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INTERNATIONAL LABOUR ORGANISATION

PRELIMINARY MIGRATION CONFERENCE

(Geneva, April-May 1950)



Working Paper Submitted by the International Bank for
Reconstruction and Development

1. The International Bank for Reconstruction and Development welcomes this opportunity to participate in a conference sponsored by the International Labour Organisation for the purpose of formulating concrete plans to encourage international migrations. The Bank was represented at the two previous I.L.O. Conferences in Geneva which inaugurated the manpower migration programme, as well as at the First Session of the Technical Working Group on Migration called by the Administrative Committee on Co-ordination of the United Nations Economic and Social Council. At each of these meetings the Bank representative endorsed the principle of encouraging productive migration from manpower surplus areas to manpower shortage countries, reviewed the provisions of the charter which governs the Bank's operations, and outlined in general terms the conditions in which the Bank might be in a position to make loans for migration projects.

2. The migration problem is one that calls for sympathetic attention because of the potential contribution which selective migration movements might make to the solution of economic problems in both emigration and immigration countries, and because of the natural appeal of programmes designed to create more satisfying opportunities for migrants to find a fuller and a richer life. However, in any realistic appraisal of migration possibilities it is necessary to recognise squarely at the outset that organised migration movements have become a very costly undertaking in today's world. Emigration and immigration countries who must share the responsibility for organising and supporting migration projects, must weigh these costs against the ends to be achieved, and must consider them in relation to expenditures which would be required under alternative methods for reaching the same ends.

3. If the migration movement involves only the transfer of farm hands or industrial workers to already established agricultural or industrial enterprises, the total costs involved may not be so high. But there appear to be serious limitations to this approach. Most immigration countries prefer to see the relatively higher paid jobs, which are usually to be found in industry, filled from the ranks of their own peoples; on the other hand, migrants are not prepared to take up employment as farm hands except in the relatively few countries where they can look forward to an improvement in their living standards even in this status. Hence the principal incentive to migrants lies in their hope of becoming independent land-owners in their country of adoption.

4. A forbidding financial problem arises, however, if migrant families are to be established on their own land. According to the most reliable estimates, the cost is likely to run between \$7,000 and \$10,000 per family without allowing for transportation and administrative costs. The acquisition of farms in already cultivated areas is very expensive; on the other hand, opening up new territory involves under modern conditions a very large capital investment. The challenging hardships of frontier settlements were conquered by the early pioneers through their own personal efforts, whereas today they are translated into money costs. The high capital requirements for re-establishing migrants in remunerative employment are partly attributable to technological advances and partly to changing social attitudes regarding the minimum conditions necessary to maintain the welfare of the migrants. But they are here to stay, and necessarily impose a severe limitation upon the scope of potential migration movements.

5. There is reason to believe, however, that in spite of their expensive character, some migration projects are economically sound in the broad sense. For example, selective settlements which act as instruments for disseminating advanced techniques and human skills may serve to promote economic development in the immigration countries at costs considerably below those which would be involved in any alternative programme for achieving the same results. Even in these cases, the benefits, both to the emigration and the immigration countries, can be realised only if there is effective planning for and administration of the migration projects. Hitherto such informal inquiries as have been made to the Bank by its member countries concerning the possibilities for migration loans have not been accompanied by the presentation of any concrete plans. The Bank has found nothing sufficiently tangible in these informal discussions to enable it to form judgment as to the economic justification of the undertakings. If well-designed projects are submitted to the Bank, giving reasonable indication that the economic benefits to be derived would more than offset the cost of moving and resettling the migrants, they will receive our most earnest consideration.

6. Such migration projects are unlikely to emerge until the emigration and immigration countries recognise their joint interest in and responsibility for organising and promoting migration movements and undertake to share in the financial responsibilities. This need not entail extraordinary expenditures entirely over and above their present programmes; on the contrary, every effort should be made to weave migration projects into the fabric of existing and proposed development and reconstruction schemes. Expenditures for such purposes might well be regarded by emigration countries as part of their long-term budgets for economic reconstruction and recovery. Expenditures by immigration countries on the acquisition of a body of trained migrants should be regarded as an investment in their national economic development which will be repaid in a broadened national income, and hence - from the point of view of public finance - in a broadened tax base. These expenditures

must, however, receive effective direction. It is the Bank's hope that migration projects which are presented to it for financing will not only be carefully drawn up with a view to maximising their economic benefits, but also will include administrative provisions assuring that they would be diligently pursued after the funds were made available.

7. The International Bank has not hitherto found an opportunity to finance a specific migration project. However, the Bank's contribution to the migration problem should in no way be measured by the amount of its direct loans for migration purposes. On the contrary, its whole programme for financing reconstruction and development in the economies of its member countries may be expected to improve the environment for migration movements. Indirectly, and yet in a very concrete form, the efforts being made by the Bank to "open up" new resources, especially in undeveloped areas, will create expanding opportunities for migrants to those countries.

8. For example, during the four years of its operations, the Bank has made loans amounting to a total of about \$750 million. Our early reconstruction loans to Western European countries, and particularly the \$250 million loan to France in 1947 permitted a level of economic activity which would otherwise not have been possible. This intensification of French manpower requirements presumably found reflection in the importation of larger numbers of Italian as well as other foreign workers. Our more recent development loans, such as those made to a number of Latin American countries, have assured a faster rate of economic development than would otherwise have been feasible, with a consequent increase in their capacity to absorb immigrant manpower.

9. It is scarcely necessary to review again before this group the general considerations to which the Bank must, or does, have regard in deciding whether or not to take part in the financing of a particular operation. The provisions of our Articles are to be construed as authorising the Bank normally to finance only the direct foreign exchange costs of a project. Obviously, if this provision is rigidly adhered to, the scope for Bank financing of migration projects will be narrowly circumscribed. The Bank is authorised to depart from this requirement only in exceptional circumstances. But as previously stated, the Bank has never received a loan application on a migration project which was set forth in sufficiently precise terms to permit serious consideration of the circumstances involved. The Bank remains prepared to examine the merits of any concrete loan application and to give the most sympathetic consideration to the possibilities of assisting in its financing to the fullest extent compatible with the Bank's charter and its policies. At the same time, the Bank would expect that in any circumstances the borrower would provide out of other resources a substantial part of the total contemplated investment.

10. It remains basically the task of the emigration and immigration countries to mobilise all their available resources for the purposes of formulating and implementing sound migration projects in which they have an interest. But this very Conference gives evidence of the fact that they do not have to rely wholly upon their own resources. They have available to them experienced technical talents from several international agencies, and the International Bank would be glad to co-operate with its member countries in securing expert assistance in the working out of any financial problems arising in connection with migration projects. In addition, of course, the International Bank hopes to find suitable opportunities for providing financial assistance for migration projects sponsored by its member countries.

P.N. Rosenstein-Rodan



May 2, 1950

I.L.O. Conference

In introducing the Bank's paper which constitutes the main statement of the Bank, I do not wish either to repeat or to sum up what it says, but I should like to take this opportunity to emphasize some points and to elaborate some others, which may be of interest to this meeting.

We are all sure that the movement of labour towards capital can be as productive as the movement of capital towards labour. Accordingly, the Bank announced in its Third Annual Report in the summer of 1948 that its statutes make it possible and that the Bank is willing to consider applications for migration projects. Unfortunately, no migration projects have been submitted to the Bank during the 20 months since that announcement. I should like to use this opportunity to repeat with emphasis that the Bank is both willing and eager to give an earnest and favourable consideration to suitable migration projects and that it is also willing to help in giving advice on what information is necessary for a loan application for a migration project. If there were a demand for it I should willingly answer all sorts of questions referring to loan applications for migration at an ad hoc meeting one evening here at the I.L.O.

Let me describe in a general way what constitutes a good (migration) project by using three antitheses: first it must be a project and not an idea; secondly it must be a project but not necessarily a fully developed programme, national or international; and thirdly it should be a project for a loan which can be repaid and not for a grant, which the Bank cannot make.

(1) Migration is not different from any other development project: in exactly the same way in which it is not sufficient to come to the Bank and to say "We have a mountain and a waterfall - what about a hydro-electrical pro-

ject?"; so it is not sufficient to state in general "We have plenty of land and can absorb some immigrants". The main outlines of what type of land, what it can produce, how many funds are necessary and how they would be administered constitutes the minimum of information necessary.

(2) It may be only a project and not necessarily a fully developed programme, national or international. When reading all the items in papers 3 and 4 one might be frightened by the amount of planning and programming required to answer all the questions. Naturally it would be infinitely preferable to have well co-ordinated national and international development plans, but, Mr. Chairman, the better is the enemy of the good and if you were to wait until all such material is forthcoming, you might well have to wait for quite some time. I fully agree with the delegate of Venezuela that in many cases a shorthand procedure is possible and that it may be quite obvious in many cases that the migration project would fit in well into the development of a country, even if one has not got a precise and concretely elaborated development programme for this country. When, for instance, the country imports so and so many million dollars worth of wheat each year and if the settlement project could produce wheat at a cost not higher than one paid for imported wheat, then there is a prima facie case that such a project is suitable for the development of this country. We hope that there are many such cases, and I should like to emphasize that we are willing to consider such projects even if a fully developed programme for the country or the continent as a whole does not yet exist.

(3) An immigration project must be a project for a loan and not for a grant. It is thus necessary that the costing and accounting should clearly demonstrate that the immigrants would be able to live and that, over and above that, would be able to repay the loan. Again, as in other projects

financed by the Bank, the loan cannot constitute the whole of the capital required for the project but only one part: a considerable part must be forthcoming from other sources. The Bank can supplement the local capital required for the development but it cannot substitute it entirely.

In estimating the productivity of the project, the Bank will take into account not only the direct bookkeeping profits of one enterprise, but also the indirect economic benefits ("external economies"), i.e., profits accruing to other enterprises in the economy. If I may use a professional jargon, the concepts of Professor Pigou of the Marginal Social Net Product should be applied in this form of social accounting.

Even though a national benefit and not only a short-term bookkeeping profit to one enterprise is kept in mind, a careful weighing of the economic advantages of a migration project must always take place. If we found, for instance, that the capital necessary to employ a worker in the migration project of not too intensive agricultural cultivation type amounted to 10 or 11 or 12 thousand dollars per head, then it would be clearly economically rational to realize such a project because with half such cost a worker could be employed profitably elsewhere or in his own country. Fortunately, there exist several selected migration possibilities where immigrants can be profitably employed with a much lower capital requirement per head. We have to remember in that connection that very frequently the amount of capital socially necessary to employ a worker in industry is under-estimated, because capital required for building houses is usually omitted from such calculations, simply due to the juridical accident of the industrial worker who rents an apartment in a house not belonging to the industrial enterprise. In agricultural settlement projects on the other hand, the cost of the house is usually included in the capital required for settling a worker. When that is

kept in mind, we may find many selected migration projects, whose realization would pay in the economic sense. When such projects, gentlemen, are presented to the Bank, you may rest assured that you will find us willing and eager to help, and I hope also elastic in the handling of such applications.