpasses lending in any previous fiscal year. IDA, in the fiscal year, had made 38 loans amounting to DM 1,540 million, more than three times the amount of loans made in the previous fiscal year, when commitments were limited by a lack of funds.

I must repeat again that in increasing its loan operations the Bank will continue to be a prudent lender and pay due regard to the maintenance of its high credit standing in the investment market. The knowledge and skill attained by our staff over 21 years of development lending will be applied to future lending to insure that it is as sound and fruitful as it has been in the past. Only by adhering to this policy can we be certain that the investment market will support our expanded needs for funds by purchasing greater amounts of World Bank bonds and notes.

In cases where a country's economic situation is such that she cannot afford to borrow or service conventional debt as from the World Bank, we will use the concessionary lending facilities of the International Development Association. IDA loans, however, will go only to finance projects holding a high priority in the development requirements of the country -- projects which are judged by the same technical, economic and managerial criteria as those used in evaluating projects for Bank assistance. IDA loans while "soft" in terms are not "soft-headed."

The outcome of the Bank's and IDA's five-year lending program depends in large measure on the availability of funds. The Bank's sources of funds are its paid-in capital, about DM 8,000 million; accumulated earnings, about DM 4,135 million; and the sale of its bonds and notes to investors totaling a net of about DM 16,325 million. Supplementing these sources have been the sale to investors of more than DM 8,700 million of loans, and repayments on loans amounting to nearly DM 7,200 million.

In the past the capital market has been the major supplier of funds to the Bank and will continue to be in the future. In the last fiscal year the Bank sold DM 4,896 million equivalent of its bonds and notes. In fiscal 1969 the Bank raised funds in the Federal Republic of Germany, the United States, Switzerland, Kuwait, Saudi Arabia and from central banks and other governmental institutions in about 60 countries.

Since becoming a member of the World Bank in 1952, the Federal Republic of Germany has been an increasingly important source of financing for our lending operations. In fact, in the last fiscal year, Germany was the largest supplier of borrowed funds to the Bank. A total of DM 1,600 million of our obligations was distributed to German investors through sales of new issues of World Bank securities.

Two public offerings of World Bank 6½% bonds totaling DM 650 million were made on the German market through a syndicate of banks headed by the Deutsche Bank as Manager and the Dresdner Bank as Co-Manager. One issue, amounting to DM 400 million, was the largest amount of bonds ever offered in the German capital market by a non-German issuer. The Westdeutsche Landesbank Girozentrale supplied DM 800 million of new funds to the World Bank, and has distributed portions of these obligations to savings banks in Germany.

Recently the Bank has placed privately DM 150 million of its obligations with the Deutsche Girozentrale-Deutsche Kommunalbank of Frankfurt; and has placed a further DM 150 million of its obligations with the Deutsche Genossenschaftskasse of Frankfurt.

Another large investor in World Bank obligations is the Deutsche Bundesbank which has been putting funds into our bonds and notes since 1957.

Including the two public issues in the last fiscal year, the Bank has had five public offerings of its bonds on the German capital market. With the addition of the issues sold to and through the Westdeutsche Landesbank, the Deutsche Girozentrale and the Deutsche Genossenschaftskasse, total World Bank issues held by investors in Germany, apart from the holdings of the Bundesbank, amount to DM 2,184 million.

Germany has been a major contributor to IDA which looks primarily to governments of the more developed countries for its funds. Through initial subscription and supplementary contribution, Germany has made available DM 502 million for IDA lending. Moreover, Germany will contribute a further DM 468 million, in three payments of DM 156 million each, toward a replenishment of IDA resources aggregating DM 4,800 million, under an agreement between the major capital exporting member countries.

It is evident that on a financial basis the World Bank and IDA have had a most happy relationship with Germany, and that it is vitally important to the two institutions that it be maintained. Yet there is a good deal more than a financial relationship between the Bank and Germany. For many years the Bank has had the benefits of the wisdom of the able Executive Directors who have represented Germany on its Directorate, and of the Governors who have sat on our Board. The Bank's professional staff has also benefited from the 54 Germans who have undertaken careers with our institutions.

I am glad to report, also, that material benefits have accrued to Germany through its membership in the World Bank. German industry has proven its competitiveness and efficiency as a supplier in the developing countries which have borrowed from the Bank and IDA. To the end of June 1969 we know that German firms had won contracts on which the Bank and IDA had disbursed nearly DM 4,100 million.

German products in the form of iron and steel manufactures, transport and electric power and telecommunications equipment, and machinery and tools have been or are being installed in hundreds of projects that include World Bank or IDA funds. German engineers and contractors have been involved in the planning, construction and operation of numerous projects in which we have an interest. A partial list of countries, where a major infusion of German equipment and German "know-how" has been an integral part of successful development projects, includes: Austria, Burma, Chile, Colombia, the Congo, Costa Rica, El Salvador, Finland, Iceland, India, Iran, Malaysia, Morocco, Nicaragua, Pakistan, Peru, South Africa, Thailand, Turkey, the United Arab Republic, Uruguay and Zambia.

Additional funds have flowed into Germany from the World Bank in the form of interest payments to investors holding our bonds and notes there. To December 31, 1968, estimates indicate that some DM 1,200 million had been paid in Germany as interest on World Bank issues. This brings the total of payments in Germany by the Bank and IDA up to about DM 5,300 million.

Now that the Bank has committed itself and IDA to a larger and more effective role in development, we will look to Germany for continuation of this mutually beneficial relationship.



WORLD BANK
MEMBERS OF UNDERDEVELOPMENT AND THE WORLD BANK

Ladies and Gentlemen, it is a great honor to have been invited here today to tell you something of the purposes and the activities of the World Bank. At a time when we are just ^{embarking} upon a new decade, of which we all hold high hopes, I think it is appropriate if I talk first about some of the challenges we see in the modern world and then of the ways in which we are trying to respond to those challenges. However I want to keep my formal presentation to ~~forty minutes~~ ^{so as} to leave ample time for questions -- which, with your permission, I may answer in English if I find my German inadequate. I feel that dividing our time in this way will better accommodate not only your interests but also my somewhat limited knowledge of German.

First, let me briefly go over some of the basic facts and figures about our organization. Now nearing the end of our first quarter-century of existence, we have a membership of 112 countries which account for some 2,400 million people or somewhat more than two-thirds of the total population of the world. The World Bank Group includes three principal agencies -- first the World Bank itself, second the International Development Association, an agency disbursing long-term low-interest loans against funds contributed by wealthier member countries, and third the International Finance Corporation, concerned with promoting private enterprises, principally in the industrial field, in less developed member countries. The staff of the Bank Group -- now numbering some 2,200 drawn from some 75 countries -- is located principally at headquarters in Washington, D.C., but we also have important offices in Paris, Jakarta, Nairobi, Abidjan, Delhi and Rawalpindi as well as smaller offices in other capitals. Lending remains our principal function, although -- as I shall describe later -- much of our work concerns other matters besides. To date we have made financial commitments in some 95 member countries totalling about \$15,500 million -- about \$13,000 million

on account of the World Bank itself, \$2,250 million on account of the International Development Association and the remainder on account of the International Finance Corporation.

Among our members, as you know, there are enormous disparities in levels of living. I shall illustrate this by reference to average per capita income which is a useful rough indicator of the standard of living in a country. At the top end of our membership, with per capita income above \$1,000, are countries with a total population of about 500 million, accounting for somewhat more than 20% of the total population of our members, and almost all located in the northern segment of the globe -- above the thirtieth parallel in the Western Hemisphere and Pacific and above the fortieth parallel in Europe and Asia. The Federal Republic, with a population of more than 60 million or about 2.5% of our total membership and a per capita income equivalent to about \$2,000, naturally falls within this most prosperous group of members. At the other end of the scale, with per capita average income of less than \$100, lie countries, principally in Africa and in Asia south of the fortieth parallel, with a total population of nearly 1,000 million, equivalent to about 40% of our membership. Another 15% lie in the income range \$100-200, and the remaining 25% in the middle range between \$200 and \$1,000 per capita income.

It is worth reflecting for a minute on just what these figures imply. In the quarter century since the foundation of the World Bank, German economic growth has been among the most spectacular of all the more advanced countries. Over the last two years alone the average per capita income in the Federal Republic has increased more than \$100. Thus 40% of the membership of our organization, in terms of population, has total income each year which is less than the increase which has taken place in Germany in two years. Other large proportions of our membership are not much better off.

Almost any other figures that I could cite about material goods -- per capita food supply, availability of schools and hospitals, ownership of automobiles, etc. -- would tell a similar story of enormous disparity. For instance, the annual per capita production of electricity in Germany is now about 3500 kwh. It has risen some 400 kwh over the last two years. The corresponding average figure for the developing countries as a group is about 200 kwh, 6% of total current production in Germany and roughly half the increase that has taken place here in the last two years.

Figures such as those I just cited have recently come under attack as exaggerating the extent of disparity between the richer and the poorer parts of the world. It is pointed out that nationwide averages obscure inequalities within countries and, in this instance, hide the terrible problems of poverty within the richer countries. Numerous differences among countries, and particularly differences in price structure, make accurate international comparison of incomes extremely difficult. Some would even go so far as to say that, in some rather undefinable sense, people away from the strains of modern competitive and consumption-oriented society are really better off than those caught up in the "rat-race."

I would agree that figures of this sort are, as I said, only rough indicators of levels of living and I would also agree that they barely come to grips with the real differences among countries. But my question would be, not whether such comparisons exaggerate the extent of disparity, but whether they do not underestimate it. I think it possible to show that, behind the facade of the "easy" life in the warmer parts of the globe where most of our poorer member countries lie, there are strains and frustrations confronting people each day of their lives, which we, from richer countries, probably cannot even fully imagine.

To indicate what I have in mind I shall highlight three critical problems of underdevelopment, each concerned with a different stage in the life of a human being, hence cumulative, and, in this way and others, interrelated:

--First, the large majority (probably 70-80%) of children in the developing countries suffer from nutritional deficiencies, especially in proteins. It is well known that malnutrition in childhood tends to retard mental and physical development. You may also be aware that recent research has shown that serious protein deficiency in childhood can permanently cripple the ability of people to absorb knowledge, hold jobs and enjoy their lives.

--Second, in Germany one can fairly say that everybody gets the chance to go to secondary school (or equivalent for the relevant age-level) and in practice the figures show that nearly everybody does go; whereas in the countries I am talking about the proportion of young people in the relevant age groups attending secondary school is only a small fraction: one-quarter in Latin America, one-fifth in Asia and only one-tenth in Africa. The education provided in such secondary schools as there are is often very poor in quality and seldom well related to the opportunities open to those who graduate.

--Third, the effective unemployment rate in the developing countries (including allowance for underemployment -- the hours and weeks that men employed part time would desire to work but cannot, for lack of opportunities) is estimated at about 20%, a worldwide average which is a multiple of the average unemployment rates normal in our countries. The employment situation is steadily deteriorating in the large majority of developing countries.

These three problems are obviously cumulative. The child who has suffered from early malnutrition, should he be fortunate enough to obtain a place in school, can hardly be expected to do as well there as he would have done had he been brought up in more adequate conditions. Emerging from school with a training ill-adapted to the opportunities available in the economy he will be lucky to find a job at all. At best it will likely be insecure, in face of the pervasive unemployment in the country, and the difficulties of his life will typically involve low productivity due to physical weakness and frequent absence due to sickness. As he begins to build a family, the conditions of his life point only to repetition of the same cycle for his children.

Having pointed some central themes of the problem of underdevelopment as we see it, I want now to turn more specifically to our efforts in the World Bank to meet the challenge. Our concern is essentially to assist member countries, to the best of our ability, to improve the quality of their people's lives by expanding the opportunities open to each individual. We believe that the cycle of self-reinforcing despair and frustration which I have tried to describe can only be broken by simultaneous attacks on many fronts -- for instance, large-scale expansion and improvement of agricultural production to supply more and better food, to earn foreign exchange for imports and to provide jobs; provision of greatly expanded public facilities in both rural and urban areas; generation of employment opportunities in an efficient and competitive industrial sector; and rapid expansion and improvement of educational systems.

The ways in which we try to tackle the problem are naturally manifold and complex. Some of them you would readily recognize as directly linked to the themes I have traced. For instance, over the last five years, since we first began lending directly for education, we have committed funds for the construction or improvement of schools involving some 650,000 school places, principally in

secondary schools or equivalent. Over the same period we have made numerous loans to industrial development banks which in turn have assisted some 11,000 projects, principally in the industrial field, each a significant contribution to the task of providing productive employment. Equally we have been increasingly heavily involved throughout the last 20 years in agricultural development of many types. But many aspects of our work, although they are crucial elements in the overall effort, would seem at first sight far removed from the ultimate objectives that we seek. Among the sectors to which we have contributed substantially over the years, for example, are highways and railways, ports and pipelines, power and telecommunications; such infrastructure does little directly to meet the problems I identified but is, in most areas, a precondition or an essential accompaniment of any effort to tackle those problems.

The direct products of our work can probably best be classified into three:

1. Financial Assistance
2. Technical Advice
3. Economic Advice.

Each is of course intimately related to the others. Financial assistance, in the form of loans and credits for individual projects, is the most obvious product of a bank, and most of our other activities revolve centrally around this function. For instance a large part of the technical advice which we provide to member countries is in connection with the selection, preparation and implementation of projects wholly or partially financed by us. Equally a large part of the economic advice which we give is provided by teams of staff members visiting, studying and reporting on a country, and a very important part of their work lies in fields intimately related to the projects which we finance -- such as identification of priority sectors for investment in a country, evaluation of the country's ability to provide the necessary domestic, financial and managerial resources for execution of development schemes and assessment of the country's ability to carry additional foreign debt.

However, to stress heavily our loans and credits as the most important final product is to risk being misleading. Even in the operating departments of the Bank -- those concerned with particular areas of the world and particular technical sectors, which account for nearly 60% of the total staff -- less than one-quarter of total staff time is actually spent on the appraisal of projects for financing by the Bank and subsequent negotiation of loans. Larger amounts of our effort are spent on earlier and later stages in the long life that each of our projects has, within the Bank, starting often years before the project is appraised for financing and ending many years after a loan has been granted. Initially, for instance, we may agree with the Government that a certain area of the country or a certain type of industry appears to have potential for development and we may then assist the Government in executing or organizing the studies needed to identify exactly what should be done and then to prepare all the details -- institutional, managerial, technical, financial, etc. -- that are required to enable it to be done. Most of the more detailed work will be carried out by consultants or by Government agencies themselves, but the Bank's staff plays an important role in assisting Governments in organizing and supervising such studies. We have found that on average we spend as much or even more staff time on this work of identifying development opportunities and helping generate projects to take advantage of them than we do on actual appraisal and negotiation of loans. If all this preliminary work is done well, then actual appraisal of the project, settlement of outstanding issues and agreement on a loan may only take some six to nine months. Then begins the construction stage, and still the Bank retains an intimate involvement with the project, checking contract documents, regularly visiting the project site, assisting in the solution of any difficulties which arise and ensuring that any conditions agreed to by the Government at the time of loan negotiation are fulfilled. We generally

maintain a very active connection with each project that we help finance for at least four-five years after the loan has been signed -- in other words until all the facilities have been built and the scheme is in satisfactory operation -- and over those five years in total we would normally expect to spend nearly as much staff-time on the project as we did in the appraisal/negotiation stage itself. Thus a great deal of the work that we put into making loans really goes to efforts to ensure that the recipient country will draw the maximum advantage from the money available. Not infrequently we will select, with the Government, a particular project for financial assistance in large part just because the project can be used as a vehicle for introducing improvements in policy, organization, planning, etc. in a sector where such improvements are needed.

Some impression of the current magnitude involved can be drawn from the following figures. In the last fiscal year (ending June 30, 1969) we signed loans or credits for 111 projects. Over the same year we had under supervision about 330 projects, three times as many, for which financial agreements had previously been made, and we sent some 300 missions to inspect them and assist in resolving problems. In the same year we were actively participating in the preparation of some 200 new projects and over the course of the year we sent about 150 missions in this connection. We were also involved in overseeing the execution of about 40 major field-studies in member countries, principally in the field of transportation, most of which were designed to identify and prepare concrete development schemes as well as to make practical recommendations regarding the need for policy changes, institutional improvements, etc. In addition, our economists, following country visits, produced reports evaluating overall economic progress and plans for further growth for about 50 of our member countries. Needless to say, all these reports and studies and loan agreements are the products partly of the staff in the operating departments and partly of

ancillary services in Washington -- statistical analyses, methodological research, analytical model-building, commodities forecasting, compilation of international debt data, coordination with other suppliers of development assistance, legal advice, etc. -- too numerous for me to go into detail now.

The figures I have cited reflect our recent level of activity, but they do not convey any impression of the very rapid growth in our effort which is currently underway, and it is to this that I would like next to turn. Now nearly two years ago, in order to strengthen our ability to cope with the tremendous tasks facing us, we initiated a Five Year Program of activity. This Program -- or rather Programming, for it is more a process and a philosophy than any single piece of paper -- has a number of purposes. First it is an instrument for seeking out development needs and opportunities more actively than in the past; each year we make a very thorough re-evaluation of the performance and potential of each developing member country to see how our program of activities with regard to that country -- lending, technical assistance, sector studies, etc. -- can be improved. And periodically we scrutinize the overall program which results from aggregation of our plans for each country in order to evaluate and adjust, in light of world needs and trends, the general direction in which we are moving. Secondly, programming for five years ahead is an essential tool to enable us to build up resources, above all human resources, of a size and composition appropriate to fulfillment of the tasks foreseen. Thirdly, it is a means for more effective coordination, in pursuit of our objectives, of the increasingly large and complex array of resources, human and financial, which we have directly at our disposal or whose use we can influence. As you can imagine, even the task of efficiently deploying numerous diverse technical talents against the many specific jobs to be undertaken in connection with the approximately 800 projects presently active is highly complex -- and this still leaves aside much work to be accomplished

not related directly to individual projects. Finally our programming plays an important role in measuring and controlling our progress towards achievement of objectives set and our utilization of resources assigned against each objective.

We initiated the programming exercise by carefully reviewing the projects which were being processed in the Bank, projects foreseeable on the basis of our then-existing knowledge, and the financial requirements of our member countries. We found that there was ascertainable need for our financing to the extent of some \$12 billion in about 100 countries over the five-year period 1969-73, about the same amount as we had lent in the whole preceding 22 years of our existence. We also found that the composition of this lending would be somewhat different from that of the past. A larger proportion would go to the very poorest countries. Lending to Africa and to countries in the Far East would treble in dollar amounts between the five-year periods 1964-68 and 1969-73, while that to Latin America would double. Lending in all sectors would increase rapidly, but especially sharply in agriculture (four times over) and education (three times over).

The constant review and improvement to which the Five Year Program is subject has led to no modification of these broad targets. Their achievement is in fact well under way. Last fiscal year we signed loans and credits for almost \$2,000 million, nearly twice the level of previous years, and we expect to go well over that figure this fiscal year. Particularly sharp increases took place last year in lending to Africa and lending for agriculture and education. Of the total of 111 loans and credits signed last year, 28 were for agricultural projects, 10 for education projects and the remainder for projects in our more traditional fields of transportation, industrial development banks, power and other public utilities.

Achievement of these targets naturally involves very rapid expansion of our resources. We have underway a large-scale expansion of staff -- about 50% over two years, principally concentrated in the operating departments. To achieve this expansion we launched a worldwide recruiting drive. Within the Bank itself we have made substantial organizational changes in order to cope effectively with the expanded work load and to enable expeditious absorption of new staff.

As regards financial resources, major efforts have equally been underway. In discussing our lending plans I made no distinction between the World Bank proper and the International Development Association although the latter, as I pointed out earlier, relies on resources provided by the Governments of our wealthier member countries, while the Bank depends for lendable funds principally upon the world's financial markets. Over the five-year period 1964-68 we borrowed in the market a total of some \$2,500 million to help finance our loans. In the first fiscal year under our new program -- 1969 -- we raised \$850 million of new money -- about 30% more than in any previous year and some 12% of the value of all bonds placed internationally in the year. The Federal Republic was the largest single source, providing some DM 2,244 million, or nearly 50% of the total. Our cash flow projections show that the Bank's call on the savings of the developed countries will continue to be substantial in absolute amounts although naturally small in relation to the sum of those savings. We have plans for raising sizeable sums on the markets this year. We are also very much concerned currently with securing further contributions from the Governments of our wealthiest group of member countries for lending, through the International Development Association, to our least developed members at the long terms and low interest which are essential to them but which cannot be supported by the money market.

These are all necessary measures in initiating execution of our Five Year Program, but, as I pointed out earlier, the Program itself is not static. We are never satisfied with it. We are constantly elaborating it in the light of our reviews and discussions. For instance we are currently working with other UN agencies on a major initiative to strengthen worldwide efforts at selection and preparation of development projects, whether to be financed by us or by others. The objective is to apply to the studies that are necessary to permit investment in a sector the same programming approach as is now increasingly applied to the investments themselves: first, assessment of needs and opportunities in a broad context; second, definition of the resources required to fulfill each need; third, establishment of clear priorities; and fourth, explicit scheduling of tasks into the future. In this way we hope to ensure that duplication is avoided and that all the resources available for the execution of pre-investment studies can be used to the best advantage. Also we are expanding our economic reporting system in such a way as to ensure preparation of a comprehensive economic report on each developing member at regular intervals -- annually for each of the 30 largest and less frequently for others. As regards lending, the evolution of our program shows that particularly sharp increases are now in view not only in our lending for agriculture and education but also for ports and for urban water supply and sewerage, the latter as crucial as nutritional improvements in many countries to improve and protect mental and physical capabilities. We are moving into new fields of financing -- development of tourism, which is the most dynamic foreign exchange earner for developing countries as a whole, population and family planning, and some other specialized fields like urban transport, aviation and technical research.

We consider all these efforts important, but I would not like to leave you with the impression that we feel the problems I cited earlier are well on the way to solution, let alone with our resources alone -- whether of money or manpower or imagination. Even at the expanded level of activity toward which we are working, we will provide no more than about 2% of the total investment taking place in the developing countries. We believe that, by our efforts in technical assistance and in coordination with other suppliers of foreign capital, we can perhaps contribute more than proportionately to the overall economic growth of the developing countries. Yet our contribution cannot be more than small. Solution of the intractable problems of underdevelopment will depend essentially on the developing countries themselves.

But the fact that I would like to underline is that there are aspects to the problems I cited earlier which, we must frankly admit, neither the countries themselves nor we in the World Bank yet know even how to solve on the scale required. Let me give you an impression of this matter of scale for the coming years. I pointed out that our member countries have a total population at present in the neighborhood of 2,400 million and I drew a distinction between the 500 million living in countries with per capita income above \$1,000 and those living elsewhere. There are estimates to the effect that the 500 million may increase some 50 million over the current decade or about 10% while the 1900 million may increase some 630 million over the same period or about 33%. Whatever the precise figures it is clear that the task that we face is to provide for increases in population that are larger in both absolute and relative amounts than the world has ever before witnessed -- and heavily concentrated in the poorest parts of the world. This puts a tremendous strain on efforts in any field, whether it is improvement in the quantity and quality of food supply, modernization of school systems or expansion of employment opportunities. Nevertheless, despite

the backlogs to be made up and the many particular questions yet to be resolved, I think the broad lines of advance on food supply and on education are reasonably clear. But this cannot be said of three other aspects of the problems I cited earlier:

First, population growth: will we by 1980 see real prospects of a slackening of population growth? The range of realistic estimates for the increase in population in our poorer member countries between now and the year 2000 is between about 100% and 150%, a difference of some 900 million people. Both extremes of the range assume some reduction in fertility, but obviously much sharper if the increase is to be held to about 100%. Recent achievements in such countries as Korea, where the population growth rate is believed to have fallen from about 2.9% to 2.3% over the six years 1962-68, show that major efforts can have a significant effect upon growth rates in a relatively short space of time. But can sharp reductions in fertility be brought about, on the scale required, in other cultures?

Second, urbanization: what kind of cities will we see in the developing countries by the end of this decade? The urban population of developing countries is growing about twice as fast as the total population so that many cities are likely to be nearly double their present size by 1980. Most of these cities are already facing acute problems of housing, water supply, transport, public health and other services essential to make urban economics viable. Can we discover techniques for dealing with these problems on the scale necessary and at costs which can be borne?

Third, unemployment: will present deteriorating trends be continuing unabated ten years from now and what would be the likely consequences? The current labor force in our developing member countries is in the neighborhood of 750 million and it is likely to rise to about 900 million by the end of the decade. Of the present labor force some 55 million are presently completely out of work and several times as many under-employed, so that the effective unemployment rate is in the neighborhood of 20%, as I said earlier. Where the work to be done to raise living standards is greatest the underuse of human resources available for work is also greatest -- and frustration builds. What means -- technical, administrative and financial -- can we find to overcome this anomalous situation and to bring together need and resources in sufficient quantity?

These are issues that cause us deep concern as we look out upon the decade ahead. I would say to you that I believe they are matters demanding the most profound thought of all of us and a major effort in imagination and experimentation.

I have tried to sketch for you, in the last thirty minutes, some aspects of the World Bank: the principal problems which we see in our member countries, the ways in which we are trying to respond to those problems and some of our outstanding concerns. And, since many of you are economists, I used all the terms of the trade such as population figures, per capita income, unemployment and under-employment, technical assistance, investment programming, cash flow, borrowings, etc. These are indispensable tools for the efficient conduct of an economist's or a banker's work. But all the calculations of economists and bankers are useless without a guiding purpose, and I would not like to finish before telling you

something of what motivates our efforts. Like many of you we are dissatisfied with the state of the world today. The late Senator Robert Kennedy put it well when he pondered the conclusions that might be reached by a man visiting our world from elsewhere in the cosmos: "Think how our world would look to a visitor from another planet as he crossed the continents. He would find great cities and knowledge able to create enormous abundance from the materials of nature. He would witness exploration into understanding of the entire physical universe, from the particles of the atom to the secrets of life. He would see billions of people separated by only a few hours of flight, communicating with the speed of light, sharing a common dependence on a thin layer of soil and a covering of air. Yet he would also observe that most of mankind was living in misery and hunger, that some of the inhabitants of this tiny, crowded globe were killing others, that a few patches of land were pointing huge instruments of death and war at others. Since what he was seeing proved our intelligence, he could only wonder at our sanity. It is this monstrous absurdity that must be the target of the modern revolution."

I have tried to depict to you, very briefly, some of the dimensions of the misery and poverty that exist in the southern half of this globe, dimensions so vast as to be intimidating. Our problems, at home here in the north, look pale beside those confronting people in the south. We in the World Bank see the need to replace this misery with hope and opportunity as the most demanding challenge of our times. To meet the challenge successfully requires far greater resources than are presently provided -- resources not only of money, but equally of will, spirit and imagination.



Remarks

Attached is a copy of the speech
Mr. Aldewereld gave in Frankfurt on
November 5, 1970. German title on the
booklet is: Teilnehmer an der
16. Kreditpolitischen Tagung
der
Zeitschrift
Fur Das Gesamte Kreditwesen

DIE ENTWICKLUNGSLAENDER, DIE

UND DIE WELTBANK

Meine Damen und Herren, es ist eine grosse Ehre, vor diesem Kreise ueber einige Fragen der Entwicklungsfinanzierung sprechen zu koennen, zumal Ihr Land und die USA die wichtigsten Finanzquellen der Weltbankgruppe sind. Ich danke den Veranstaltern fuer diese Gelegenheit, unsere Plaene, Hoffnungen und auch Sorgen zu eroertern.

Die Entwicklungspolitik steht zu Beginn der zweiten Entwicklungsdekade in einer kritischen Phase. Viele Hoffnungen, die an die bisherigen Bemuehungen geknuepft wurden, sind auf der Strecke geblieben. In beiden Lagern, in den Entwicklungslaendern wie in den Industrielaendern, ist man unzufrieden mit dem Erreichten, wenn auch aus unterschiedlichen Gruenden. Es mehren sich die Stimmen, die vor der Moeglichkeit eines ernsthaften Konflikts zwischen den armen Laendern und den reichen Laendern warnen, zwischen der suedlichen und der noerdlichen Halbkugel, wenn sich der soziale, technische und wirtschaftliche Fortschritt in den Laendern der Dritten Welt nicht alsbald drastisch beschleunigt. Gluecklicherweise bricht sich die Einsicht zunehmend Bahn, dass der Entwicklungspolitik in diesem Jahrzehnt international Vorrang gebuehrt.

An Bekenntnissen zur Partnerschaft mit der Dritten Welt hat es auch zu Beginn der ersten Entwicklungsdekade nicht gefehlt, und doch ist die Bilanz am Ende der sechziger Jahre alles in allem wenig befriedigend. Lassen Sie mich das mit einigen Stichworten andeuten:

- Der Einkommensabstand zwischen Industrie- und Entwicklungslaendern hat sich absolut und relativ weiter vergroessert. Zwar ist das reale

Sozialprodukt der Entwicklungslaender im letzten Jahrzehnt um etwas mehr als 5% jaehrlich gewachsen -- und damit geringfuegig schneller als das der westlichen Industrielaender, aber wegen der raschen Bevoelkerungszunahme ist der Anstieg des Pro-Kopf-Einkommens mit 2.7% niedriger gewesen als in den hochentwickelten Volkswirtschaften (3.4 vH).

- Im Kampf gegen Hunger und Eiweissmangel hat es nur magere Fortschritte gegeben. Die Agrarproduktion ist in den Entwicklungslaendern mit jaehrlich 2.6% nicht schneller gewachsen als die Bevoelkerung; umgekehrt war es in den Industrielaendern.
- Die Lebenserwartung ist niedrig, die Kindersterblichkeit hoch.
- Die Entwicklungslaender zaehlen immer noch 800 Mill. Analphabeten.
- Die Verteilung der Einkommen und Vermoegen ist aeusserst schief.
- Arbeitslosigkeit und Unterbeschaeftigung haben zugenommen. Offene Arbeitslosigkeit ist am gravierendsten in den Staedten, da dort die Bevoelkerung etwa doppelt so schnell waechst wie im Landesdurchschnitt. Von ihr sind vor allem die Jungen betroffen.
- Was die Exportentwicklung anbelangt, so ist es den Entwicklungslaendern in ihrer Gesamtheit nicht gelungen, das Blatt entscheidend zu wenden. Sowohl der Menge als auch dem Wert nach ist ihre Warenausfuhr im letzten Jahrzehnt langsamer gestiegen als die der Industrielaender.
- Die Nettokapitalzufluesse aus den Industrielaendern sind hinter den Erwartungen zurueckgeblieben. Die im Development Assistance Committee vertretene westlichen Industrienationen haben in den sechziger Jahren zwar netto rund 100 Mrd. \$ bereitgestellt, aber gemessen am konsolidierten Brutto-sozialprodukt der DAC-Laender ist ihr Beitrag von fast 0.85% in den Jahren 1960-64 auf 0.75% in den Jahren 1965-69 zurueckgegangen. Der heute allgemein

akzeptierten Zielvorstellung wuerden die Industrielaender entsprochen haben, wenn ihre Nettokapitalausfuhr in die Entwicklungslaender mindestens 1% ihres Bruttosozialprodukts betragen haette. Freilich haben einige Industrielaender gegen Ende der sechziger Jahre die 1-Prozent-Norm schon ueberschritten -- unter ihnen die Bundesrepublik -- oder sind ihr nahegekommen, aber andere Laender -- einschliesslich der USA -- liegen weit darunter.

- Auch die Struktur der Leistungen verschlechterte sich. Der Anteil der oeffentlichen Hilfe (und besonders der der Schenkungen) hat sich zurueckgebildet, der private Kapitalzufluss entsprechend an Bedeutung gewonnen. Dieser erfolgt aber im allgemeinen zu haerteren Konditionen, unterliegt groesseren Schwankungen und beguenstigt die industriell schon weiter fortgeschrittenen Entwicklungslaender.

Meine Damen und Herren, so sieht, mit wenigen Strichen, die Lage zu Beginn der zweiten Entwicklungsdekade aus. Chancen fuer ein kraeftigeres Wachstum des Produktionspotentials in den Laendern der Dritten Welt sind durchaus vorhanden. Im Bereich der Landwirtschaft stehen wir an der Schwelle einer technologischen Revolution, wenn wir sie nicht schon ueberschritten haben. Ich meine die "gruene Revolution", die zuerst in Suedostasien die begruendete Hoffnung ausgeloeset hat, dass es moeglich sei, der Unterernaehrung Schach zu bieten. Auch im Bereich der Industrie gibt es hoffnungsvolle Beispiele: Laender wie Argentinien, Brasilien, Mexiko, Singapur, Suedkorea und Taiwan haben in den letzten Jahren die Industrieproduktion und die Ausfuhr von industriellen Konsumguetern beachtlich steigern koennen, manche geradezu mit "japanischen Raten".

Gewiss wird das Entwicklungstempo der Dritten Welt in erster Linie von diesen Laendern selbst bestimmt, aber noch auf absehbare Zeit werden sie auf kraeftige aeussere Impulse fuer das "Wachstum aus eigener Kraft" nicht

verzichten koennen. Die Wirtschafts- und Gesellschaftsstruktur der Entwicklungslaender, auch der industriell fortgeschritteneren unter ihnen, ist noch so unausgewogen, dass sie gezwungen sind, in erheblichem Umfang auf Mittel von aussen zurueckzugreifen. Der Hauptbeitrag der Industrienationen sollte darin bestehen,

- dass sie den Entwicklungslaendern den Zugang zu ihren Maerkten erleichtern, indem sie Handelsschranken abbauen, und
- dass sie die Kapitalausfuhr in die Dritte Welt ausweiten, und zwar zu Bedingungen, die dem dortigen Entwicklungsstand Rechnung tragen.

Es geht also um mehr Handel und mehr Hilfe. Auch unter optimistischen Annahmen ueber die Entwicklung der Kapitalzufluesse aus den Industrielaendern werden die Entwicklungslaender immer den weitaus groessten Teil ihrer Devisenerloese aus dem Export beziehen, gegenwaertig fast 85%. Mit einer liberaleren Handelspolitik, wie sie jetzt in Umrissen sichtbar wird, setzten die Industrielaender die Entwicklungslaender in den Stand, den Kostenvorsprung voll auszunutzen, den diese bei der Produktion bestimmter Gueter -- beispielsweise leichtindustrieller Fertigerzeugnisse - besitzen oder leicht erwerben koennen. Dem Modell der internationalen Arbeitsteilung entspraecht es, wenn die Industrielaender kapitalintensiv erzeugte Gueter gegen arbeitsintensiv hergestellte tauschen.

Das erforderte zunaechst eine Kehrtwendung in der Agrarpolitik der Industrienationen. Selbst dort, wo das Angebotspotential der Entwicklungslaender heute schon ausreichte, den groessten Teil des Weltbedarfs zu decken, verfolgen die Industrielaender, allen voran die EWG-Laender, aus sozialpolitischen Gruenden eine Subventionspolitik, die nicht im wohlverstandenen langfristigen Interesse dieser Volkswirtschaften liegen kann. Das gilt auch fuer den Importprotektionismus, den die reichen Laender zugunsten strukturschwacher Industriebranchen

im Inland betreiben. Uebrigens waere ein Abbau der vielfaeltigen Schranken, denen sich die Anbieter aus den Entwicklungslaendern gegenuebersehen, nicht einfach altruistisch; er waere vielmehr Ausdruck einer fortschrittlichen Strukturpolitik, einer Politik, die den Strukturwandel, den eine wachsende Industriewirtschaft so oder so durchmachen muss, foerdert statt ihn aufzuhalten.

Aber auch unter guenstigeren Handelsbedingungen werden die Entwicklungslaender auf lange Zeit auf Kapitalzufluesse aus den Industrielaendern angewiesen sein, denn zu begrenzt ist ihre Sparfaehigkeit im Vergleich zu den Investitionsmoeglichkeiten. Doch muss daran erinnert werden, dass bis heute ueber 80% der Bruttoinvestitionsausgaben der Entwicklungslaender aus dem Sparaufkommen dieser Laender bestritten wurden. Selbst wenn die Kapitalzufluesse aus den Industrielaendern in Zukunft reichlicher ausfallen, so wird dies doch nichts daran aendern, dass die Entwicklungslaender stets den weitaus groessten Teil ihres Kapitalbedarfs aus eigener Kraft decken werden.

Verglichen mit der Zwischenkriegszeit hat sich allerdings die Zusammensetzung der Kapitalstroeme von den reichen zu den armen Laendern radikal veraendert. Die internationalen Kapitalmaerkte, die bis zum Ausgang der zwanziger Jahre das klassische Instrument des internationalen Transfers von Investitionsmitteln waren, haben erheblich an Bedeutung fuer die Entwicklungsfinanzierung eingebuesst. Die Erfahrungen der 30er Jahre, labile politische Verhaeltnisse, rechtliche Hindernisse, Informationsluecken -- auch im Hinblick auf Art und Ausmass des Verschuldungsproblems -- haben den Markt lange scheu gemacht. Erfreulicherweise hat sich seit einiger Zeit ein Einstellungswandel vollzogen, zu dem vielleicht auch die Weltbank beigetragen hat. Trotzdem ist von dem reichlicheren Angebot an den internationalen Kapitalmaerkten nur ein bescheidener Teil den Entwicklungslaendern zugefallen, jedenfalls unmittelbar. Zwar stieg

das Volumen der Bruttoemissionen der Entwicklungslaender von rund 280 Mill. \$ im Jahre 1965 auf 640 Mill. \$ 1968 und immerhin noch 465 Mill. \$ 1969 -- das entsprach im Fuenfjahresabschnitt 1965-69 9% der gesamten Emissionen an den internationalen Kapitalmaerkten. Der Gang der Dinge in diesem Jahr laesst jedoch befuerchten, dass dies nur eine Eintagsbluete war. Vor allem hat daran nur eine sehr kleine Anzahl von Laendern partizipiert.

Privates Auslandskapital wird auch in Zukunft eine bedeutende Rolle in der Entwicklungsfinanzierung zu spielen haben, doch waere es wuensenswert, ^{daß} wenn sich Struktur und Richtung der Stroeme aenderten. Auslaendische Direktinvestitionen, beispielsweise, sind im vergangenen Jahrzehnt vor allem dem Primaerguetersektor (Erzfoerderung, Erdoelgewinnung) zugute gekommen; wo sie sich, wie in gewissen Laendern Lateinamerikas, auf die verarbeitende Industrie konzentrierten, waren sie mit dem Import kapitalintensiver Produktionstechniken verbunden und entsprachen damit nicht immer den Interessen der Entwicklungslaender. In der Landwirtschaft dieser Laender spielen sie so gut wie keine Rolle, obwohl zwei Drittel der Erwerbstaetigen dort beschaeftigt sind. Auch gibt es sozial-psychologische Grenzen fuer den Anteil der Direktinvestitionen: Ueberfremdung durch auslaendisches Kapital ist auch in Industrielaendern ein beliebtes Thema.

Bedenklich stimmt aber vor allem die rasche Zunahme der Lieferantenkredite an Entwicklungslaender. 1969 betrugten sie netto ueber 2.5 Mrd. \$, ueber dreieinhalb mal so viel wie 1960, und entsprachen damit einem Fuenftel der gesamten oeffentlichen und privaten Nettoauszahlungen. Das war zugleich fast doppelt so viel, wie die privaten Nettoinvestitionen in Form von Wertpapierkaeufen und langfristigen Bankkrediten ausmachten. Lieferantenkredite sind leider allzu oft gepraegt von der "Kraftwerksphilosophie". Es genugt einfach nicht, Kraftwerke

und Stahlwerke zu bauen, es muessen auch die damit einhergehenden Probleme der Unternehmensfuehrung, der Ausbildung der dort Beschaeftigten, der betrieblichen Preispolitik oder der Regional- und Strukturpolitik geloest werden. Weil dies in der Vergangenheit oft zu wenig beruecksichtigt wurde, hat es viel Enttaeuschung gegeben, in den Entwicklungslaendern selbst und in den Kapital-exportlaendern. Lieferantenkredite sind auch eine der wichtigsten Ursachen fuer die Umschuldungsaktionen, die in den sechziger Jahren hier und dort notwendig wurden. Kurze Laufzeiten vertragen sich eben schlecht mit den Zeitraeumen, in denen sich wirtschaftliche und soziale Entwicklung vollzieht.

Natuerlich war der Rueckgriff auf Lieferantenkredite auch eine Folge der Nichtverfuegbarkeit anderer Ressourcen. Ich habe schon auf die vergleichsweise bescheidene Bedeutung, die den ungebundenen langfristigen Finanzkrediten zugefallen ist, hingewiesen. Schwerer wiegt aber die geringe Zunahme der oeffentlichen Entwicklungshilfe; der Nettozufluss aus dieser Quelle hat in den letzten Jahren -- insgesamt gesehen -- sogar stagniert. Im Verhaeltnis zum Brutto-sozialprodukt der DAC-Laender ist er von ueber 0.50% Anfang der 60er Jahre auf 0.36% im Jahre 1969, also um ein Drittel, gefallen.

Von der gesamten oeffentlichen Entwicklungshilfe - bilateral und multilateral -- machen die bilateralen Stroeme immer noch rund 85% aus, aber die multilateralen Leistungen sind im letzten Jahrzehnt kraeftig gestiegen. Die Weltbankgruppe hat hieran den groessten Anteil. Sie hat, gemessen an den Neuzusagen, kuerzlich das oeffentliche Entwicklungshilfeprogramm der Vereinigten Staaten ueberrundet.

Damit ist in der Geschichte der Bank ein neuer Meilenstein erreicht. Die Vermittlerrolle, die die Vaeter von Bretton Woods der Bank zuedacht haben, die Internationalisierung der Kapitalstroeme von den reichen zu den armen Nationen,

hat im Laufe der Zeit immer mehr Bedeutung gewonnen. Wir glauben, dass die Weltbank diese Rolle in vollem Masse spielen kann, dank ihrem Doppelcharakter als Finanzinstitut und Entwicklungsinstitut, dank der Garantien, die hinter ihr stehen, und der strengen Masstaebe, die sie bei der Darlehensvergabe anlegt, dank des Vertrauens, das sie in der internationalen Finanzwelt besitzt, und der Erfahrungen, die sie im Laufe ihrer nunmehr 24-jaehrigen Taetigkeit gesammelt hat.

Wenn ich Ihnen im folgenden einige Hauptmerkmale unserer Arbeitsweise aufzaehle, so moechte ich Sie bitten im Auge zu behalten, dass diese selbstverstaendlich auch fuer die Internationale Entwicklungsorganisation (IDA) gelten, die, wie Sie wissen, aus Regierungszuwendungen finanziert wird.

Die Sorgfalt, die wir bei der Projektpruefung und der Bonitaetspruefung walten lassen, ist vielleicht das wertvollste Aktivum der Weltbank. Von Anfang an haben wir Darlehen nur fuer produktive Zwecke gewaehrt und Projekte ausgewaehlt, die mit den Erfordernissen des Nehmerlandes in Einklang stehen und hohe volkswirtschaftliche Ertraege abwerfen. Von Anfang an haben wir zur Grundlage unserer Darlehen gemacht, dass uns umfassende Informationen ueber die wirtschaftliche Entwicklung und besonders die Auslandsverschuldung zur Verfuegung gestellt werden, damit wir uns ein fundiertes Urteil ueber die Rueckzahlungsfahigkeit unserer Darlehensnehmer bilden koennen; langfristige Schuldenprojektionen sind inzwischen ein fester Bestandteil unserer Arbeit. Von Anfang an haben wir die technische Durchfuehrbarkeit und die einzelwirtschaftliche Rentabilitaet unserer Projekte geprueft und Darlehen nur gewaehrt, wenn wir uns ueberzeugt hatten, dass auch die personellen Voraussetzungen fuer den laufenden Betrieb erfuehrt sind. Von Anfang an haben wir die Verwendung der Darlehenserlose ueberwacht. Von Anfang an haben wir darauf bestanden, dass die Projekte international ausgeschrieben werden. Und schliesslich:

wie unsere Finanzierung, im Gegensatz zum grossen Teil der bilateralen Hilfe, nicht gebunden ist, so ist sie auch nicht politisch engagiert. Das empfinden die meisten Entwicklungslaender als einen ganz entscheidenden Vorteil.

Im Rahmen unserer Mehrjahresplanung haben wir uns fuer die Bank und die Internationale Entwicklungsorganisation (IDA) zum Ziel gesetzt, das Volumen der Darlehens- und Kreditzusagen in den fuef Geschaeftsjahren 1969 bis 1973 gegenueber dem vorangegangenen Fuenfjahresabschnitt zu verdoppeln und damit auf 12 Mrd. \$ zu bringen. Da wir immer nur einen Teil der Projektkosten finanzieren, im Durchschnitt annaeherd 40%, entspraecht dies einem Investitionsvolumen von rund 30 Mrd. \$, eine recht beachtliche Summe, wenn man bedenkt, dass sich die gesamten Bruttoinvestitionsausgaben der Entwicklungslaender gegenwaertig auf etwa 60 Mrd. \$ jaehrlich belaufen.

Fuer die Bank selber bedeutet die Realisierung unseres Fuenfjahresprogramms Darlehenszusagen von etwa 8.5 Mrd. \$; fuer die Internationale Entwicklungsorganisation rechnen wir jetzt, nachdem die Regierungen der Industrielaender zugesagt haben, in den naechsten drei Jahren jeweils 800 Mill. \$ einzuschiessen, mit Kreditzusagen von annaeherd 3.5 Mrd. \$.

Diesen quantitativen Aspekten stehen bedeutsame qualitative Aenderungen gegenueber. Missverstehen Sie mich bitte nicht: wir werden kein Jota von unseren Projektpruefungs- und Bonitaetsprinzipien abweichen. Wir haben aber schon begonnen, neue sektorale und regionale Akzente zu setzen. Einige Beispiele sollen das andeuten. In den Geschaeftsjahren 1969 und 1970 haben wir:

- mehr als halb so viele landwirtschaftliche Projekte finanziert wie in allen Jahren vor 1969 zusammen;
- fuer Erziehungsprojekte so viel ausgeliehen wie in der Gesamtheit aller frueheren Jahre;

- die Arbeit an Geburtenplanungsprojekten aufgenommen und ein erstes Darlehen bereits vergeben;
- in jedem der beiden Jahre an 60 Laender Darlehen und Kredite vergeben; im Durchschnitt der Jahre 1964-68 waren es 35 Laender. Unter den 60 Laendern waren 14, denen wir im vorangegangenen Fuenfjahresabschnitt ueberhaupt keine Zusage erteilt hatten. Das regionale Schwergewicht hat sich merklich von Suedasien weg nach Lateinamerika und Afrika hin verschoben.
- Schliesslich haben wir die laufende Beobachtung und Analyse der Volkswirtschaften unserer Darlehensnehmer verstaerkt; regelmaessig besuchen Teams von Volks- und Betriebswirten, Agronomen und Ingenieuren diese Laender und berichten darueber, nicht zuletzt mit dem Ziel, den Regierungen der Entwicklungs-laender die Formulierung ihrer Wachstumsstrategie und denen der Geberlaender die Schwerpunktbildung bei der technischen und finanziellen Hilfe zu erleichtern.

Den Darlehenszusagen der Bank selber werden nach unseren Schaetzungen im gleichen Zeitraum Bruttoauszahlungen von circa 5 Mrd. \$ gegenueberstehen. Unser Nettoanleihebedarf wird, vor allem weil wir mit wachsenden Rueckzahlungen aus frueheren Darlehen und unvermindert hohen Gewinnen rechnen koennen, betraechtlich weniger sein. Wie dem auch sei, die Bank wird nach wie vor auf die internationalen Kapitalmaerkte zurueckgreifen muessen. Seit ihrer Gruendung hat die Weltbank insgesamt 153 Anleihen im Gesamtbetrag von 9 Mrd. \$ oeffentlich und privat plazieren koennen, allein 3.6 Mrd. \$ im Zeitraum 1965-69. Das entsprach in den genannten Jahren rund 14% der gesamten Bruttoemissionen auf den internationalen Kapitalmaerkten. Unsere wichtigsten Maerkte waren und sind natuerlich

die Vereinigten Staaten und die Bundesrepublik; letztere hat uns bis heute insgesamt - von privater und oeffentlicher Seite - den Gegenwert von nahezu 3 Mrd. \$ zur Verfuegung gestellt. Darueber sollten aber auch die traditionellen kleineren Maerkte, wie etwa Holland und die Schweiz, nicht vergessen werden. Ueberdies ist es uns gelungen, Kapitalueberschuesse anderswo anzuzapfen, vor allem in Japan und im Nahen Osten.

Meine Damen und Herren, ich komme zum Schluss. Ich hoffe, dass es mir in dieser kurzen Zeit gelungen ist, Sie von der notwendigen Doppelrolle der Weltbank als Finanzinstitut und als Entwicklungsinstitut zu ueberzeugen. Beide Rollen stehen auf solidem Fundament. Das hat auch der Markt erkannt und wird es, wie ich hoffe, auch in Zukunft honorieren. Es ist wohl keine Uebertreibung, dass die Kombination der Aktiva und Garantien, die unseren Papieren ihre Staerke geben, durchaus einmalig ist:

- Ein breitgestreutes Portfolio von Darlehen fuer Vorhaben, die hohe volkswirtschaftliche Ertraege abwerfen.
- Die Rueckzahlungsgarantie jedes Darlehens durch die Regierung des Landes, in dem das Vorhaben ausgefuehrt wird; in den 24 Jahren seit ihrer Gruendung hat die Weltbank keine Verluste zu verzeichnen gehabt.
- Voll konvertible Barreserven und sonstige liquide Aktiva in Hoehe von etwa 45% unserer Anleiheverbindlichkeiten.
- Eingezahltes Kapital und Gewinnruecklagen in Hoehe von knapp 85% der Anleiheverbindlichkeiten.
- Dazu noch nicht eingezahltes Kapital als Sicherheit fuer die Anleiheglaeubiger in Hoehe von rund 460% der ausstehenden Anleiheverbindlichkeiten.

Wir in der Weltbank sind zuversichtlich, dass Sie, meine Damen und Herren, uns auch in Zukunft das Vertrauen entgegenbringen, das es uns erlaubt hat, der Wirtschaftskraft der Bundesrepublik entsprechend, einen wachsenden Anteil unserer Schuldverschreibungen auf dem deutschen Kapitalmarkt unterzubringen.

S. ALDEREWELD

Aldewereld, Simon

Die Entwicklungsländer, die internationalen Kapitalmärkte und die Weltbank
(Developing countries, international capital markets and the World Bank).

Zeitschrift für das gesamte Kreditwesen (Frankfurt a.M) 23:1064-67, Nov. 15, 1970



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SANDERS
INTBAPRAD
TOKYO
JAPAN

MARCH 15, 1971

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41. ALDEWERELD STATEMENT. QUOTE.

ONE. LET ME FIRST OF ALL JOIN THE WORLD BANKS PRESIDENT COMMA MR. ROBERT S. MCNAMARA COMMA IN THANKING MOST WARMLY THE GOVERNMENT OF JAPAN AND THE BANK OF JAPAN FOR THEIR CONTINUING SUPPORT IN FINANCING THE WORLD BANKS OPERATIONS.

TWO. AS YOU KNOW COMMA THE WORLD BANK GROUP HAS ENTERED INTO A STRONGLY EXPANSIONARY PHASE IN RESPONSE TO THE URGENT NEED OF THE DEVELOPING COUNTRIES FOR FINANCIAL AND TECHNICAL ASSISTANCE. OUR LENDING OPERATIONS ALONE NOW AMOUNT TO APPROXIMATELY TWO AND A HALF BILLION DOLLARS A YEAR -- THE LARGEST SINGLE DEVELOPMENT ASSISTANCE PROGRAM IN THE WORLD.

THREE. SUCH AN EXPANSION IN OUR ACTIVITIES COULD NOT HAVE TAKEN PLACE BUT FOR THE ENCOURAGEMENT AND SUPPORT OF THE MAIN INDUSTRIALIZED NATIONS OF THE WORLD COMMA AMONG WHICH JAPAN RANKS HIGH. WE HOPE THAT JAPANESE CAPITAL WILL CONTINUE TO SUPPORT THE MULTILATERAL DEVELOPMENT EFFORT.

FOUR. ~~YOU MIGHT BE INTERESTED TO KNOW THAT JAPANESE SUPPLIERS IN FISCAL YEAR NINETEEN SIXTY NINE NINETEEN SEVENTY WERE AWARDED CONTRACTS TOTALING~~

(CONTINUED)

SANDERS - PAGE TWO

~~SEVENTY THREE MILLION DOLLARS UNDER INTERNATIONAL COMPETITIVE BIDDING FOR GOODS AND SERVICES UNDER BANK FINANCED PROJECTS. THIS REPRESENTS TWELVE AND A HALF PERCENT OF TOTAL NON LOCAL DISBURSEMENTS -- AND THE HALF YEARLY FIGURES FOR THE CURRENT FISCAL YEAR SHOW JAPANESE SUPPLIERS WINNING ABOUT FIFTEEN PERCENT OF SUCH CONTRACTS.~~

FIVE. TO FACILITATE AN EVER CLOSER COOPERATION BETWEEN JAPAN AND THE WORLD BANK COMMA WE ESTABLISHED IN NOVEMBER OF LAST YEAR AN OFFICE IN TOKYO AT THE INVITATION OF THE GOVERNMENT OF JAPAN. THIS NEW OFFICE COMMA THE ONLY ONE OF ITS KIND MAINTAINED BY THE WORLD BANK COMMA QUICKLY BECAME OPERATIVE UNDER THE ABLE AND ENERGETIC DIRECTION OF MR. ARITOSHI SOEJIMA.

SIX. RECENTLY JAPAN BECAME THE FIFTH LARGEST SHAREHOLDER IN THE WORLD BANK SEMICOLON AS SUCH COMMA JAPAN NOW APPOINTS ITS OWN EXECUTIVE DIRECTOR TO THE BANKS BOARD. JAPANS ADVICE IS INCREASINGLY SOUGHT AND ITS VOICE HEARD IN THE INTERNATIONAL DEVELOPMENT COMMUNITY.

SEVEN. I SHALL NOW BE PLEASED TO ANSWER ANY QUESTIONS THAT YOU MAY HAVE -- OR AT LEAST ANY QUESTIONS ON WHICH I FEEL FREE TO SPEAK AND TO WHICH I HAVE THE ANSWERS.

UNQUOTE

LIND

Lars J. Lind

cc: Mr. Aldewereld

Information & Public Affairs

LJL:jhg