INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT
INTERNATIONAL FINANCE CORPORATION
INTERNATIONAL DEVELOPMENT ASSOCIATION

1979 ANNUAL MEETINGS OF THE BOARDS OF GOVERNORS

SUMMARY PROCEEDINGS

BELGRADE, YUGOSLAVIA
OCTOBER 2–5, 1979

INTRODUCTORY NOTE

The 1979 Annual Meeting of the Board of Governors of the International Bank for Reconstruction and Development, held jointly with that of the International Monetary Fund, took place in Belgrade, Yugoslavia, October 2–5 (inclusive). The Honorable R. D. Muldoon, Governor of the Bank and Fund for New Zealand, served as Chairman. The Annual Meetings of the Bank's affiliates, the International Finance Corporation (IFC) and the International Development Association (IDA), were held in conjunction with the Annual Meeting of the Bank.

The Summary Proceedings record, in alphabetical order of member countries, the texts of statements by Governors relating to the activities of the Bank, IFC and IDA. The texts of statements concerning the IMF are published separately by the Fund.

P. N. DAMRY
Vice President and Secretary
THE WORLD BANK

Washington, D.C.
December, 1979

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Speaking on behalf of a group of countries.

OPENING REMARKS BY THE HON. JOSIP BROZ TITO PRESIDENT OF THE SOCIALIST FEDERAL REPUBLIC OF YUGOSLAVIA

It is a great pleasure for me to greet you at the beginning of your Annual Meetings, and to extend to you a warm welcome in our country. It is a great honor for the Socialist Federal Republic of Yugoslavia, as a nonaligned and developing country, to host this distinguished gathering of the representatives of important institutions within the United Nations system, which hold a significant and responsible place in international economic relations.

Your responsibility is particularly great in the present complex international situation, burdened by various threats to world peace.

Although there is today undoubtedly less danger of a worldwide conflict, peace and security have still not been ensured. Significant progress has not been achieved in democratizing international political and economic relations. The process of relaxation of international tension has not become universal. And the danger of new conflicts will not be removed until this process encompasses all the world's regions and all countries and extends to all fields and problems of international relations.

The policy of the *fait accompli* is still with us. Recourse is made to force and military interventions in order to ensure national interests. The rights of peoples to self-determination are denied and flagrantly violated, as are their rights to their own national political, economic, and cultural development. In spite of the resolute condemnation expressed by world public opinion, the remnants of colonialism and racist regimes still persist. The arms race continues unabated, having an adverse and direct impact not only on world peace and security, but also on development, particularly that of the developing countries, which are compelled to earmark a significant part of their national income for defense purposes. We cannot remain untroubled in the face of all these facts.

Clearly, there can be no stable and just peace or universal progress without the solution of pressing economic problems affecting the vital interests of numerous countries. At present, the inequitable international economic relations are, increasingly, becoming a source of dangerous hotbeds of crises and conflicts. The world economy is in serious difficulty. The economies of highly developed and industrialized countries have been registering slower economic growth accompanied by an almost constant increase in unemployment and inflation, exceeding acceptable limits. Protectionist constraints in international trade, disproportions in balances of payments, and constant currency disturbances are assuming worrisome dimensions.

These unfavorable trends have particularly adverse effects on developing countries. Their position in the world economy and international economic relations continues to deteriorate. Protectionist measures introduced in recent years by developed countries mainly encompass imports of commodities in which developing countries have become competitive. Due to the deteriorating terms of trade for developing countries, developed countries gained approximately $30 billion in 1978 alone. All this worsens the balance of payments situation for developing countries and increases their already extensive indebtedness.

A large number of developing countries is confronted with the danger that the results of their efforts in the past decade will be devalued and their further development brought to a standstill. Consequently, the recent Conference of Heads of States and Governments of Nonaligned Countries, in Havana, focused attention on the issue of inequitable international economic relations. It was noted with concern that, in the course of the last two decades, the gap in the level of economic development between the developed and developing countries has widened substantially and assumed alarming proportions. The latter's share in world production is stagnating. The situation of the least developed among developing countries gives cause for anxiety, as they even have nothing to export. Actually, these countries cannot be described as developing, since they are not only stagnating, but even regressing. They are therefore in need of immediate aid, under the most favorable possible conditions.

At the Havanna Conference, the nonaligned countries, now accounting for two-thirds of mankind, adopted a number of concrete programs for joint action in international political and economic affairs. Their objective is to break the deadlock and step up the resolution of key issues of the world economy and the contemporary world at large.

The present crises in the world economy stem from deep discrepancies due primarily to the existing system of international economic relations. For, a system, that is so relentlessly detrimental to developing countries and keeps enormous human and natural potentials on the margins of economic trends, inevitably imposes growing difficulties on the world economy in general, including the economies of developed countries. The belief that the difficulties confronting the developed countries can be alleviated or transcended by simply shifting them to developing countries is both shortsighted and dangerous.

We live at a time of growing interdependence in the world when, more than ever before, problems are interrelated and mutually conditioned. By the same token, new knowledge, technology, production capacities, and the overall achievements of the human mind cannot remain today within the bounds of a small circle of countries. They require new latitude and should open new vistas for the development and unprecedented progress of all countries, for surmounting poverty and underdevelopment in the world. This is in the interest not only of developing but developed countries as well. No longer can anyone ensure his own well-being unless it is a part of the overall progress and prosperity of the entire international community. In brief, the responsibility we all bear for the present and future of the world, whose destiny we all share, must not be overlooked.

It goes without saying, that international cooperation based on new foundations is indispensable for fuller utilization of the world's creative potential and for focusing efforts on the substantive development issues. This cooperation must be rid of inequality, oppression, and the use of force aimed at preserving privileges and imposing the will of some on others. The nonaligned and other developing countries have always demonstrated their readiness for, and vital interest in, overcoming existing difficulties through cooperation based on equality, rather than through confrontation with the developed countries. Regrettably, this has not met with the necessary understanding on the part of many developed countries which have, moreover, even forsaken some of the decisions they had previously adopted in the United Nations, as was clearly demonstrated at the recent UNCTAD meeting in Manila.

In connection with this, I wish to emphasize that, although the expected results have not been achieved, the United Nations has so far made significant efforts toward the gradual transformation of international economic relations. In our view, the United Nations is best qualified to seek generally acceptable solutions for these and other current international problems. We must support it in these efforts, particularly now when the development strategy for the forthcoming Development Decade is being worked out.

The establishment of the New International Economic Order is the only way to achieve speedier progress and prosperity for all, and not only the developing countries. In setting out their concept of the New International Economic Order at the Fourth Summit Conference in Algeria, the nonaligned countries were guided precisely by its universal significance and character.

However, we must note with regret that the process of transforming the existing economic relations is proceeding at a snail's pace. The results attained so far in the negotiations on the establishment of the New International Economic Order are highly unsatisfactory. Relations in the financial and monetary field, which have a vital impact on economic activities, and thereby on development in the world, have been particularly slow to change. Far greater efforts, political readiness and farsightedness are therefore called for in negotiations on the reform of the international monetary and financial system, in order to make it more responsive to the needs of developing countries and the world economy, as a whole. In this regard, I have in mind more effective mechanisms for stimulating a much greater transfer of resources to developing countries. I also refer to accelerating the process of adjusting balances of payments and ensuring a more comprehensive role for it in attaining international liquidity. In addition, it is of paramount importance that the developing countries take as active a part as possible in all phases of decision making, within these financial and monetary institutions, thus enabling them to become more democratic and universal.

Meeting these requirements is one of the fundamental prerequisites of the new international division of labor, and of the more equitable distribution of the achievements of economic and social progress. A great responsibility for fulfilling these aspirations also lies on nonaligned and developing countries. Hence, at their Sixth Summit, the nonaligned countries once again reaffirmed their commitment to strengthening mutual cooperation with a view to employing in the best possible manner, the material and other potentials available to them.

The Socialist Federal Republic of Yugoslavia has always advocated constructive and equitable international cooperation as the foundation of new democratic international political and economic relations. Developing its own potentials, on the basis of socialist self-management, and relying on them to the highest possible degree, Yugoslavia has supported international cooperation resting on solidarity and leading to concerted efforts for solving the crucial problems of the contemporary world, especially those facing the developing countries.

Our efforts for the establishment of new, more just international economic relations also draw impetus from our reality, from the specific experiences of our country. As you know, Yugoslavia is a multinational country with inherited inequalities in its economic development. The results achieved in social and economic development and in strengthening our unity and cohesion can for the most part be ascribed to the fact that we have taken the utmost account of the interests of each nation and nationality, of the development of each republic and province, and thereby of the development of our community in its entirety.

There is no need to point out that the state of the world economy and international relations, at the time when the Fund and the Bank were established in 1944, was completely different. However, the imperative need for aid on the grounds of solidarity has not diminished. On the contrary, it is in our common interest that the international financial and monetary system, including its basic institutions, accommodate without delay to the present-day international situation, and to the development needs which can be expected in the immediate future.

I am aware that identification of the concrete substance of the New International Economic Order in the monetary and financial fields is a highly complex and responsible process. In cooperation with nonaligned and other developing countries, Yugoslavia is contributing, to the limits of its possibilities, to elaboration of the necessary elements for reforming the system of monetary and financial relations. At their first meeting recently held in Belgrade, within the Group of 77, ministers of finance submitted specific proposals and took new initiatives to this end.

In 1945, when Yugoslavia became one of the 45 founding members, neither the International Monetary Fund, nor the World Bank, nor we ourselves, could have foreseen the great latitude to be created for bilateral cooperation with the passage of time. As a result of the development potential of our economy and the cooperation of these institutions with our Government, this latitude has increased considerably.

It gives me satisfaction to note that the officials of these institutions and our Government have continuously created and expanded opportunities for cooperation. These relations have thus been brought to the present level. As a developing country, Yugoslavia relies on the further promotion of this cooperation, which will continue to be in the interest both of the Yugoslav economy and these institutions, as well as of all the member countries.

In conclusion, I wish you fruitful and successful work in your quest for solutions conducive to equality, peace and prosperity and blazing new trails to a happier future for all the people and nations of the world.

OPENING ADDRESS BY THE CHAIRMAN THE RT. HON. R. D. MULDOON

GOVERNOR OF THE BANK AND FUND FOR NEW ZEALAND

We are greatly honored by President Tito's presence here today. We accept his warm welcome with thanks and consider ourselves privileged to have been invited to share this week Yugoslavia's ancient tradition of hospitality.

Under President Tito's remarkable leadership, Yugoslavia has found and forged the strength that comes from interdependence based upon a full respect for the individuality of the Federal Republic's different peoples. The task has not been easy. I know all here will join me in saluting the determination brought to nation-building by the Yugoslav peoples. And I know that I speak for everyone here in extending our compassion to those who have suffered from the earthquakes that shook the country earlier this year.

Like Yugoslavia, the World Bank and the International Monetary Fund bring together many different peoples, united in common purposes. We have widely varied histories, economic situations, and national characters; we do not always agree on everything. Yet we share a realization of our interdependence, and a belief in international economic cooperation for development and progress. It is this sharing that brings us together for our Thirty-Fourth Annual Meetings.

Our group has expanded since last we met in Washington. On behalf of all our members, I should like to welcome Cape Verde, which has become a member of the Bank and the Fund, and Djibouti and Dominica, which have become Fund members and Bank applicants. St. Vincent is also welcomed as an applicant to both institutions, St. Lucia as a Fund applicant, and Seychelles as an applicant to the Bank. From my own country's South Pacific viewpoint, it is a particular pleasure to see these signs that the island membership is growing.

New Zealand is honored to have been chosen to chair these meetings, to which my country brings a perspective that is, I feel, unusual. New Zealand is distant, geographically, from this center of old Europe, yet its association with Europe through both its history and its trading relationships is strong. New Zealand also has strong ties to its neighbors in the Pacific basin, a broad area of very great diversity in history, in peoples, and in economic development.

New Zealand, at the far end of the world's shipping lanes, is a land that has mountains and grasslands that could be a part of Yugoslavia—as well as the pelagic fish and blue penguins that mark it as a part of the South Pacific.

It is significant that in the year in which these meetings are being held in Yugoslavia under the chairmanship of a Governor from New Zealand, the Yugoslav community in New Zealand is celebrating the 100th anniversary of its first settlement in our country. We owe them a particular debt of gratitude in that they played a major role in establishing the wine industry in New Zealand, which I am happy to say is flourishing.

While New Zealand is a predominantly agricultural producer and trader of primary products, we do have a highly developed and sophisticated economy. We can therefore understand both sides of the North-South dialogue on international cooperation that has been so actively pursued over the past few years. We have close historical ties to the newly independent developing island states of the South Pacific and growing links with the newly industrializing countries of Asia.

We in New Zealand, in common with most of our fellow primary exporting countries from the developing world, believe very strongly in free commodity trade. It is a belief rooted both in necessity, and in the economic theory of comparative advantage as a basis for dynamic international growth. We are, therefore, most disturbed by the recent surge of protectionism referred to by the World Bank President and the Managing Director of the Fund at the UNCTAD meeting in Manila.

We who live by our exports have not been greatly encouraged by trade developments over the past few years. After difficult and prolonged negotiations, the Multilateral Trade Negotiations were concluded in Geneva earlier this year and now await full and effective implementation. The results are mixed. The outcome signals a useful liberalization of trade in manufactures, the principal result being an average reduction of about one third in the level of industrial duties. For trade in farm products, however, the outcome is far less satisfactory. Also for many developing countries the progress made has been far below their expectations and there is a genuine fear that the spreading pattern of unofficial trade barriers that are being maintained outside the GATT framework—in distinct contrast to the spirit of the Agreement—will nullify what progress has been made. A disturbing message seems to be emerging: that the burden of adjustment for changing factor prices and demand patterns will have to be borne by the smaller and poorer countries that have, in fact, the least room to maneuver. The major developed economies must bear a bigger share of this burden. In addition, the developing countries may wish to give further thought in future to increasing their trade among themselves, to both increase world economic growth and decrease to some extent their dependence on the performance of industrial countries. This will help but it will not be a solution for their problems.

Recent trade movements have not provided us with particularly encouraging news. Worldwide trade volume is estimated to have grown by 5 per cent in 1978, a very modest gain over 1977. The price of manufactures rose by about 15 per cent; those of the non-oil primary products exported by the developing countries fell by 5 per cent. For the non-oil developing countries, the terms of trade worsened by some 4.5 per cent in 1978. Invisibles, such as insurance and freight, increased sharply—by an estimated 16 per cent in 1977 and 21 per cent in 1978—siphoning still another layer of potential net earnings away from the many who can least afford it toward the few who dominate these fields.

These aggregations, of course, mask wide variations across countries and across commodities. Generally, however, those of us who export non-oil primary products have seen export revenues stagnating or declining in real terms. When the direction has been upward, prices and volume movements have been so volatile as to put us in continual uncertainty of what the morrow may bring. This instability disrupts economic planning.

The growth undertakings welcomed after last year's Bonn summit have come to disappointingly little. This year's Tokyo summit adopted a more conservative stance, with the focus on inflation and energy. Real GNP growth in the industrial countries is estimated at about 4 per cent in 1978. Preliminary estimates for this year point to an increase of somewhat less than 3 per cent.

It is clear that the world economy has entered another period of transition, in which favorable trends may well be reversed and unfavorable ones exacerbated. The better coordination of growth rates in the last year or two, the improving pattern of external payments among industrial countries, and the greater stability in exchange markets are threatened. Inflation and unemployment are already unacceptably high; we expect they will get worse under the double impact of a likely U.S. recession and the sharp increases in oil prices, which have now been restored, in real terms, to 1974 levels. This oil price rise, unlike that of 1974, has come at a time when the world economic problems are acute and widespread. There is substantial and widespread underutilization of capacity; inflation is rampant and inflationary expectations are becoming entrenched; structural problems within and among national economies remain unsolved. The medium-term impact will be to increase the upward pressure on prices with the risk of lowering economic activity still further. We are in for a renewed bout of "stagflation," a problem to which there is not yet an adequate answer.

I draw two conclusions from these developments. The first is the indivisibility of the world economy. The second is the futility of domestic economic policies, particularly on energy, protection and prices, that are governed by domestic political expediency to the detriment of wider international interests.

In its Annual Report, the Fund estimates that the 1979 oil price increases will raise, in a full year, the aggregate import bill of countries other than major oil exporters by $75 billion. The additional cost for the developing countries that are net oil importers will amount to $12 billion. Obversely, the current account surplus of major oil exporters will rise dramatically to more than $50 billion in a full year.

The adverse repercussions of the oil price increases and a recession in the United States will leave no country untouched, but particular concern must be focused on that group of countries that is least able to bear the additional burdens—the non-oil developing countries. For these countries, the annual current account deficit is projected to double to $43 billion from 1977 to 1979 and to exceed $50 billion in 1980, reflecting a sharp adverse movement in their terms of trade and a continuing increase in debt servicing payments, brought about by a growing volume of debt repayments and rising interest rates. For a growing number of low-income developing countries the situation is becoming critical.

There is, therefore, an added need for further progress to be made on debt relief for the poorest of the developing countries. So far, 12 creditor nations have agreed to cancel more than $6 billion in loans owed them by their poorest debtors. New Zealand is among the vanguard of this company, having cancelled loans to the Cook Islands as early as 1975. This March, we cancelled the remaining development assistance loans that were outstanding to Western Samoa, Fiji and the Cook Islands, thus placing all of New Zealand's bilateral aid on a grant basis.

For most of the developing countries, however, the past year has not been very good. Inflation remains a serious problem: it sometimes seems their major import item. The projections contained in the World Development Report, 1979, seem largely to consist of downward revisions from the 1978 Report. Thus, the developing countries' recovery in 1976-77 turns out to have been slower than anticipated, and 1975-85 GDP growth estimates have dropped from 5.7 per cent to 5.2 per cent a year. Similarly, flows of Official Development Assistance from the developed economies for 1985 have been reduced from last year's projection of 0.39 per cent to 0.35 per cent of GNP—half the target set for the second United Nations Development Decade. The projection for the growth of net private lending to the developing countries for the decade from 1975 has also been revised downward, from 12 per cent to 10 per cent a year.

The prospect that the World Bank will be assigned the resources and the authority needed to increase its impact is, therefore, to be welcomed. New Zealand very much supports the doubling of the Bank's capital stock; it is our hope that the support of the Governors will be unanimous and speedily forthcoming. We also recognize the importance of a Sixth Replenishment of the International Development Association's resources, and hope that negotiations on this will soon be successfully concluded.

The Bank and the International Finance Corporation are in a position now to assume new importance as financial intermediaries, promoters, and catalysts in their support of the large number of middle-income developing countries that are moving rapidly toward increasingly sophisticated industrialization. A sizable Bank loan earlier this year to support the Republic of Korea's emerging electronics industry was a good example of the openness that institution has had toward recognizing that "appropriate" technology can involve higher, as well as lower, levels of industrial sophistication.

The Bank's growing, and welcome, initiatives in the energy sector are another part of the process of evolution that is likely to imply larger and more capital-intensive projects. This will require a larger capital base for the Bank if other sectors of assistance are not to suffer. Plans for expanding operations in this sector are also welcome as a step toward decreasing the dependence of so many countries on a handful of suppliers.

One indicator of the Bank Group's ability to focus on the human face of development, as well as its technical and financial aspects, has been the increasing emphasis it has placed on training as a means of promoting the expansion of human capital that is so necessary for countries working to build a basis for self-sustained development.

Training is usually neither a high-cost, nor a high-visibility item in the development armory; it is an easy thing to lose sight of among the hardware. In New Zealand's aid programs, we have found, however, that training gives excellent returns and we have made it one of the largest components of our bilateral assistance. We have been pleased, therefore, to see that the Bank has greatly increased its involvement in project-related training in the past few years. The number of projects with training components has nearly tripled since 1972, with the percentage of total lending for training—while still small—increasing sixfold.

I also welcome the Bank's continued emphasis on rural development and general agricultural development through both projects and support for international agricultural research. New Zealand's own development experience has taught us the importance of a strong agricultural sector and establishing proper internal terms of trade between city and countryside. The Bank's attacks on poverty through assistance to the small farmer and small industrial entrepreneur deserve our fullest support.

Another welcome trend has been the IFC's increasing involvement in its poorer member countries, particularly in Africa. To us, this shows an important recognition that a strengthened private sector can be a strong force for growth quite early on in the development process.

Turning to the International Monetary Fund, it is reassuring to note that, as the world economy enters a new period of added uncertainty and a deterioration in the pattern of external payments, the Fund has been active in developing its policies on the use of its resources by members and in strengthening those resources.

During the year almost all quota increases proposed under the Sixth General Review of Quotas have come into effect, thereby raising the total of Fund quotas from SDR 29 billion to SDR 39 billion. Moreover, after intensive deliberations, both by the Executive Board and the Interim Committee, the Board of Governors adopted last December a resolution proposing further increases in quotas for members that will, if all members accept their proposed quotas, raise total quotas in the Fund to SDR 59 billion.

In addition to this strengthening of the Fund's own resources, the Fund's access to fresh resources under the borrowing agreements associated with the supplementary financing facility became operational in February this year. This new facility, which is designed to assist those members that would require balance of payments financing in larger amounts and for a longer period of time than could be available under the regular credit tranches, is a most timely reinforcement of the Fund's capacity to help to meet the financing requirements of its members in the difficult period ahead. The borrowing agreements with 14 lenders provide a total of SDR 7.8 billion under the facility, and bring the amount that the Fund has borrowed, or has made arrangements to borrow, since 1974 to a total of SDR 20 billion or about 50 per cent of total quotas.

An important aspect of the Fund's operations that has been the subject of particular comment by many fellow Governors at these Annual Meetings for the past two years has been the conditionality attached to the use of the Fund's resources in the credit tranches. Following a request by the Interim Committee in April 1978, the Executive Board has completed a comprehensive review—the first for ten years—of conditionality and has established a new set of guidelines on the use of the Fund's resources. These new guidelines, which include many of the conclusions reached after the earlier review in 1968, assure members that the Fund will respond in a flexible and nondiscriminatory manner to requests for financial assistance. The new guidelines make it clear that in drawing up adjustment measures, due regard will also be paid to a member's economic priorities and its domestic and social objectives.

During the year, the Fund's Executive Board has also considered the problems of stabilization of export earnings referred to it by the Development Committee and in this context has reviewed the working of the Fund's compensatory financing facility. As a result of this review, the usefulness of the facility has been improved by a decision taken last August under which members' access to the facility and the total amount that they may draw under it have been further enlarged.

Other important developments during the year related to a group of actions taken in respect of the SDR. Following understandings reached in the Interim Committee just one year ago, the Fund has renewed allocations of SDRs under a Board of Governors resolution that provides for an allocation of SDR 4 billion as at the first of January, in each of the years 1979, 1980, and 1981. At the same time, a number of decisions have been taken by the Executive Board that move the SDR closer to the position of the principal reserve asset. These decisions include improvement in the yield of the SDR, provisions for wider use of SDRs, and a reduction in the reconstitution requirements. In this context, the deliberations that have taken place in the Executive Board during the past few months and again in the Interim Committee yesterday on the possibility of establishing a substitution account are potentially of great importance to the future stability of the international monetary system.

It is clear that the world economy faces stormy weather ahead. We can be thankful, however, that both of our institutions are active, able, and imaginatively responsive to our needs. In the past few years, when we have been confronted by an extraordinary array of problems, our institutions have shown creativity and flexibility in adjusting their policies and procedures to meet the changing needs of members.

During the past six years, the Fund has been particularly active in monitoring and coordinating national economic policies and in forging new policies and facilities. These initiatives have included the 1974 and 1975 oil facilities; the Subsidy Account; the liberalization of the compensatory financing facility (in 1975 and 1979); the Trust Fund and the gold sales program; and the supplementary financing facility and related borrowing arrangements. The period has also seen a comprehensive overhaul of the Fund's Articles of Agreement, along with the implementation of surveillance over exchange policies, new consultation procedures and a thorough modernization of the Fund's operations. In addition, we have a resurgence of the SDR, with the decisions to make more of them available, improve their status and widen their range of permitted uses, as well as the consideration that is being given to the possibility of establishing a substitution account.

From the World Bank we have had a no less remarkable succession of new initiatives each of which—rural development, urban development, energy—has been a significant addition to the development effort. We have been impressed by the prudence and careful preparation that have gone into each new launching and by the high level of professionalism and performance we have come to expect from the Bank Group. It is a commendable record of careful innovation, openness to new concepts, and increasing recognition of, and ability to act upon, the human aspects of development without in any way compromising the quality of the Bank's portfolio.

Our thanks go therefore to the leaders of our two institutions, Mr. McNamara of the World Bank and Mr. de Larosière of the Fund, and also to the Executive Directors and international staffs for all their hard work, dedication, and expertise.

I welcome you on behalf of the Bank and the Fund to our Thirty-Fourth Annual Meetings.

ANNUAL ADDRESS BY ROBERT S. McNAMARA PRESIDENT OF THE WORLD BANK

I. INTRODUCTION

We meet this year as one turbulent decade draws to a close, and what promises to be an even more critical one is about to begin.

We need not be reminded that the economic strains of the 1970s have been more severe than any since the disruption of World War II and the global depression that preceded it. But the truth is that the problems that will confront us all in the 1980s are almost certain to be more difficult. More difficult because with the loss of irrecoverable time the easier solutions to these problems have begun to disappear.

What we will be left with in the decade ahead are increasingly painful dilemmas that can no longer be ignored or postponed. We are going to have to decide—and decide soon—if we can really afford to continue temporizing with severe development problems that are getting worse rather than better.

Various elements in the international community are now at work preparing their proposals for an overall strategy for the Third Development Decade (DDIII).[a]

The time is right to take a realistic look at the development lessons of the Seventies, and decide how we can best apply that experience to the Eighties and beyond.

What I would like to do, then, briefly this morning is:

- Comment on the record of the 1970s, and the implementation of the strategy adopted for the Second Development Decade;
- Identify key problems that the rich and poor countries together are going to have to come to grips with in the 1980s;
- Suggest what can be done to meet those problems through a new international development strategy based on the realities of interdependence; and
- Indicate how the Bank itself can most effectively assist in that task.

Let me begin with the performance record of the Seventies.

II. LESSONS OF THE SECOND DELEVOPMENT DECADE

In late October of 1970 the UN General Assembly adopted by acclamation the "International Development Strategy for the Second United

[a]Work is currently underway in the UN Preparatory Committee for the New International Development Strategy on the principal ideas that should be included in that strategy when it is presented to the Eleventh Special Session of the UN, currently scheduled for May of 1980.

Nations Development Decade" (DDII).

The chief target of the overall strategy was that the developing countries as a whole should achieve, during the decade, an average annual rate of growth in their Gross Domestic Product (GDP) of at least 6%.

Six subsidiary targets were derived from this main goal. They were: an overall average annual increase in the developing countries of 3.5% in GDP per capita; annual growth rate of 8% in manufacturing, 4% in agricultural production, and 7% in export volume; a domestic savings rate that would reach 20% of GDP by 1980; and annual Official Development Assistance (ODA) from the developed countries reaching .7% of their Gross National Products (GNP) by 1975.

Now, what in fact has happened to these goals?

The performance figures through 1978 are now in and one can project, with reasonable accuracy, the results for the remaining two years of the decade.

The chief target—the 6% growth rate in the combined GDP of all the developing countries—will not be achieved. At best, their growth will not exceed 5.2% per year. This reflects the gradual slowdown in growth throughout the world in the second half of the Seventies.

Further, there were major shortfalls in each of four subsidiary goals. Of particular importance were the deficiencies in agricultural production, with a growth rate of only 2.8%, rather than the targeted 4%; and Official Development Assistance from the developed countries, which averaged less than half the target.

Moreover, these overall average performance statistics obscure as much as they reveal.

For example, the average 5.2% growth rate—although achieved by the developing countries as a whole—obscures the fact that the growth was very uneven among these countries; and that income grew the least where it was needed the most—in the poorest countries with the largest aggregate population.

- The major oil-exporting countries, with less than 10% of the population of all developing nations, enjoyed a GDP growth rate not of 6%, but of 9.5%.
- The middle-income countries that do not export oil, with only 29% of the population, had a growth rate of 6.2%.
- And the poorest countries, with an overwhelming 61% of the population, had a growth rate of only 4%.

The differences are even more pronounced in the case of GDP pei capita growth.

- In the middle-income countries that export oil the growth rate was not merely the targeted 3.5%, but nearly twice that: 6.6%.
- Even in the middle-income countries without oil earnings, the growth rate exceeded the goal at 3.6%.
- But in the poorest countries, per capita income grew at only 1.7% a year—in Africa at only .2%. This is virtual stagnation. It means that

for hundreds of millions of individuals—already trapped at the bare margin of survival—"growth" in income was two or three dollars a year.

There is little point in establishing overall targets which the poorest countries, with over half the population, have no hope whatever of achieving. These countries, as shown in Table I, have been able to produce only 16% of the developing nations' combined GDP, and less than 10% of their exports. Their average per capita income is only one-seventh that of the middle-income countries.

Table I—Profile of the Developing World[a]

		GDP Per Capita				As a % of Developing Countries Total		
	Population (millions) mid '79	$ Amount 1978[b]	Growth Rate 1970-80	Literacy 1975	Life Expectancy 1977	Population 1979	GDP[c] 1976	Exports[cd] 1976
Poorest Countries								
India	656	175	1.4	36	51	28.7	7.9	2.7
Other Asia	455	200	2.7	48	51	19.9	6.1	5.2
Africa	168	175	.2	30	46	7.3	2.1	1.7
Total	1,279	185	1.7	36	50	55.9	16.1	9.6
Middle-Income Countries								
Latin America & Caribbean	346	1,390	2.6	77	63	15.1	32.8	24.2
Sub-Sahara Africa	206	670	1.4	27	48	9.0	9.6	13.2
East Asia & Pacific	174	850	6.2	83	63	7.6	9.3	20.8
Others	283	1,660	2.9	52	60	12.4	32.2	32.2
Total	1,009	1,225	2.9	69	60	44.1	83.9	90.4
All Developing Countries								
Total	2,288	645	2.8	50	54	100.0	100.0	100.0
% of World						76.9	21.0	23.0

[a]Excluding Centrally Planned Economies.
[b]In 1978 prices, preliminary estimates.
[c]In 1975 prices.
[d]Merchandise only.

These poorest countries have, of course, very severe disadvantages: their populations are less literate, suffer more from malnutrition and illness, and have shorter life expectancies. Their societies have limited domestic resources and desperately need concessional assistance to supplement their own efforts.

The middle-income nations, on the other hand, have been able to take advantage of their more favorable endowment in resources, of better market opportunities, and of higher capital inflows. Their prospects are promising provided they can combine sound domestic economic management with continuing expansion of their exports and access to development capital.

The first lesson, then, that one can draw from the experience of the DDII strategy in action is that strategic development planning in the future ought to give greater attention to this diversity, and disaggregate its goals into action proposals that are more specifically tailored to particular conditions. Aggregated goals can serve a useful purpose, but only to the extent that they provide an agreed-upon framework within which detailed national programs for action can be developed.

The second lesson we can learn from DDII is a corollary of the first.

Though the strategic plan spoke of the desirability of "special measures in favor of the least developed among the developing countries," it did not include any time-specific goal of reducing absolute poverty.

The 6% GDP growth target, as desirable as it was, was not identified as a means to a long-term, fundamental social transformation of the developing nations.

There was a great deal of discussion at the time of narrowing the relative income gap between the industrialized nations and the developing countries. That, however, is not only an elusive goal, but one that might bring little relief to the hundreds of millions of absolute poor in the developing world, even if attained.

What is far more important and urgent as a development-strategy objective is to seek to narrow the relative gap between the rich and poor countries in terms of the quality of life: in nutrition, literacy, life expectancy, and the physical and social environment.

Those quality-of-life gaps did narrow during the Seventies, as Table II indicates, and for the poorest countries they narrowed even while their per-capita-income gap with the developed nations widened.

Table II—Indices of Relative Social Progress[a]

	Low-Income			Middle-Income			All Developing Countries		
	1960	1970	1976	1960	1970	1976	1960	1970	1976
Calories as % of Requirements	71	73	73[b]	78	82	83[b]	74	77	77[b]
Life Expectancy	61	63	68[c]	76	80	81[c]	68	71	73[c]
Adult Literacy	30	32	36[c]	52	67	70[c]	39	47	51[c]
Primary School Enrollment	45	62	72	69	84	90	55	71	81
Income Per Capita	4.7	3.2	2.5[d]	17.2	14.5	16.0[d]	10.2	8.2	8.5[d]

[a]The value of the indicator is expressed as a percent of the value for the average developed country.
[b]For 1974.
[c]For 1975.
[d]For 1977.

Had the DDII strategy given more direct emphasis to reducing absolute poverty, these and other quality-of-life factors could have improved substantially more than they did.

It is not that income gaps are unimportant. In a struggle for scarce world resources they are immensely relevant. And they illustrate the clear capacity that the rich and powerful have to assist the poor and weak. But this gap is lagrely irrelevant for determining the long-term objectives of the developing countries themselves.

This is all related to another major problem.

The international development community really has no adequate means to implement agreed-upon development policy.

When, for example, the strategy specifies a production target, such as an agricultural growth rate of 4%, or a financial target, such as Official Development Assistance rising to .7% of the GNP of the Organization for Economic Co-operation and Development (OECD) nations, these targets are really little more than hopes or aspirations.

The truth is that there is no united international determination or force behind these targets.

If, then, the formulation of the development strategy is to become genuinely effective, it must do more than just set undifferentiated global targets. It ought to incorporate policy alternatives, and be backed up by sufficient international understanding and agreement among both the advanced and the developing countries to ensure that its broad direction is carried out.

Some of the most important aspects, for example, of the current North-South Dialogue could take concrete shape within the framework of such a development strategy, rather than outside it.

Now that a new strategy for another development decade is being formulated, all of us have the opportunity—and the responsibility—to learn what we can from the record of the past ten years, and to ask ourselves how we can best proceed.

One starting point is to consider some of the critical development problems we are certain to face in the 1980s—problems that carry enormous penalties for procrastination and delay.

III. CRITICAL DEVELOPMENT PROBLEMS IN THE 1980s AND BEYOND

We can begin with the most critical problem of all: population growth.

Population

As I have pointed out elsewhere, short of nuclear war itself it is the gravest issue that the world faces over the decades immediately ahead.

The population growth of the planet is ultimately in the hands not of governments, or institutions, or organzations. It is in the hands of literally hundreds of millions of individual parents who will determine its outcome. That is what makes the population problem so diffuse and intractable. And that is why it must be faced or what it inevitably is: a central determinant of humanity's future, and one requiring far more effective attention than it is currently receiving.

Ironically, one reason the urgency of the problem is under-estimated today is that crude birth rates in the developing world—outside of Sub-Saharan Africa—are in fact declining. That in itself is an extremely welcome trend. And it may very well mean that the period of rapid acceleration in the rate of growth of the world's population has finally reached its peak, and is now moving downward towards stabilization.

Table III—Crude Birth Rate Trends in Selected Developing (LDC) and Developed Countries (DC)

Region	No. of Countries	1979 Pop. (Millions)	Crude Birth Rates (per thousand) 1955	1960	1965	1970	1975
Africa	50	454	48.1	47.8	47.3	46.5	46.0
Latin America	24	318	42.9	42.1	40.8	39.0	37.6
Asia	36	1,399	43.1	43.8	42.8	40.7	39.3
Total of Above LDCs[a]	110	2,171	44.1	44.4	43.4	41.7	40.5
Total DCs	36	1,172	22.8	21.6	19.7	17.9	16.8

[a]Excludes People's Republic of China, and certain countries in Southern Europe.

What is misleading about this otherwise encouraging development is that it seems to suggest that the problem of rampant population growth has at last been contained, and that happily it has now become a less urgent matter.

That is a very dangerous misunderstanding.

The current rate of decline in fertility in the developing countries is neither large enough, nor rapid enough, to avoid their ultimately arriving at stabilized populations far in excess of more desirable—and attainable—levels.

If current trends continue, the world as a whole will not reach replacement-level fertility—in effect, an average of two children per family—until about the year 2020. That means that some 70 years later the world's population would finally stabilize at about 10 billion individuals compared to today's 4.3 billion.

We must try to comprehend what such a world would really be.

We call it stabilized, but what kind of stability would be possible?

Can we assume that the levels of poverty, hunger, stress, crowding, and frustration that such a situation could cause in the developing nations—which by then would contain 9 out of every 10 human beings on earth—would be likely to assure social stability? Or political stability? Or, for that matter, military stability?

It is not a world that any of us would want to live in.

Is such a world inevitable?

It is not, but there are only two possible ways in which a world of 10 billion people can be averted. Either the current birth rates must come down more quickly. Or the current death rates must go up.

There is no other way.

There are, of course, many ways in which the death rates can go up. In a thermonuclear age, war can accomplish it very quickly and decisively. Famine and disease are nature's ancient checks on population growth, and neither one has disappeared from the scene. The United Nations Children's Fund (UNICEF) estimates that more than 30 million children under the age of five died of starvation just last year.

But if our choice is for lower birth rates rather than higher death rates—as it must be, for any other choice is inconceivable—then we simply cannot continue the leisurely approach to the population problem that has characterized the past quarter century.

What we must grasp is the time factor involved.

It is a point of immense importance, and yet one that is frequently misunderstood, even by the highest officials in governments.

For every decade of delay in achieving a net reproduction rate (NRR) of 1.0—that is, replacement-level fertility—the world's ultimate stabilized population will be about 11% greater. If, then, the date at which replacement-level fertility will be reached could be advanced from 2020 to 2000, the ultimate global population would be approximately 2 billion less—a number equivalent to nearly half of today's world total.

That demographic fact reveals in startling terms the hidden penalties of failing to act, and act immediatey, to reduce fertility. The time lost in temporizing with population problems is simply irrecoverable. It can never be made up.

As it is, if global replacement levels of fertility were to be reached around the year 2000, with the world ultimately stabilizing at about 8 billion, fully 90% of the increase over today's levels would be in the developing countries.

As shown in Table IV, it would mean—if each country followed the same general pattern—an India, for example, of 1.4 billion; an Indonesia of 305 million; a Bangladesh of 215 million; a Nigeria of 225 million; and a Mexico of 170 million. Compared to the current populations of these countries those figures are awesome.

Table IV—The Ultimate Size of Stationary Population in Selected Developing Countries
(in millions)

Country	Pop. 1979	Ultimate Stationary Population[a]: NRR of 1.0 Achieved in Yr. 2000	Ultimate Stationary Population[a]: NRR of 1.0 Achieved in Yr. 2020	% Increase Caused by Two Decades of Delay
India	656	1,375	1,700	24
Indonesia	139	305	380	25
Bangladesh	86	215	290	35
Nigeria	83	225	315	41
Mexico	68	170	230	37

[a]The stationary population level will be reached about 70 years after the date on which a net reproduction rate of 1.0 is realized.

And I am not singling out these particular countries for comment, for most developing countries have comparable problems.

The point is that as large as those figures may seem, they will be 25 to 40% larger if the achievement of replacement-level fertility is delayed for 20 years, and takes place in 2020 rather than 2000.

Governments, then, must avoid the severe penalties of procrastination, and try to hasten the reduction of fertility forward.

But how?

There are two broad categories of interventions that governments can undertake: those designed to encourage couples to desire smaller families; and those designed to provide parents with the means to implement that desire.

The first set of interventions sets out to alter the social and economic environment that tends to promote fertility, and by altering it to create a demand among parents for a new and smaller family norm. And the second set of interventions—effective family-planning services—supplies the requisite means that will make that new norm attainable.

The debate over which efforts in fertility reduction are of the most consequence—socio-economic progress, or family planning programs—is largely irrelevant. Research demonstrates that both are important.

Certainly recent studies confirm that developing countries which rank well in advancing the socio-economic environment *and also* have a strong family-planning program have, on average, much greater declines in fertility than do countries that have one *or* the other, and far more than those countries with neither.

The truth is, of course, that the population problem is an inseparable part of the larger, overall problem of development. But it is more than just that. To put it simply: excessive population growth is the greatest single obstacle to the economic and social advancement of most of the societies in the developing world.

There are other obstacles, of course. Many obstacles. But none is more pervasive, none is more intractable, and none is more punitive in the penalties it exacts for procrastination. For the population problem complicates, and makes more difficult, virtually every other task of development.

Let me illustrate that briefly, now, by turning to three other major development problems that loom before us in the decade of the 1980s and beyond: the problem of jobs, the problem of food, and the issue of absolute poverty.

Employment

As of this final year in the decade of the Seventies there are some 4.3 billion human beings on earth. Next year at this time there will be 74 million more. Tomorrow morning there will be nearly 200,000 more than there are today.

What are the implications of these numbers on the world's employment problem?

The International Labour Organisation (ILO) estimates that over the next two decades the global labor pool will grow by about 750 million people.

Two-thirds of that increase will be in the developing countries, and most of the individuals who will be seeking work in that period have already been born.

They are the legacy of the population growth rates of the recent past, and whatever may be done to moderate those rates over the next 20 years, the developing countries will be faced with an employment problem during the 1980s and beyond that has no parallel in history.

Each year millions of young pepole will enter a job market that has been able to absorb only a fraction of those who have preceded them.

But open unemployment—as immense as it is in the developing world—is only the visible surface of the job problem. Far more pervasive, and equally serious, is underemployment, with rates averaging an estimated 35% of the total labor force.

Over the past quarter century millions have left the countryside for the city in the search for jobs. The result has been that, while the populations in the developing countries have been doubling every 25 to 30 years, their large cities are doubling every 10 to 15 years, and the urban slums and shantytowns in these cities every 5 to 7 years.

In a single generation these cities have absorbed over 550 million people, roughly half through natural increase, and half through migration. Today a total of some 760 million persons live in these sprawling urban centers.

Over 250 million of them live in slums or squatter settlements, without adequate access to minimal nutrition, clean water, health facilities, primary education, public transport, and other fundamental services. These are the urban absolute poor, and their numbers are growing by 15 million a year.

The pressures on the municipal administrations and the national governments are already enormous. What will the strains become as the cities explode in size over the next two decades? By then, three out of every four Latin Americans will live in a city, and one out of every three Africans and Asians.

Thirty years ago only one city in the developing world had 5 million people living in it. By the year 2000 there will be 40. Eighteen of these cities will have 10 million or more inhabitants. One may well have three times that number.

From a practical point of view, governments in the developing world today have little capacity to control urbanization. It proceeds inexorably, and at present it is happening more rapidly than almost any major city can possibly cope with in an orderly way.

It is clear that the development of greater economic opportunities in the rural areas can slow the process. Here the opportunities are promising, though the task is immense in scope.

It has been demonstrated that when small-scale farmers have equal access to irrigation, improved seeds, fertilizer, credit, and technical advice, they have equal—or greater—productivity per hectare than large-scale farmers. And almost everywhere the small farmer uses more labor per hectare than the large farmer does. Small farms in Colombia, for example, use labor five times as intensively as large farms, and thirteen times as intensively as cattle ranches do.

Land reform, too—as difficult as it is to implement—is a powerful force for greater productivity and employment. Most developing countries that have substantially reduced rural poverty and underemployment have had effective land distribution programs.

But on-farm improvements alone cannot be expected to stem urban migration. The off-farm rural sector is important as well.

Off-farm activities in rural areas are a primary source of employment and earnings for approximately a quarter of the rural labor force in most developing countries, and a significant source of secondary earnings in the slack seasons for both small-scale farmers and landless farm workers. It is this group who supply the bulk of the migrants to the cities. And there are a number of ways in which their employment prospects could be improved in the countryside.

These include:

- Vocational training programs to upgrade skills;
- Banking and credit schemes to provide small amounts of capital to rural entrepreneurs;
- Research and technical assistance services;
- Investment in trading infrastructure to widen markets and improve access to materials and equipment; and
- Selected public works programs in depressed areas to provide short-term employment in the agricultural slack season.

But whatever can be done to increase employment in the countryside both on and off the farm—and a great deal can be done—migration to the city is going to continue, and the massive underemployment problem there must be faced and dealt with directly.

How?

The honest answer is that no one really knows yet.

The usual policy prescriptions—expansion of small enterprises, more appropriate pricing systems, training programs—all have merit, but none of them is going to be adequate in the next decade or two in the face of the stark demographic realities.

We know *what* must be done in the cities. We do not know the most effective way to *do* it.

What must be done is clear enough:

- Productive employment opportunities must be created at much lower capital costs; and
- Programs must be developed to deliver basic public services to the masses of the urban poor on a gigantic scale, and at standards which the economy can afford.

The emphasis on low capital investment per job, and low-cost standard services affordable by poor households is the key to the solution.

The basic concept is to provide the poor with access to productive assets and improved technology by removing the distortions that favor capital-intensive production: very low interest rates, for example, and excessively high wage rates.

The emphasis on affordability of essential services is to ensure that these programs are financially replicable on the large scale that is needed.

And that scale is not merely large. It is massive.

Consider the item of housing alone.

Of the 40 million families among the absolute poverty group in the urban areas, only about half have adequate shelter. At the present pace of urbanization, another 30 million units will be required if decent shelter is to be available to all poor families by the end of the century.

The investment and operating costs for such a goal are enormous: some $215 billion (in current prices) over the next twenty years, even if the standards are kept quite modest.

No government in a developing country can undertake an immense program of public housing lightly. The experience thus far is not very reassuring. Too often such programs are costly and inefficient; too often they turn into a perpetual subsidy; too often they are not adequately maintained and degenerate into slums; and what is most depressing of all, too often so-called low-income public housing is too expensive for the poor and ends up being middle-income housing.

Surveys indicate that up to 70% of the poor cannot afford even the cheapest housing produced by public agencies. Experience suggests that a more effective approach is to upgrade and improve existing slums, and provide basic sites and services for new settlements.

But the problem of housing, and the problem of urban migration, and the overall problem of employment itself do not begin to exhaust the development agenda that lies ahead in the Eighties and beyond.

Let us look for a moment at a related problem—the issue of food.

Food Enough for Everyone

As millions of people in the developing world move from the countryside to the cities, the food production system in these countries will have to undergo a quantum change. It will have to make the transition from a largely subsistence system to a high-productivity system that can yield a significant surplus for the burgeoning cities.

It is, after all, agriculture that makes cities possible in the first place. Cities do not grow food. Countrysides do. And unless countrysides—somewhere—grew a surplus of food, cities would have none.

The countrysides that are growing most of the surplus grain today are not in the developing countries at all. They are in North America, which has recently become the granary of the world.

North America provides fully 80% of all grain exports. But most of this grain is grown under rainfed conditions. A series of poor harvests in North America—always possible given the vagaries of weather—could mean that much of the world might suddenly be in jeopardy.

A major structural change has taken place in the pattern of the world grain trade. It may well result in the poorest developing countries simply being priced out of the market by other grain-deficient nations that are relatively better off financially.

Middle-income developing countries, the Organization of Petroleum Exporting Countries (OPEC), the Soviet Union, and other nations are now the principal customers in the international grain market, and are likely to become even more so in the years to come.

According to detailed analyses currently under way, we estimate that, with a continuation of present trends in agricultural production, the developing countries will not be able to meet their caloric requirements at the end of the century without a tripling of cereal imports to a level of 90-100 million tons per year.

It is problematical whether the food-surplus nations in North America and Oceania could generate exportable surpluses of those magnitudes at suitable prices. And it is questionable whether many of the developing countries could finance a high level of imports.

What do these projections imply?

They imply that developing countries must produce their own food to a much larger extent in the future. There is no other way that they can be sure of adequate supplies.

To achieve that goal, they will have to make more efficient use of resources already available to them. Future increases in food production in the developing world are going to have to come largely from increased yields per acre, rather than from any rapid expansion of land, and this means a significant increase in the supply of agricultural inputs.

Water is by far the most critical resource for agriculture. It has contributed decisively to the increase in agricultural output in the developing countries in the last two decades. But this resource is clearly not available in an unlimited supply. In many areas it is becoming scarce as agriculture becomes more intensive. It must be husbanded carefully, and used efficiently.

By reducing the waste that occurs, the quantum of water available for irrigation could be substantially increased. The vast Indus River System, for example, loses some 60 billion cubic meters of water every year at the village level through seepage and evaporation. This is more than two-thirds of the entire annual flow of the Nile.

This kind of waste-reduction program would require improved on-farm management of water, and would involve millions of cultivators scattered over thousands of square miles. No new technology is needed for the efficient use of this resource. But what is required are local organizations and capital, a sensible pricing system, and a number of complementary inputs.

According to Bank, and Food and Agriculture Organization (FAO) studies, a program for increasing agricultural output by 3.5% per annum in developing countries would involve:

- An increase of 10% per year in the use of fertilizer;
- Expanding the area under the high-yielding seed varieties from the current 25% of the total cultivated area to at least 50%;

- Increasing the supply of irrigation water by a careful exploitation of available groundwater and the untapped potential of the large river systems;
- Expanding the arable land by no more than 1% a year—as compared to 2% in the past;
- Better research on multiple cropping and rainfed agriculture; and
- A greater effort to bring practical extension service to the small farmer.

Given these efforts, the developing countries could double their agricultural output over the next two decades. In combination with foreign sources of food (annual imports of 90-100 million tons by the end of the century), this could provide a minimally acceptable food supply.

But it must be recognized that such an agricultural production program would also cost a great deal—about $30 to $40 billion per year over the next two decades.

And so while it is true the developing countries will have to take the major initiative in improving their own agriculture, the financial resources required are clearly too large for them to manage alone.

They are going to need help from the international community.

Let me turn now to the issue of poverty.

Absolute Poverty

If we focus on the ultimate objectives of development, it is obvious that an essential one must be the liberation of the 800 million individuals in the developing world who are trapped in absolute poverty—a condition of life so limited by malnutrition, illiteracy, disease, high infant-mortality, and low life-expectancy as to be below any rational definition of human decency.

As I have argued before, this requires that the traditional growth approach be supplemented by a direct concern with the basic needs of the poor.

This is not a prescription for global philanthropy. Nor should it confuse means and ends, and rule out means that may be necessary to achieve the objective—industrialization, for example, or investment for economic infrastructure. Nor should it treat merely the symptoms rather than the causes of poverty.

Such gross oversimplifications can bring the very concept of an attack on poverty into disrepute. And they often have.

To being with, a poverty-oriented approach must be country-specific; it cannot be global. The areas of intervention will differ country by country. Basic needs may not be met in one society because it is not allocating sufficient resources for their production or importation. They may not be met in another society because it has done little to improve the efficiency of a delivery system.

The relative importance of the areas of policy intervention can be determined only after a careful analysis of specific country situations.

What a poverty-oriented approach offers is not a substitute for economic growth, but an alternative way of achieving that growth through raising the productivity of the poor. The main point is this: a targeted, poverty-oriented approach can eradicate or reduce absolute poverty in a shorter period of time, and with fewer resources, than the more conventional growth-oriented approach.

Very few of the low-income developing countries have the resources, even with external assistance, to meet all the basic needs of the absolute poor in their societies simultaneously. Priorities obviously must be established, and target groups must be identified.

If choices are to be made—as they must be in many poor conutries—education, nutrition, and water programs emerge as the high-priority elements in most country studies. And females, and children under five, appear to be the most important target groups in this effort.

But, as always, circumstances do differ in various societies.

What is important is that our collective response to the task of substantially meeting the basic needs of the absolute poor by the turn of this century should be translated into two practical results:

- The attack on absolute poverty should be integrated as a key element into national development plans, with the specified priorities and institutional changes that this requires.
- And the international community should give sustained financial and technical support to these specific efforts.

* * * *

These, then, are some of the major development challenges that are going to confront us all in the Eighties and beyond.

In the final analysis, all of them are linked. And it is clear that to make progress in solving these problems is going to require an environment of economic growth.

It is precisely the relationship between economic growth and these development issues that constitutes the real rationale for establishing economic growth targets, and for examining the factors that affect those targets —particularly capital flows and expansion of international trade.

Let me turn now to a discussion of the outlook for economic growth in the Eighties, and the external support required to achieve that growth.

IV. APPROACHES TO A NEW INTERNATIONAL DEVELOPMENT STRATEGY

What are the growth prospects for the developing countries in the 1980s?

We have examined a number of alternative growth scenarios in the Bank. The point of such projections, of course, is not to attempt to predict statistically what will actually happen, but rather to illustrate the range of policy choices that need to be considered in the effort to accelerate the current pace of development.

Realism dictates that we should begin with the rate of growth that has in fact been achieved over the past decade—roughly 5.2% for the developing countries as a whole—take into account current trends and recent economic events, and in the light of reasonable assumptions, try to determine what an achievable set of goals for the 1980s might be.

The Base Case in Table V exemplifies that. It illustrates a set of projections that appear attainable, but only if a very determined effort is made by the developing and developed countries alike.

If that effort were made—and it is a very considerable one—the annual GDP growth of the developing countries as a group would average 5.6% in the 1980s, up from 5.2% in the 1970s.

5.6% may appear to be an overly modest—even timid—growth projection. It is not. It depends, in fact, on some very bold assumptions: a major economic recovery of the OECD nations; a vigorous mobilization of domestic resources throughout the developing world; a substantial increase in the growth of manufactured exports from developing countries; and rising capital flows from the industrialized nations.

Table V—Development Prospects of the Developing Countries
(Growth rates: percent per annum)

	1970-80 (Estimated Actual)	Projection for 1980-90 (Base Case)
I. Growth Prospects of Developing Countries		
a) GDP		
Low-Income—Africa	3.0	3.8
—Asia	4.2	5.0
—All Low-Income	4.0	4.8
Middle-Income	5.5	5.8
All Developing Countries	5.2	5.6
b) Per Capita GDP		
Low-Income—Africa	0.3	1.0
—Asia	2.0	2.8
—All Low-Income	1.7	2.6
Middle-Income	2.9	3.4
All Developing Countries	2.8	3.3
c) Sectors		
Agriculture	2.7	3.0
Industry	6.2	6.2
Services	5.6	6.0
II. Assumptions about External Environment		
a) GDP of Industrialized Countries	3.4	4.2
b) World Merchandise Trade	5.9	6.0
c) ODA	3.3	3.6
d) Private Capital Flows	7.3	3.9
III. Assumptions about Domestic Action in LDCs		
a) Gross Domestic Investment	6.2	6.5
b) Gross Domestic Saving	5.0	6.7
c) LDC Merchandise Exports	5.7	6.5
Manufactures	10.0	11.1
Primary products	4.2	3.3

To put the matter in sharper perspective, the attainment of 5.6% GDP growth over the next decade would require:

- That the poorest developing countries grow at nearly 5% a year compared to 4% in the previous decade;
- That agricultural production in the developing world increase by at least 3% a year;
- That roughly 27% of the incremental income in the developing countries be saved and reinvested;
- That Official Development Assistance—despite growing restraints on government expenditures in OECD countries—increase, in real terms, at rates higher than in the last decade;
- That recovery in the OECD nations provide an average growth of 4.2% a year over the next decade, as compared with 3.4% in the Seventies, and 2.2% forecast for 1980;
- And that manufactured exports from the developing countries grow at 11.1% a year, despite the short-term adjustment problems and the rising tide of protectionism in many OECD countries.

Now, to achieve all that would obviously require some very major changes in current policies and economic trends, and a return to the more favorable conditions of the 1960s.

Some observers might well argue that such changes are at the outer limits of what is realistically attainable over the next ten years. Clearly, changes of this magnitude raise a number of serious policy questions that the developed and developing countries alike must face candidly if any meaningful international development strategy is to be agreed upon and supported. Policy questions such as these:

- Will the developing countries take the necessary policy actions to accelerate their agricultural growth rate in the 1980s to 3% when it has never averaged higher than 2.7% in the previous two decades, despite both national and international efforts to raise it?
- Will they be able to save and reinvest more than a quarter of their additional output during the 1980s?
- Can the poorest developing countries, containing most of the world's absolute poor, achieve GDP growth rates nearly 25% higher than in the last decade? Can they generate the institutions, mobilize the managerial skill, and motivate the entrepreneurial drive required for such rapid economic growth and the associated structural change?
- Will the OECD nations act to increase Official Development Assistance—in real terms—at a faster pace in the 1980s than they did in the 1970s?
- Will the private capital flows from the developed nations increase in the future at an adequate rate as in the 1970s, despite the growing concern about rising debt service?
- Will world trade, in the face of the continuing threats of recession and trade protectionism, expand in the 1980s at a more rapid rate than in the 1970s, thereby making it possible for the manufactured exports of developing countries to secure a more reasonable share of the market?
- And, finally, can the growth rates of the OECD nations in the 1980s be raised substantially from their present depressed state and thus

provide the basis for the necessary expansion of trade and financial assistance?

Simply posing such questions points up the need for serious policy analysis of these issues if the deliberations for a new development strategy are to succeed.

It is clear that the policy asumptions underlying the Base Case—if they can in fact be turned from assumptions into realities in the course of the 1980s—would significantly benefit many of the developing countries.

That is particularly true of those middle-income countries which are well on the way to an efficient and export-oriented industrial sector; which are making serious efforts to limit their population growth; and which have undertaken effective land reform measures.

And yet the fact remains that an overall 5.6% growth target—as arduous an effort as it would require—would still fall far short of what is desirable in terms of results in the developing world: not enough food would be grown; not enough new jobs would be created; and not enough personal income would be generated.

Further, the 5.6% growth target has discouraging implications with respect to reducing poverty significantly by the end of the century.

The projections suggest that some 600 million individuals would remain trapped at the very margin of life in the year 2000.

Now, that is simply not acceptable. And yet, it confronts us all with a serious dilemma. If we were to propose a substantially higher overall growth target for the 1980s—say 6.6%—and if we were to postulate all the necessary assumptions in the international economy that would make that level of growth possible, then we could in fact project a much more acceptable decline in absolute poverty by the end of the century.

Under such a High Growth Case, the projections suggest that the current total of about 800 million absolute poor could decline to some 470 million by the year 2000.

But the dilemma consists in this. It does no good whatever to propose international growth targets—and all their underlying assumptions—that have virtually no possibility at all of being achieved. That merely erodes the credibility of such strategies, and guarantees disillusionment and frustration within the international community, and skepticism and weariness in national legislatures and their constituencies.

Let us be candid. Given current global economic conditions, and the impact of recent events, it is going to be very difficult to achieve even the much more moderate growth assumptions implicit in the so-called Base Case.

Indeed it is entirely possible to visualize a less satisfactory case for the 1980s—with the developing countries as a whole achieving perhaps only 4.8% growth. The impact of such a set of projections, which unhappily are not at all wholly improbable, would yield even less acceptable results in reducing absolute poverty.

As is indicated in Table VI, such projections suggest that as many as 710 million individuals would still be trapped in those deplorable conditions.

Table VI—Levels of Absolute Poverty Under Alternative Growth Rates, Year 2000

	Base Case (5.6% Growth)		High Case (6.6% Growth)		Low Case (4.6% Growth)	
	Millions of Absolute Poor	Percentage of Population	Millions of Absolute Poor	Percentage of Population	Millions of Absolute Poor	Percentage of Population
Low-Income Countries	440	22	340	17	520	26
Middle-Income Countries	160	10	130	8	190	12
All Developing Countries	600	17	470	13	710	20

Now, what are we to do in the face of this dilemma?

The first thing we must do is be realistic.

Absolute poverty is not going to be significantly reduced in an acceptable time frame by the growth rate alone—whatever that rate may turn out to be.

Growth is absolutely essential, and every effort must be made to increase it in the developing societies. But while a necessary condition for reducing poverty, growth is not in itself a sufficient condition. It is naive to assume in any society that absolute poverty will automatically melt away simply because the gross national product is rising.

What is important to understand is that the growth rates by themselves —even the most ambitious ones—cannot possibly reduce absolute poverty as rapidly as it should be.

That requires, in addition to growth, specific and targeted programs. Throughout the Seventies, in a series of UN sponsored world conferences, the international community committed itself politically to improving the quality of life in the developing societies by providing to every individual primary education, basic health care, clean water, sanitation, and adequate nutrition.

The development efforts of the Eighties must turn these now agreed-upon political commitments into practical programs of action.

Within the international framework of a development strategy for the Eighties, individual developing countries must develop their own plans of action to provide specific improvements in the standard of life of the absolute poor in their societies in a stated planning period of 5, 10, or 15 years.

It is only such concrete programs on the national level that can translate international intent into actual improvements in the lives of individuals, and that can provide the realistic basis for assessing the type and volume of external assistance required.

Most of this effort will, of course, have to come from the developing countries themselves. In dealing with the critical development problems, it is clear that no amount of outside assistance from the international community can substitute for determined internal efforts by individual developing societies.

Those efforts are absolutely essential. Nothing can be achieved without them.

But it is also true that these internal efforts must be matched by greater assistance from the international community if the development task is to succeed.

That assistance will be required in a number of interconnected actions. Let me consider briefly some of the principal ones.

Official Development Assistance

To achieve GDP growth rates in the poorest developing countries in the 1980s higher than those in the Base Case, ODA must increase at a rate faster than GNP growth in the OECD nations. The High Case assumes ODA growth at 6.7% per year, which is double the present growth rate. At that rate, by 1990 ODA would amount to .39% of OECD GNP, as compared with .33% at present. But this, of course, cannot be realized—and hence the accelerated economic growth in these countries cannot be achieved—unless the major donors substantially increase their contributions: especially the United States (presently at .22% of GNP), Japan (at .25%), and Germany (at .32%).

As shown in Annex I, the current indications are that in relation to GNP, the United States will not increase its contributions at all during the period covered by the projection (1979-85), and that Japan and Germany will increase theirs by only three one-hundredths of a percentage point.

Private Capital Flows

It is essential to the development prospects of the middle-income countries that private capital flows increase in the 1980s at rates close to those of the 1970s. But it is far from certain that this will happen.

There will be increased competition for private funds from the OECD countries as their economic recovery gains momentum. And even more important, the private banks, already heavily committed in a number of developing countries, may be reluctant to expand further at the rate required to support the growth which these countries are capable of achieving.

What may be needed are new institutional arrangements for dealing with unexpected liquidity crises; a broader role for the International Monetary Fund in dealing with short-term balance of payments emergencies; and greater flexibility for the World Bank in providing long-term finance. These were the subjects of yesterday's Development Committee meeting, and they must continue to receive our attention.

World Trade Expansion

Further, as I have noted earlier, any improved growth pattern is going to require a continued healthy expansion both in world trade at large and especially in the manufactured exports of developing countries.

This clearly cannot happen unless the OECD countries succeed in re-establishing patterns of steady growth and high levels of employment, and unless the current surge of protectionism is effectively opposed.

I addressed this issue in detail at the United Nations Conference on Trade and Development (UNCTAD) in Manila earlier this year, and pointed out the heavy economic penalties that trade protectionism imposes on the developed and developing countries alike. But as I emphasized then—and want to reiterate here—the task of improving the world's trade environment will not end with the signing of the Tokyo Round treaty. It will only begin.

There is an unfinished agenda that needs serious attention. The developing countries still have a number of legitimate and urgent concerns.

These include:

- Rolling back and dismantling the non-tariff barriers already in force, especially the existing quotas on textiles and footwear;
- Further tariff cuts for LDC exports that are being exempted from average cuts in the current round; and
- The coverage of items excluded from the Tokyo Round discussions, such as intra-firm trading of multinational corporations, trading between state-owned enterprises, and trade in services.

The point is that the liberalization of the world trade environment must be a continuous process.

We must consider how we can move more quickly and systematically towards a more equitable international trading system, and a more open charter for world trade.

Growth in OECD Nations

The Base Case assumes a major recovery of the momentum of growth in the OECD nations. Without it the prospects of the developing countries themselves are severely limited.

The truth of the matter is that the economic fortunes of the developed and developing countries are more and more intertwined in our increasingly interdependent world.

The growth of the developed countries will be restrained if the incomes —and hence the markets—of the developing countries fail to expand.

And if economic growth and employment levels continue to be depressed in the industrialized nations, these societies will be reluctant to open up their markets, and to offer greater assistance to the developing countries.

During the coming decade the industrialized nations may face much the same choices as they did during the depression era of the 1930s: either to turn fearfully inward in self-defeating efforts to preserve narrow privilege, or to look courageously outward and assist both themselves and the less advantaged to become productive partners in an expanding international system.

As I have pointed out, the realities of interdependence are inevitably forging a new world order, but the institutional arrangements and policy actions to deal with it lag far behind.

Finally, we must remind ourselves that there is no special magic connected with any aggregated economic growth target for the developing countries, be it 5.6%, or any other number.

International consideration of such targets is valuable only to the extent that it leads to a policy dialogue on the issues and assumptions that underlie it.

That is the sort of dialogue that we need, and at a minimum that analysis ought to deal with the development tasks for the 1980s that are clearly fundamental: population growth, employment creation, food production, reduction in absolute poverty, the energy issue, and the necessary structural changes both within the developing countries, and between them and the industrialized nations.

Every one of these problems is urgent, and every one of them currently suffers from various degrees of postponement, temporizing, or delay.

This does not make their solution easier. It only makes it more difficult. Options close. Complications mount. Costs rise. And the penalties of procrastination multiply.

We must, then, get on with these tasks.

If an international strategy is to be at all operationally useful, it must provide a framework within which national programs for action can be developed. No matter how specific the strategy is—and at the international level it can never be very detailed—its ultimate success or failure depends entirely on the extent to which it provides useful guidance for feasible national action-oriented programs.

* * * *

To summarize this section, then, the formulation of a development strategy for the Eighties offers the international community a valuable opportunity to reconsider the fundamental objectives of development itself.

One of the principal frustrations of the North-South Dialogue thus far has been that it has become so bogged down in arguments over means that it has tended to lose sight of ends.

As I have pointed out before, what is needed most of all is a basic understanding among the parties as to:

- The nature and magnitude of the current development problems;
- The action required to address them;
- The relative responsibilities of the parties for taking such actions;
- And the costs and benefits to each of doing so.

The preparations for the new international development strategy—which will benefit from the Report of the Brandt Commission scheduled for the end of this year—provide a context to pursue that basic understanding.

Such an understanding is all the more necessary because we simply do not yet possess the same instruments of implementation at the international level which are available—and taken for granted—at the national level.

There is obviously no global planning system, no world treasury based on international taxation, and no central budgeting machinery to allocate governmental financial resources.

It is possible—even likely—that some of these institutions will eventually evolve. Certainly the realities of our increasing interdependence ought to move us all towards less arbitrary and hopefully more rational management of global resources.

In the interim we must shape and improve the institutions and the system we have as wisely as we can.

Let me, then, turn to a consideration of how the Bank itself can best assist the international community in coping with the development problems of the 1980s.

V. THE WORLD BANK IN THE 1980s

The Bank enters the 1980s with a solid financial base for planning its operations in the years ahead. During the current fiscal year over 300 operations are expected to be approved involving total Bank Group commitments of about $11.5 billion. Disbursements should reach nearly $6 billion. Although the scale of operations in subsequent years remains tentative, and is subject to possible revision as cirumstances change, the following figures indicate the dimensions of our current work plans for the five-year period FY79-83, as compared to actual results for previous five-year intervals.

Table VII—World Bank: New Financial Commitments and Net Disbursements by Five-Year Period
(Billions of dollars)

	FY64-68	FY69-73	FY74-78	Working Plan FY79-83
New Commitments				
IBRD	4.3	8.9	24.4	42.5
IDA	1.3	3.9	7.9	19.0
IFC	0.2	0.6	1.2	2.6
Total—Current $	5.8	13.4	33.5	64.1
—Constant FY79$	21.0	28.2	40.9	56.7
Net Disbursements				
IBRD	1.7	2.9	8.4	18.6
IDA	1.3	1.4	5.3	10.1
IFC	0.1	0.3	0.8	1.5
Total—Current $	3.1	4.6	14.5	30.2
—Constant FY79$	10.0	11.8	19.5	26.4

When I drafted my address for today, and released the text to the printers, I stated at the outset of Section V—the section that deals with the work of the World Bank itself—that the Bank is entering the 1980s with a solid financial base.

And I want to emphasize that a great deal of progress has been made in this matter recently. On June 28 the Executive Directors approved the $40 billion General Capital Increase and recommended it to the Governors, and the negotiations for the Sixth Replenishment of the International Development Association have been going very well.

But after the text of my address, was printed, the U.S. House of Representatives passed an amendment to the legislation appropriating funds for the Fifth Replenishment of IDA that precludes the use of U.S. funds for certain purposes—specifically, for loans to Vientam, and a number of other countries.

Under these circumstances, our Articles of Agreement would prohibit the Bank from accepting the funds. And in the absence of the U.S. contribution the Bank is specifically prohibited by the terms of the IDA agreement from using funds of any other donor. In such a situation the Bank would be forced to stop IDA operations immediately.

The blunt truth is that if this amendment is finally enacted into law, the Congress literally will have destroyed the largest single source of economic assistance to the one and one quarter billion people living in the poorest developing nations.

I cannot believe that the United States—itself the principal founder of the International Development Association—wants to do that.

But the fact is that it is on the way to being done.

And the only relevant question now is: how do we deal with this crisis?

It is clear that we must have the support of all our donor countries in this issue. I am grateful to President Carter for his assurances that the U.S. Administration will do all that it can to assist in the solution of the problem. And I will be giving my priority attention to this matter until it is solved.

Certainly for the sake of those who suffer the greatest deprivations of all, the problem must be solved. I repeat: I cannot believe—I do not believe—that the United States wants to turn its back on the more than one billion people in the poorest countries of the developing world.

These plans reflect the fact that in late June the Executive Directors agreed to recommend to the Governors a $40 billion general increase in the International Bank for Reconstruction and Development's (IBRD) capital, thus providing an assured basis for continued real growth in lending over the next several years.

Further, I am optimistic that during our meeting here in Belgrade there will be agreement on the Sixth Replenishment of the International Development Association (IDA) sufficient in size to ensure a substantial real increase in commitment authority over the next three years.

There is, of course, an important agenda still to be completed in these two matters. But as an institution we are moving into the difficult decade of the Eighties, confident that we can build on our experience and the progress achieved in the Seventies, and that we can continue to innovate and adapt our policies to the tasks that lie ahead.

Before I discuss those tasks in more detail, let me stress a general point. Increasingly the developing countries are looking to the Bank as their main source of external assistance. I believe, therefore, that over the next two years we ought thoroughly to reexamine our role in the development process in order to ensure that the Bank is meeting the evolving needs of our members, and to see if we can better provide the full range of services implicit in our mandate. In such a reexamination, none of our programs or policies ought to be regarded as carved in stone. It is our mandate to promote development which is permanent, not the tools we use to implement it.

Now let me turn to what the Bank is doing—and plans to do—to help solve some of the problems that I have been describing.

Let me begin with the issue of population.

Population

The World Bank has been responding to the population issue in the developing member countries in three broad ways: by fostering an awareness of the critical importance of realistic population planning; by financing activities that directly and indirectly lower fertility; and by supporting research to better understand the determinants of fertility.

Population sector studies providing general guidance for country programs have now been completed for 15 countries, containing one-third of the population of the developing world. Over the next five years an additional 11 countries, with 20% of the population, will be covered.

The population projects financed by the Bank provide a broad range of support for national population programs. They include such components as organizational and administrative assistance to strengthen institutions; population education; motivational programs promoting smaller family size; integrated health and family-planning systems; and many others. Over the next five years we plan to finance at least twice as many population projects as in the past five-year period.

We recognize, of course, that family-planning efforts need to be supplemented by actions which promote socio-economic progress. The Bank has long been committed to the support of projects which directly improve the productivity, and hence the welfare, of the poor. Such investments have been concentrated in the agricultural sector and are, of course, also of critical importance in meeting the food requirements of member countries.

Food

The Bank now is by far the largest single source of external funding for agriculture in the developing world, particularly for food production. We currently make available over 40% of all official external assistance to the sector.

Over the past five years the Bank has directly provided about $12 billion for agricultural development, financing projects with a total cost of about $30 billion, and representing 15 to 20% of the total public investment in agriculture.

Over 75% of this investment has been directed towards increasing food production.

We expect that in the early 1980s Bank-financed projects will contribute up to a fifth of the annual increase in food production in our developing member countries.

In accord with this emphasis on agriculture and expanded food output, the Bank over the past five years has:

- Provided about $1.5 billion of technical and financial support for fertilizer manufacturing projects—projects which will account for a third of all incremental fertilizer production in developing countries in the 1980-85 period;
- Invested approximately $6 billion in irrigation systems, which represents one-fourth of the total worldwide public investment in irrigation in developing countries;

- Financed nearly a fifth of the total investment in rural road networks —in effect, building a rural road network larger than the entire interstate highway system of the United States; and
- Chaired and given financial support to the Consultative Group for International Agricultural Research, which provides the funding for the international agricultural research system; and in addition invested $160 million in the development of 13 national research programs.

The next decade will require a continued strengthening of these programs.

We estimate that the Bank will provide $20 to $25 billion for agricultural investment during FY79-83, and that this will support a total of over $50 billion worth of projects and programs.

Thus, the Bank's projects will continue to provide at least 15 to 20% of total public agricultural investment in the developing countries during the 1980s.

The Bank will also be prepared to provide technical and financial support to governments that seek to develop specific national plans to overcome their food problems.

In addition to this direct assistance for increasing food production in the developing countries, the Bank is considering how food security programs, based on decentralized storage systems, can be designed to assure adequate prices to farmers, to reduce the substantial amounts of post-harvest losses, and to strengthen the internal distribution systems against the threat of adverse weather conditions.

Reducing Absolute Poverty

The investments the Bank has helped to finance in the rural sector over the past five years are expected to raise the incomes of some 60 million of the poorest individuals in the developing world. That has been the central thrust of the Bank's effort to help reduce absolute poverty—and will continue to be so.

Today, however, I want to emphasize the important complementary activities undertaken by the Bank which reinforce our direct efforts to increase productivity. And I want to cite two important sectors in particular: water supply, and health.

The Bank began to lend for water supply and waste disposal in the early 1960s, but prior to 1970 such projects were directed almost exclusively toward meeting the water supply requirements of major cities—often the capitals—in the developing countries. In the early 1970's in accord with the strategic considerations spelled out in my address at our meeting in Nairobi, this lending began to be shaped not only as an important contribution to infrastructure, but as a vital public service which if directed toward the absolute poor could have a major impact on their lives. In the past four years, therefore, over half of the water-supply loans have included funds for such purposes.

The linkages to productivity and better standards of living are immediate. In the past the productive potential of poor households, and particularly of the women in these families, has been severely reduced by the time and energy spent in obtaining sufficient quantities of water to meet essential needs. In many rural areas, drawers of water—mostly women—have to walk one to five miles to reach the nearest source. And unclean water and inadequate waste disposal are among the chief causes of illness and death, particularly among infants.

Strategies to assist the poor to improve their health are critical both to their quality of life and to their enhanced productivity. Over the past four years, the Bank has experimented with the financing of health components in projects in other sectors.

On the basis of that experience, it has now been agreed the Bank should initiate a full program of technical assistance and lending in the health sector itself.

While dealing with these fundamental development problems—population, food production, and the alleviation of absolute poverty—the Bank must, of course, take account of those changes in the world economic environment that can have a major impact on the ability of the developing countries to sustain reasonable rates of economic growth. In the decade of the Seventies, no single issue has loomed larger than the sharp increase in the relative price of energy.

Meeting Energy Needs

The oil import bill of developing countries rose from $4 billion in 1972 to $26 billion in 1978, and we estimate it will be about $42 billion in 1980. This has dramatically affected the economics of energy supply, increasing the incentives for exploiting known energy resources in developing countries and for intensifying resource exploration and pre-investment activity.

In view of this situation we examined the prospects of 78 non-OPEC developing countries with a potential for oil and gas production. Only 23 of these are now in production and in most cases the output is small. Provided that sufficient resources can be made available—on the order of $12 billion per year—these 78 countries should be able to increase their oil production by some 3 million barrels per day, and their gas production by some 1.2 million barrels per day oil equivalent by the end of the 1980s, thereby saving some $30 billion in import costs.

This, in addition to the planned trebling of their hydroelectric generation and a doubling of their coal production during the same period, would constitute an important contribution to the expansion of global energy supplies.

The question is: will the necessary financing be available?

To help ensure that it will be, the Bank has recently launched a five-year energy program.

Our tentative plans are to:

- Gradually expand our petroleum lending to $1.2 billion per year by FY 1983—financing, annually, oil and gas exploration and production projects with a total cost of over $4 billion, and representing roughly a third of the total investment requirements of our developing member countries in this sector;

- 60% of this lending program for oil and gas will be in the poorer countries;
- 40% of this lending program for oil and gas will be for such activities as surveys, exploratory drilling, and project preparation;
- Assist up to 40 countries during FY78-83 in evaluating and updating data from earlier geological surveys, or in commissioning new surveys; and
- Undertake sector work in about 15 developing countries each year to help establish their energy requirements and production potential, and to assist in preparing national energy plans.

Of course, our role in this field is to be a catalyst: the bulk of external funding must come from other sources. But the response of the Bank in this difficult area illustrates the kind of flexibility that we must ensure in our policies if we are to help meet the changing needs of the developing world.

Financing Structural Change and the Adjustment Process

The increase in energy prices is only one example of the changes in world economic conditions that affect the external financing prospects of the developing countries. As I emphasized earlier, the deteriorating outlook for growth in the industrial nations threatens to compound the problems facing the developing societies. It puts an additional premium on the rapid adjustment of each country's pattern of production to its evolving comparative advantage.

As a group, the developing countries need to increase their manufactured exports by 11 to 13% a year in the 1980s in order to be able to finance reasonable GDP growth rates. This will call for difficult structural adjustment internally, especially given the prospects of slower growth and the threat of rising protectionism in the developed nations.

These difficulties are going to be compounded by the recent increases in oil prices which will add about $14 billion to the current account deficits of the oil-importing developing countries in 1980.[a] The necessary adjustments will take time and countries willing to take hard decisions will need external help to support the adjustment process.

In my address to UNCATD this year, I urged the international community to consider sympathetically additional assistance to developing countries that undertake the necessary structural adjustments. I indicated that I was prepared to recommend to the Executive Directors that the Bank consider such requests for assistance, and that it make available additional program lending in appropriate cases. Particular attention needs to be given to the possibility of providing assistance to countries before they get into acute balance of payments difficulties.

Supporting Private Capital Flows

As in the case of energy financing—where the Bank's role is essentially

[a]The current account deficits of the oil-importing developing countries are estimated to total approximately $50 billion in 1980, compared to $23 billion in 1978 and $5 billion in 1972.

catalytic—the direct assistance we can make available from our own resources to member countries which face mounting external capital requirements is, of course, limited. The bulk of the external finance, especially for the rapidly industrializing middle-income countries, must continue to come from commercial banks and private direct investors.

Over the next few years the financing requirements of the developing countries can be met—in a manner consistent with reasonable rates of growth—only if the private markets succeed in recycling funds to these countries on a scale even larger than in the past. These needs simply cannot be met by Official Flows alone. And there is considerable uncertainty about the ability of the commercial banks to supply the necessary funds. Their very success in the recycling job of the past few years has greatly increased their holdings of developing country debt, and it is unclear whether those holdings can be further increased sufficiently to meet the new requirements.

The Bank has sought to support flows of private capital on reasonable terms through its own direct lending, through co-financing operations with commercial banks and—perhaps most importantly—through its efforts to promote in individual countries strategies of development which are realistic and sustainable. And because major uncertainties cloud the outlook for the future volume of commercial bank lending to the developing countries, we will monitor closely the level of total financial flows and, if they appear inadequate, we will work with the International Monetary Fund and other agencies to devise new approaches.

Contribution to the North-South Dialogue

Let me touch, finally, on the Bank's expanding role in preparing analyses of international issues affecting the developing countries.

Because of the more than 30 years of experience that the Bank has acquired in economic work in developing countries, and the resources of its international staff, it has a unique capacity to analyze in an objective fashion the implications of the growing interdependence between developed and developing countries. In Manila earlier this year, I addressed certain aspects of interdependence in trade in manufactured goods. The type of analysis presented there can be, and will be, extended and deepened in the period ahead. But—and this is the point I want to stress—there are many other aspects of interdependence that require careful, professional analysis.

As you know, we have already undertaken the preparation of the World Development Report on an annual basis. The first two Reports have analyzed the development prospects and problems of low-income and middle-income countries on the basis of alternative assumptions of their own domestic efforts, and of the international environment.

In addition to continuing to assess the growth prospects of the developing countries, each Report will concentrate on an analysis of one or two priority policy issues on the international agenda.

We hope through these means to make a useful contribution to the understanding of global development issues, and to the ongoing North-South Dialogue.

The World Bank is a major financial institution charged with the task of financial intermediation. But we are also a development agency with a vital role to play in assuring that adequate consideration be given to alternative policies for accelerating economic and social advance in the developing world.

This institution came to birth in a burst of innovation in 1944—at a time of unparalleled global disruption—with a bold belief in the creative principle of international collaboration.

The demands that the 1980s make on us may turn out to be even greater than those of the critical mid-1940s.

We need to be ready. I am confident that we will be.

Let me now summarize and conclude the central points I have made this morning.

VI. SUMMARY AND CONCLUSIONS

As the Seventies draw to a close it is important to try to learn what lessons we can from a period that has been so unexpectedly turbulent.

The principal goal adopted nine years ago by the international community in its official strategy for the Second Development Decade—the average 6% rate of growth target for the developing countries as a group —will not be achieved. At best, growth will not exceed 5.2% a year.

Further, there will be serious shortfalls in the subsidiary targets, particularly in LDC agricultural production, and in the level of Official Development Assistance from the OECD nations.

Moreover, the overall performance statistics obscure very significant differences between various groups of countries.

Income grew the least where it was needed the most: in the poorest countries, containing over half the population of the developing world. The economies of most of these nations, with hundreds of millions of their people already trapped in absolute poverty, scarcely advanced at all.

Now the international community is considering what sort of proposals it ought to adopt in its official strategy for the Third Development Decade.

Should it once again draw up a series of specific statistical targets for overall average performance by the developing countries, or should it approach the whole question of goals in some other way?

In the end, effective development strategies revolve essentially around policy choices. Quantitative targets may be useful to monitor progress once fundamental policy decisions have been taken, but targets themselves do not guarantee that the policies are appropriate.

It seems to me, therefore, that a more practical approach for DDIII planning would be to consider in detail the hard policy choices that the developing and developed countries alike are going to have to confront in the Eighties and beyond if fundamental development objectives are to be realized.

These policy choices will inevitably revolve around such immense and complicated problems as population growth, food production, employment creation, urbanization, reducing absolute poverty, and expanding international trade and financial flows.

All these problems are interconnected.

But our experience with them is beginning to reveal that the measures of the past are simply not going to be adequate in the decades that lie immediately ahead.

The truth is that structural changes of immense magnitude are going to be necessary if we are to make any significant headway against such problems.

In a way that is what the dialogue between the North and the South is fundamentally about, and I believe that the dialogue ought to involve itself fully with the formulation of any new agreed-upon strategy.

For its own part, the Bank is, of course, deeply engaged in all these fundamental development issues, but there is a great deal more it can and should do to assist its member countries to deal effectively with them.

Our recent initiative in the energy field—a sector we will give high-priority attention to in the coming decade—is an example of the flexibility we need in order to respond quickly and effectively to the changing needs of our developing member countries.

The Bank, together with all of the international development community, should look to the new interdependent world order that will inevitably evolve in the Eighties and beyond with the vision and courage and boldness that history is clearly asking of us all.

The options are closing, the easy answers are disappearing, the hard choices are becoming more insistent.

Procrastination and delay and inadequate effort in the face of these momentous issues can only bring the most severe penalties to those in the next century who will have to live with the consequences of the decisions we must take—and take soon.

It is an era in which we are learning that our natural resources must not be prodigally wasted.

But our most irrecoverable resource of all is time.

We must use the time we have. And we must use it now.

It will never return.

Flow of Official Development Assistance from Development Assistance Committee Members Measured as a Percentage of Gross National Product[a]

	1965	1970	1975	1976	1977	1978	1979	1980	1981	1982	1983	1984	1985
Australia	.53	.59	.60	.42	.45	.45	.45	.46	.47	.47	.48	.49	.50
Austria	.11	.07	.17	.12	.24	.27	.28	.29	.29	.30	.30	.31	.32
Belgium	.60	.46	.59	.51	.46	.55	.54	.58	.60	.62	.65	.67	.70
Canada	.19	.42	.55	.46	.50	.52	.46	.47	.47	.48	.50	.50	.50
Denmark	.13	.38	.58	.56	.60	.75	.69	.70	.70	.71	.71	.72	.72
Finland[b]	.02	.07	.18	.18	.17	.18	.20	.21	.21	.22	.23	.24	.25
France	.76	.66	.62	.62	.60	.57	.57	.57	.58	.58	.59	.60	.61
Germany	.40	.32	.40	.31	.27	.31	.32	.33	.33	.34	.34	.35	.35
Italy	.10	.16	.11	.13	.10	.06	.10	.10	.09	.13	.11	.10	.11
Japan	.27	.23	.23	.20	.21	.23	.25	.26	.26	.27	.28	.28	.28
Netherlands	.36	.61	.75	.82	.85	.82	.90	.93	.93	.93	.94	.95	.97
New Zealand[c]		.23	.52	.41	.39	.34	.30	.27	.27	.27	.29	.31	.33
Norway	.16	.32	.66	.70	.83	.90	.92	.94	.96	.97	.98	.99	1.00
Sweden	.19	.38	.82	.82	.99	.90	.93	.94	.95	.96	.98	.98	1.00
Switzerland	.09	.15	.19	.19	.19	.20	.21	.21	.22	.23	.23	.24	.25
United Kingdom	.47	.36	.37	.38	.37	.40	.39	.39	.40	.40	.40	.41	.41
United States[d]	.49	.31	.26	.25	.22	.23	.22	.22	.22	.22	.22	.22	.22
GRAND TOTAL													
ODA ($b-Nominal Prices)	5.9	6.8	13.6	13.7	14.7	18.3	20.7	23.0	25.7	29.0	32.7	36.7	41.3
ODA ($b-Constant 1979 Prices)	16.7	15.9	19.2	18.8	18.6	20.0	20.7	21.5	22.4	23.7	25.0	26.1	27.5
GNP ($t-Nominal Prices)	1.3	2.0	3.8	4.2	4.7	5.6	6.3	7.0	7.7	8.6	9.5	10.6	11.9
ODA as % of GNP	.44	.34	.35	.33	.31	.32	.33	.33	.33	.33	.34	.34	.35
Price Deflator[e]	.36	.43	.71	.73	.79	.91	1.00	1.07	1.15	1.23	1.31	1.40	1.50

[a] Historical figures through 1977 and preliminary estimates for 1978 are from OECD. Those for 1979-85 are based on OECD and World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements by governments. They are projections, not predictions, of what will occur unless action not now planned takes place.

[b] Finland became a member of DAC in January 1975.

[c] New Zealand became a member of DAC in 1973, ODA figures for New Zealand are not available for 1965.

[d] In 1949, at the beginning of the Marshall Plan, U.S. Official Development Assistance amounted to 2.79% of GNP.

[e] The deflator is the US$ GNP deflator which includes the effects of changes in exchange rates.

REPORT BY CESAR E. A. VIRATA CHAIRMAN OF THE DEVELOPMENT COMMITTEE

I have pleasure in making this report to the Boards of Governors on the work of the Development Committee. But before doing that, the Committee expresses its sincere appreciation to the Yugoslav Government for their most generous hospitality and for the excellent arrangements made in connection with their meeting.

Our Annual Report for the year ended June 30, 1979 has already been presented to you, so I will confine myself in these remarks in the main to the Committee's work since then.

The Committee met three days ago on September 30. Its discussions took place against the background of a serious and deteriorating economic situation. The current account deficits of the non-oil producing developing countries are increasing very sharply as a result of a significant deterioration in their terms of trade and in 1980 are likely to exceed $53 billion as compared with $21 billion in 1977. They are therefore faced with particularly serious problems of adjustment, and in many ways they are less able to deal with the situation than they were at the time of the economic crisis of 1974-75. The main focus of the Committee's discussion was therefore to examine how the international community could best assist them.

The Committee reached some important conclusions on this subject. First, the Committee was of the view that in dealing with the situation full use should be made of the existing international finance institutions and mechanisms and that the setting up of new institutions would not help the situation, at any rate at this stage. Members stressed the need to adapt the policies of the existing institutions to the new needs and to enlarge the resources at their disposal to the maximum extent possible. In this context, particular emphasis was placed on the speedy conclusion of legislative measures to effect the doubling of the capital of the World Bank, as well as the early implementation of the increase in quotas in the International Monetary Fund under the Resolution on the Seventh General Review of Quotas, on increasing the capital resources of the regional development banks, and the early conclusion of negotiations for the Sixth Replenishment of the International Development Association at a level showing a substantial increase in real terms.

The Committee then considered a number of specific suggestions by the Bank and the Fund for improving the capacity of the two institutions to help developing countries in the present situation. Accordingly, they endorsed the suggestion that the World Bank should be requested to consider a substantial increase in its program and sector lending and that the regional banks should also examine their lending policies to meet the new circumstances. This expanded program and sector lending would usefully complement the assistance for balance of payments adjustment provided by the Fund. They also endorsed the suggestion for the maximum possible use of co-financing—that is, the association of private commercial loans with loans from the multilateral development institutions. On the IMF side, the Committee fully endorsed the suggestion that the Executive Board should be asked to examine the possibility of extending the repurchase period of the extended Fund facility from eight to ten years, and of developing ways and means of lowering the interest cost for drawings made under the supplementary financing facility. These are, I believe, very significant steps whose implementation could be of substantial benefit to the developing countries.

The Committee welcomed the second World Development Report from the World Bank focusing particularly on the problems of the middle-income countries. They took note of the very large external capital requirements of these countries over the next decade to support a tolerable rate of growth and recognized that the main source of these funds would have to be the private sector. Speakers therefore stressed the need for all countries to pursue sound economic and financial policies which are necessary to attract such flows, and they reiterated the need for countries to avoid protectionist trade measures that would adversely affect the exports of developing countries.

Inevitably in an economic recession such as we are experiencing today it is the low-income countries which fare the worst. They are not in the main able to borrow at commercial rates of interest and they are critically dependent for their external capital requirements on the availability of concessional capital flows—that is, official development assistance (ODA). The Committee noted with concern the continuing decline in ODA flows from OECD countries expressed as a percentage of GNP and regretted that despite encouraging efforts by a few donors only a very modest growth is projected over the next few years. The Committee, while recognizing the difficulties facing some donor countries, stressed the importance of increasing the volume of ODA flows, particularly from those countries whose ODA represents a relatively low percentage of their GNP. The Committee also called for improvements in the quality of ODA, such as quick-disbursing assistance, the untying of aid, more local cost financing, and a greater concentration of ODA on the countries most in need.

The Committee gave further consideration to the problem of stabilizing earnings from the exports of developing countries. The recent improvements in the Fund's compensatory financing facility were unanimously welcomed, though a number of speakers considered that further measures such as a global STABEX scheme or a commodity window in the compensatory financing facility were desirable. Bearing in mind the difficulty of financing such measures, however, it was agreed to look at the problem again in a year's time in the light of the experience in operating the improved compensatory financing facility, the progress of negotiations on the setting up of a Common Fund for commodities, and a study of a complementary facility for export earnings stabilization which is to be undertaken in UNCTAD in cooperatiton with IMF staff.

A number of proposals were put forward for the Committee's future work, particularly in the light of the proposals by the Group of 24 endorsed by the Group of 77 for a Program of Action on International Monetary

Reform.[1] We shall be considering all these suggestions as a matter of urgency and I will then put some proposals to my colleagues in the Committee.

The Committee decided that, in view of the short period which had elapsed since the introduction in April of this year of new working arrangements, they would recommend that the review of the Committee which is due to be carried out in 1980 should be deferred to 1981. It should be understood, however, that the procedure for selecting the Chairman of the Committee in 1980 will not be disturbed by this deferment of the review. Draft Resolutions to this effect will be submitted to the Boards of Governors for their consideration.

As I have already said, the world economic situation is menacing and the outlook is somber. It is clear, however, that the problems of any one

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[1] *The Outline for a Program of Action on International Monetary Reform refers to the World Bank as follows, in Sections IV and V:*

. . . The developing countries require the formulation of a program of action with specific items in which solutions may be found within the framework of a general program of reform. The Ministers of the Group of Seventy-Seven at the meeting in Arusha, Tanzania, decided upon a substantial number of proposals. . . .

The Group of Twenty-Four has reassessed and elaborated upon these proposals within the context of the reform of the international monetary and financial system, and considers that the following should be given priority for immediate action. . . .

The Group of Twenty Four calls for an increase in program lending of the multilateral financial institutions to make it equal to at least 25 per cent of total loans, and stresses in this context that the lending programs of the multilateral financial institutions should become increasingly responsive to the overall priorities, and in particular to sectoral priorities, of the recipient developing countries. It also calls for the provisions of adequate local financing. . . .

The Sixth Replenishment of IDA should be effected without delay so as to result in a significant increase in real terms. The contributions to IDA come from a wider group of countries, provided that the additional contributions from new donors do not prejudice the increase in real terms of the contributions of the traditional donors.

All member countries should provide a substantial and effective increase in the capital base of the multilateral financial institutions so as to ensure that their commitments in favor of developing countries increase in real terms at a satisfactory rate consistent with the needs of these countries. In this connection, the Group of Twenty-Four urges early approval and acceptance by all member countries of the capital increase of the World Bank of the equivalent of $40 billion and the prompt payment of subscriptions when due. . . .

Due regard should be paid to increasing the representation of developing countries in the Executive Boards of both the Fund and the World Bank. In any event, the present geographical representation by developing country regions should be preserved. . . .

The establishment in the World Bank of a long-term facility to finance purchase of capital goods should be considered as quickly as possible with a view to taking a positive decision at the earliest possible date, provided it ensures additionality of resources for all developing countries and incorporates provision for a Subsidy Account to ensure access by low-income developing countries. All relevant aspects of the proposal would be studied with the support of multilateral institutions. . . .

The Group of Twenty-Four will elaborate a plan of analytical work to be requested from the IMF, IBRD, UNDP/UNCTAD, and other international organizations on fundamental reform of the international monetary system and on various alternatives open for action by developing countries. The Group of Twenty-Four will also undertake, with the support of inrependent or governmental experts, analytical research on problems identified as timely and relevant.

The Group of Twenty-Four will recommend that the representatives of developing countries in the IMF/IBRD, as well as in the executive organs of GATT, ECOSOC, UNCTAD and other international fora, shall support the agreed views adopted in this document and promote the adoption of the necessary measures in accordance with the objectives underlying these views. . . .

country or group of countries cannot be solved at the expense of other countries. The economic interdependence of developed and developing countries, of capital exporting and capital importing countries, and of primary producing and manufacturing countries is manifest and is increasing. It will go on increasing. Only by cooperative action, carefully worked out in international discussion with due regard to the interests of *all* nations, can we expect to make progress. I believe that the Development Committee is well placed to assist in this process and I believe that at its meeting on September 30 it took a number of useful steps, mostly related to the international financial institutions and the World Bank and the International Monetary Fund in particular, which will be of considerable help to the developing countries. But this is only a start. In my view, the best strategy with which to tackle the present problems is a step-by-step approach, adapting the existing institutions and their policies to meet the changing circumstances, and maximizing the resources which they have at their disposal. It is along this path that I see the work of the Development Committee progressing in the future. In this important task I am sure we can count on the support of all the member governments of these two institutions.

Finally, I would like to echo the thought which President Tito expressed during his inspiring address to us this morning. Development is an essential aspect of security. Peace cannot exist in a world torn by economic conflict and inequality. If only a small proportion of the vast resources that are used today for defense and security were to be diverted to economic and social development, the world would be a safer, more stable, more prosperous and just society.

STATEMENTS BY GOVERNORS AND ALTERNATE GOVERNORS[1]

AFGHANISTAN: ABDUL KARIM MEESAQ

Governor of the Bank

It is a renewed privilege for me to represent the Government of the Democratic Republic of Afghanistan at this distinguished assembly.

At the outset, my delegation and I would like to take this opportunity to convey our sincere appreciation to the Government of the Socialist Federal Republic of Yugoslavia for the very warm and cordial reception and the generous hospitality extended to us, and for the excellent arrangements made for the conduct of these meetings. Also, we would like to express our gratitude to Mr. McNamara, President of the World Bank and Mr. Jacques de Larosière, Managing Director of the International Monetary Fund, the Executive Directors and the staff of these organizations for their untiring efforts in promoting and expanding the activities of their respective organizations for the benefit of our member countries.

The year that has concluded was marked by stresses and strains, especially for the poorer countries. Contrary to the expectations entertained earlier, there was no significant improvement in the stagnant world economic conditions. Economies of developed countries, by and large, were characterized by low output and growth rates, with high levels of unemployment and underutilization of resources. These coexist with high inflation rates. Despite several measures adopted, the international adjustment process has not been satisfactory and large payments imbalances have persisted. Wide fluctuations in exchange rates and high inflation rates and other disruptive forces including protectionist policies adopted by developed countries have added to the problems of the developing countries.

The rate of growth in the volume of world trade which averaged about 9 per cent a year during the years 1965 to 1973 decelerated to just over 4 per cent a year between 1973 and 1977. During the same periods, the growth of exports of developing countries declined from 6.4 per cent to 3.6 per cent a year. Recent trends have also not been encouraging. Export price trends have on balance been adverse for the developing countries. In 1978, the deterioration in the terms of trade suffered by these countries has, it would seem, more than offset the growth in the volume of their exports. There does not appear to be any hope for improvement in the situation in the immediate future. As the Annual Report of the IMF indicates, the current account deficit among non-oil exporting developing countries raised their combined deficit from $21 billion in 1977 to $31 billion in 1978, and is projected to rise markedly further to $43 billion in 1979. As we can see, a deficit of this magnitude will significantly hamper the economic development of these countries. To compensate for this unfavorable situation, the flow of resources to these countries must be accelerated.

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[1] *Comprising statements relating to the work of IBRD, IFC and IDA. Omitted passages are indicated by dots (. . .). Statements relating to the International Monetary Fund are produced in the IMF Summary Proceedings.*

While it is true that success in getting over manifold problems facing the developing countries will, to a large extent, depend on their own domestic policies and programs, their efforts can be greatly assisted by policies of the more fortunate developed countries. In this connection, I would like to commend and join in the earnest plea made by the distinguished President of the World Bank, Mr. McNamara (in his foreword to the World Development Report 1979). The task of the developing countries, to quote Mr. McNamara, "can be greatly aided by improved access to markets in the industrialized nations and by more generous flows of concessional assistance from these countries. The uncertainties in the world economy could be much reduced and the dynamism of world production and trade restored, if countries were to act in recognition of their growing economic interdependence."

The problems connected with alleviation of abject poverty in the developing countries are deep-rooted and many-sided. It will take many years of concerted and determined effort to make adequate progress in the eradication of the basic problem. The different facets of the problem and the measures which are called for in the solution have been discussed in several international forums by both the developed and developing countries. What is urgently required on the part of the rich and developed countries are positive measures that will promote and augment the transfer of resources to the poorer countries. At the same time, the developed countries should desist from adopting protectionist and other restrictive measures, however attractive these might appear in the short term, for the solution of their problems, but which have adverse implications for the developing countries. Long-term and lasting solutions to the problems of developed countries are beneficial to the poorer countries also, since growth of their respective economies are interdependent. It is by pursuit of such policies that poorer countries will be assisted in their primary task, namely, the eradication of abject poverty and human misery among the large segment of humanity.

It is appalling that today almost one billion people on our planet live in absolute poverty while many countries are wasting precious resources, and the gap between rich and poor countries is ever widening. Even with the unrealistic assumption, as stated in the World Bank Annual Report, "even if the developing countries were to manage to double their per capita growth rate, while the industrialized world but maintained its, it would take almost a century to close the absolute income gap between them." This situation is certainly unacceptable, and may be damaging to world stability and harmony.

For a determined and unrelenting pursuit of this task, external financing requirements of the developing countries, as is to be expected, are sizable and, what is equally notable, are expected to grow substantially. According to the World Development Report, 1979, published by the World Bank, external capital requirements of developing countries would, for sustaining a growth rate of around 5 per cent a year, increase to $283 billion in 1985 as against $64 billion in 1976. It is in this context that we view the recent performance of the richer countries in regard to channeling official development assistance to the poorer countries as woefully inadequate and disheartening. As I had occasion to point out at the last Annual Meetings, the actual disbursement of assistance by the richer countries fell significantly short of the target of 1 per cent of Gross National Product of developed countries set for the Development Decade (1960-70). In fact, between 1975 and 1977, the flow of such assistance, in real terms, has *declined*. As a proportion of Gross Domestic Product, official assistance from these countries declined from 0.35 per cent in 1975 to 0.31 per cent in 1977. Prospects for the immediate years ahead are not encouraging.

Another distressing aspect is the lack of adequate financing possibilities. Many developing countries, especially my own, have been unable to utilize available external assistance to the maximum extent possible due to lack of adequate counterpart funds. As the World Bank indicates in its Report, the average financing per project by the World Bank is about 34 per cent of the total cost. Although this percentage is higher for Afghanistan, we are still unable to utilize the project loans within a reasonable and desirable time due to lack of local money. Therefore, it is our sincere hope that international organizations and aid-giving countries would take this serious problem into consideration and increase the percentage of project financing.

As a representative of the Government of the Democratic Republic of Afghanistan, last year, while I participated in the joint Annual Meetings, I stated that the main objectives of our Government were to campaign on behalf of the majority toiling classes against the minority exploiting classes so as to enable them, that is, the exploited classes, to decide their own destiny by their own will. I further stated that, among our Government's major aims, were the creation of an independent national economy, acceleration of the growth rate, improvement and modernization of agriculture and animal husbandry, industrialization of the country and improving the living standards of the various classes of Afghan nationals.

It would be, perhaps, worthwhile if I here shed some further light over our Government's significant activities, which were carried out during the last 16 months, after the advent of the Great Sawr Revolution. As you are well aware, Afghanistan is an agricultural country, with the majority of its population comprised of peasants and farmers whose livelihood depends on agricultural products.

Considering the country's position, the Government decided to provide before everything else better working conditions and better living standards, for the majority of the people. In pursuance of this objective, the Government enacted Decree No. 6 which alleviated the heavy burden of mortgage, usury and unlawful interest, levied by feudals, from the shoulders of the 11 million farmers who suffered from abject poverty and consequently, their obligations for thousands of millions of Afghanis were removed by the Government and spectacular social changes ushered into their lives.

Soon, Decree No. 7 was put into force and all the existing social injustice, inequality and discrimination between men and women were eradicated, and instead their equality in social and civil life was proclaimed. Women are now able to work according to their choice anywhere, and they can partake in any social affair, freely.

Decree No. 8 greatly helped the implementation of land reform. By enforcement of that decree, all the landless and less-landowning farmers became owners of adequate land at gratis. Lands from major landlords and landowners, who were unable to cultivate their lands, were given to eligible farmers and nomads free of charges. Implementation of land reform by active and enthusiastic participation by the various agricultural organizations of the country, farmers-assistance funds, party associations and through integrated and scientific planning was completed successfully six months earlier than projected. Now in Afghanistan, no one exists who owns more than 15 acres of first-class land.

According to the provisional statistics of the Ministry of Agriculture and Land Reform, 3,280,000 gereebs in 28 provinces have been planned for distribution among 285,000 families and 200,000 gereebs (100,000 acres) for government farms, by the end of the land reform program. Actually, 3,328,402 gereebs were distributed to 295,988 families and 243,317 gereebs to government farms, and municipalities, and 125,000 gereebs to other institutions. Moreover, 2,049 nomad families, according to the settlement and land reform program in the various provinces of the country, were settled, and 20,800 gereebs of land were distributed to them. It is worthwhile to mention here that, till the time these nomad settlers are able to earn their livelihood, they are completely financed and helped by the Government.

Since most of the landless and less-landowning farmers and nomads are extremely poor, free distribution of land alone would not have been effective. Therefore, they are being assisted with seeds, chemical fertilizers, agricultural equipment and machines and, particularly, with money for their immediate requirements. Decree No. 8, dealing with this matter, instructed institutions such as the Afghan Seeds Co., the Afghan Fertilizer Co., and the Agriculture Machinery Co. and the Agricultural Development Bank to provide the requirements of these farmers through their branches by giving credit and other assistance. These institutions, in their turn, have already taken necessary steps.

In order to channel this aid to the farmers and new landowners, promptly and effectively, their participation in the agricultural cooperatives has been fully organized, and good results were obtained during the very short period. The number of these cooperatives increased to 700 by March 21, 1979. By the end of the current year they will have increased to 1,500 and by the end of the Five-Year Plan, 4,500 cooperatives will come into being.

Considering the fact that developing countries need to effectively plan, manage and implement their economic and social activities and to remove their backwardness, these aims will not be achieved successfully without having adequate statistics. Therefore, our Democratic Government, in addition to other patriotic and beneficial activities, launched, for the first time in our history, a complete census project which was very successfully completed in 20 days. The result of this census and the figures obtained from it are of superior quality and according to international standards. These statistics will be used by the Government in its future planning for development of the economic and social life of the nation.

Another significant step taken by the Government is the formulation of the first Five-Year Economic and Social Plan which was completed by foreign and local experts. After the acceptance by the Revolutionary Council of Ministers, the Plan was put into operation on March 21, 1979.

Recently, the Government's ordinary and development budget for the year 1358 (1979/80), that is, the first year of the Five-Year Plan, was approved for Af 35.72 billion. This shows an increase of Af 2.04 billion or 6.04 per cent in comparison with the year 1357. The increase does not seem to be large, but this is because government revenues, during the one-year period after the Revolution, did not increase, and further, increased expenditures were made for the welfare of the toiling classes by the Democratic Government. In comparing the existing budget with the previous so-called budgets, it should be noted that only a small part of the previous budgets was spent; for example, although the year 1355 was not an exceptional year, the budget was estimated at Af 14.0 billion, but about Af 8.0 billion or 66 per cent were not actually spent. Likewise, in 1356, the second budget of the then existing Seven-Year Plan was announced at Af 20.0 billion but in actual fact more than Af 9.0 billion, or 45 per cent, could not be spent. However, regardless of everything else, the current year's budget estimates are based on the country's actual revenues from foreign and domestic sources, plus essential and productive projects, according to very accurate and scientific assessments.

In the Democratic Government's Five-Year Plan, government investments would be Af 97 to Af 106 billion, out of which Af 40 billion would be financed from domestic sources and Af 60 billion from credits and assistance from friendly countries. The Plan will embrace agriculture, irrigation, transport, industry, energy research, geological surveys and social services.

The essential objectives in the agriculture sector under the Five-Year Development Plan would be: first, the increase of agricultural production; second, the effective improvements of agricultural and pastoral activities in order to ensure food and raw material sufficiency and growth of export items from agricultural and animal resources and, generally, production of stocks to the extent of needs; third, the application of extensive agricultural services, and herbal research, including the search for improved species of plants and herbs; and finally, the introduction of better agronomical methods, a campaign against plant diseases and the eradication of agricultural pests and insects, under extensive schemes.

An irrigation system is an essential infrastructural basis for our agriculture and animal husbandry sectors. For better and modern management of the irrigation sector in general, supervision and protection of dams and the management of swamp water channels and the irrigation network, would be carried out. For agricultural development during the Five-Year Plan, Af 26 billion will be invested, out of which Af 16 billion will be in the irrigation sector. However, for animal husbandry, which plays a magnificent role in our national economy, the Five-Year Plan includes an extensive plan for protection, insemination, establishment of pastures and subsidiary animal clinics will be carried out.

In the forestry sector, special attention would be paid, particularly, to protection and improvement of forests and pastures. For the purpose of development of these projects, Af 300 million has been projected.

Industrial production in the country during the period 1979/80 to 1982/83 will increase by 160 to 170 per cent. Electricity output would increase by 150 to 160 per cent. A petroleum refinery factory will start production with a capacity of 100,000 tons.

A factory for exploiting the Ainak copper mines up to 114,000 tons, and pure copper and their alloys up to 110,000 tons, will be erected. Also, another factory to exploit up to 23,000 tons of berait and up to 10,000 tons of powder berait will be established. Exploitation of natural gas, compared with the year 1357, will increase by 20 to 30 per cent, and exploitation of coal will be increased by twofold to sixfold.

Illiteracy from 9 to 51 years of age will be completely eradicated. Radio broadcasting capacity will be doubled and that for television will be boosted fivefold.

Sugar production, compared with the year 1357, will increase by 290 per cent. The output of wheat flour will increase by 200 per cent, and of processed meat to 10,000 tons, reflecting an increase of 240 per cent.

Foreign exchange revenues are apparently continuing an upward trend, but the rate of increase compared to past years has been slower. Recently, foreign exchange revenues from free trade sources decreased considerably. Factors which were causing the foreign exchange reserves to rise thus far may not continue to operate in the future. Meanwhile, by the implementation of the Five-Year Plan, the country's foreign exchange requirements for increasing import needs will grow. Repayment of loan installments and interest due on these loans will result in more expenditure from foreign exchange reserves.

Considering these factors, our foreign exchange reserves will not be adequate at all. Also, in the near future, that is, before the receipt of the increased revenues following the implementation of the Five-Year Plan, we will suffer from a foreign exchange shortage. So, we are, from now on, expecting to benefit from IMF assistance whenever the need arises.

Recently, Da Afghanistan Bank, as the central bank of our country, was able to simplify the multiple exchange rates which were prevailing for a long time, by launching a unitary rate very successfully. Da Afghanistan Bank, considering the recent changes undergone in the international financial markets in foreign exchange rates in the domestic free trade exchange markets, were able to fix this unitary rate which is now applicable to the exchange dealings in the banking system.

In the solution of our present banking problems and in bringing about improvement in banking services in the country and in improving the present standards of our banking staff, we have greatly benefited from the technical assistance given by the World Bank and IMF and other international institutions and friendly countries, and I hereby express my gratitude to all of them.

We are fully confident that, at this particular time when our country is on the verge of great, progressive and spectacular changes in various economic spheres of our life, international organizations and friendly nations should not leave us alone in our efforts to achieve our goals through the launching and implementation of our extensive programs and projects, but should not hesitate to give us their valuable assistance to a much greater extent than they did before.

ALGERIA: M'HAMED HADJYALA

Governor of the Bank

First of all, I have pleasure in expressing our gratitude to His Excellency Marshal Tito for his lucid analysis and accurate evaluation of the international economic situation and the constructive proposals contained in his inaugural speech.

I should also like to add my voice to those of distinguished delegates who have preceded me on this platform to express the cordial thanks of the Algerian delegation to Marshal Tito and the Government and peoples of this friendly country for the unparalleled hospitality accorded to us—a hospitality which is quite naturally the distinctive characteristic of proud, valiant, and generous peoples. I should like also very sincerely to thank the staff of the World Bank, the International Monetary Fund, and the authorities of this beautiful city for the efforts they have made to assure a successful outcome to the discussions at these great Meetings.

These discussions, which normally used to focus only on the Annual Meetings agenda, extend over a longer period whereby exchanges of views of greater scope and depth can be held, and this can lead to a more effective dialogue within our two agencies and thus facilitate the same type of talks in other institutions.

It must be admitted, however, that this longer period devoted to our two institutions and to the environment in which they are evolving has not resulted in the fundamental reforms that come within their sphere of action, any more than it has helped to advance concertation in other forums. Quite the contrary, it has often been used as a pretext to stifle numerous initiatives, in favor of a highly disputable organization of the decision-making powers within these two institutions, and that despite the goodwill animating the authorities of these institutions, which deserves to be evaluated at its true worth.

By reason of this the necessary reform of the international monetary system, yet to appear with all its plentiful benefits, is still the prerequisite for the emergence of a new international economic order. Furthermore, it seems impossible to put into action the transfer of resources, recognized as being the indispensable complement of the monetary system, in the way that the developing countries have had the right to expect. Here is, manifestly, a deliberate refusal on the part of the industrial world to adopt as its own the objectives—although modest—fixed by the international community for North-South cooperation.

The bitterness prompted by the vain attempts to reform the international monetary system is compounded by disappointment arising from the mediocre results of the UNCTAD V Conference at Manila and the similar results of the multilateral trade negotiations in Tokyo.

Thus, in spite of the powerful voices raised against protectionism, with each day that passes the climate of international trade is liable to become more unfavorable to the developing countries. This situation is the more to be censured in that discriminatory restrictions are frequently levied on the output of small industrial units, often produced for and with the aid of the industrial countries. In these circumstances, and unreservedly assuming its obligations with regard to solidarity, Algeria did not fail in 1978, or this year, to make an extra effort to absorb numerous products from developing countries, notably textiles that could not be placed on European markets in spite of the inter-governmental agreements in effect. In another field indissolubly related to the ties between the industrial world and developing countries, that of the transfer of technology, at the last conference, in Vienna, representatives of the wealthy nations confined themselves to declarations of principle and timid commitments with reference to promises of credits to be awarded for prospecting activities that could to some slight degree benefit the developing countries. This, under the heading of "appropriate technology," is in fact cut-price technology that is part and parcel of an immutable plan to conserve the supremacy of the North over the South in this domain as in all others.

All that remains, then, of the universal movement that brought about the Sixth Extraordinary Session of the UN General Assembly and the Paris Conference are the disorders that are seriously affecting the world economy, characterized by inflation that has become a permanent feature, unsettled exchange markets, and a stiffening of national egoisms in trade matters. This grave and complex situation has been reduced to the mere dimensions of a problem of an increase in oil prices which the developed countries are trying to represent as the origin of all the evils afflicting the world economy.

It is not my intention to dwell at length on the drastic effects of this situation on the developing countries, described time and again in various forums and referred to in the course of our present discussions. I merely wish to state here with respect to the OPEC countries, that despite the difficulties some of them are experiencing they have constantly supported all efforts to correct this situation, and the more than 2 per cent of GNP used in their programs of government assistance to developing countries is eloquent in this connection at a time when half of the government assistance of the developed countries remains below the target of 0.70 per cent.

The various documents prepared by the Bank and Fund staff, with their projections, indicate that the future gives yet more cause for concern since the situation of the developing countries is liable to deteriorate in conditions of the feeble rates of growth in developed countries and the inability of the international monetary and financing system to settle liquidity problems and to provide more substantial flows of government assistance to meet, in particular, the needs of the poorest countries.

It is truly grievous to note that just as we are preparing to establish the objectives of the United Nations Third Development Decade the same system prevails, which is to say, a system which will necessitate almost a century to bridge the dire gap still evident between the incomes of the developing and of the developed countries even if the former can double their per capita rates of growth and the latter do not increase theirs.

Having arrived at this point in my remarks, I feel compelled to say a few words about a very special type of attitude that has evolved in recent years in dealings between the prosperous countries and the developing nations. It reflects the so-called observance of "human rights"—a standard which, if applied to our countries, would sanction our acceptance of interference in our States, domestic affairs, including the right for industrial countries to give preference to one type of government over another in the choice of countries to be beneficiaries of their assistance.

Aspiring to find remedies for all these problems, the nonaligned nations have proposed the opening of continuous worldwide negotiations on the subject of international development assistance, as part of program dealing with all the major questions, which will be discussed on a global scale. It is evident, however, that while our more prosperous partners may sometimes agree on principle, they unfortunately sometimes have views opposing our own as to the procedures for mounting a comprehensive effort, avoiding friction, and assuring balanced growth for the international community as a whole by responding to the imperative need, applicable to all, for a redistribution of the world's wealth from the richest countries toward the less advantaged.

To be sure, here and there we can discern a few gestures of goodwill which some rich countries try to present as a new policy, and which, they claim, would bring about a new world economic order.

It must be pointed out that on all these questions the positions of the Third World have been clearly set forth in other forums and that the just demands of the developing world are known. Thus, quite recently at Arusha, at Manila, then at Monrovia and finally at Havana, voices have been raised yet once more to express a genuine grief vis-à-vis a situation whose fatal consequences are arresting the development of our countries and seriously impairing the interests of our peoples. The same applies to the meeting—for the first time—of the Ministers of Finance of the Group of Seventy-Seven, following that of the Group of Twenty-Four, the essential aim of both meetings being to bring to the notice of all the extent and the gravity of the circumstances the world is experiencing, as a consequence of the breakdown of the international monetary system with all that has entailed.

To take the interests of the developing countries into account, a monetary reform must necessarily include the elements set forth in the document of the Group of Seventy-Seven which, in succession to the communiqués of Jamaica and Arusha, constitute concrete proposals deserving of consideration by the international community.

Consideration of these elements of reform might also provide the opportunity of securing the real participation of the developing countries in the adoption of international decisions affecting us all. This participation is not only a question of equity but also, and chiefly, a question of efficacy.

The International Monetary Fund has outlined a progressive reform that has been evidenced in certain adjustment activities rendered unavoidable by a difficult economic situation. However, these measures—although positive and not inconsiderable—are hardly likely to change the situation to any significant degree.

With regard to the World Bank Group, I should like first of all to mention with satisfaction the unanimous agreement reached on a general increase in the Bank's capital, after long and laborious negotiations. The

Bank's management and Executive Directors should now, on the basis of this unanimity—evidence of our members' confidence and support for the institution—set to work to promote the new policies that result. This would make it possible for the general increase to exert the quantitative and qualitative effects made possible by the expansion of the Bank's capital base, which have become a necessity in the light of the difficult debt situation being experienced by many developing countries.

These measures should be coupled with rapid decisions on increases in program loans and sectoral loans, and an improvement in the terms and conditions for these operations to make them consonant with the nature of the Bank, which should be primarily a development institution.

Thus, after long years devoted to often sterile discussion in various forums the rich industrial North must in the end unequivocally decide to accept a new set of rules for the game, rules that represent nothing more than justice, in observance of which the rich nations will consent to contribute their know-how and their financing to the developing countries on advantageous terms, at the same time opening wide their markets to products from the disadvantaged South. Needless to say, the counterpart of such a policy for the North would be an equitable remuneration for its services and all kinds of direct or indirect advantages that it would most certainly reap from a healthy cooperation, as well as the removal of all barriers to international trade and an expansion of its economic relations with the developing countries.

This we believe to be the best course and the only one capable of bringing about the new economic order which is still the surest guarantee of the advent of a new era of justice and greater well-being for all.

AUSTRALIA: JOHN W. HOWARD

Governor of the Bank and Fund

Mr. Chairman, I join previous speakers in congratulating you warmly on your election as Chairman of these important Meetings. I also extend to the people and Government of Yugoslavia our appreciation of the magnificent efforts they have made to ensure the successful conduct of these Meetings. I welcome also the representatives of those countries—Cape Verde, Djibouti and Dominica—who are attending these Meetings for the first time as members of the Fund.

At this, our final Annual Meeting of the 1970s, it is appropriate to review the experience of the past and to try to assess how we might improve our performance in the future. Let me start by referring to some figures.

On present indications, the performance of the OECD countries during the 1970s will show:

—a growth rate a little above 3 per cent per annum, compared with 5 per cent per annum in the 1960s;

—inflation averaging over 8 per cent per annum, compared with 3 per cent per annum in the 1960s.

It would be wrong to suggest, of course, that the 1960s provide a perfect model: indeed, there is little doubt that the seeds of the troubles of the 1970s were sown in that earlier decade. Nevertheless, there have been policy failures in the 1970s which made a major contribution toward the poorer performance . . . .

These Meetings have produced a major level of agreement that defeating inflation is the fundamental precondition to sustained improvement in growth and lasting reductions in unemployment. There is now greater recognition that beyond the very short run, lower unemployment and higher growth cannot be purchased through measures which lead to higher inflation. Lasting solutions to the unemployment problem are not to be found in temporary palliatives nor policy approaches which do not give prime importance to the fight against inflation.

I believe that, as we approach a new decade, it is time to reaffirm the importance of economic growth: to recapture something of the spirit of the 1960s, though without the shallowness of "growth at any price" that was too often a feature of that era. Sustainable economic growth *is* achievable at higher rates. And it would make a very significant contribution not only to improved living standards in both developed and developing countries, but also, I believe, to social cohesion and to political stability.

But if we are to achieve higher growth we must adopt and pursue policies that remove the many constraints and barriers that have been erected in recent years.

I believe we have sufficient evidence to show that there is no real alternative to the adoption and sustained application of responsible fiscal and monetary policies if we are to reduce inflation and inflationary expectations, and I would emphasize here the importance of consistency in application of policies and the avoidance of sudden changes in response to short-term developments. That approach has been steadfastly pursued for several years by my Government in Australia. It has not been an easy task but it is now bearing fruit.

Inflation has been sharply reduced, and the benefits of that are showing clearly in the greater confidence with which the private sector is approaching new investment and employment decisions. Output is again beginning to grow at rates more comparable with those of the past, and unemployment, though still high, has stopped rising. We are determined, through the maintenance of responsible fiscal and monetary policies, to limit the effects on inflation generally of the recent increases in oil and other commodity prices. The process is necessarily a long one, and we do not expect miracles. But we do expect to make continuing progress, and we strongly urge other countries, particularly the major industrial countries, to continue their own efforts in the same direction.

As many speakers have noted, the most recent oil price rises have aggravated inflation and inflationary expectations. The problem will be made all the worse if correct policy responses are not pursued in the energy area. As the Fund's Annual Report suggests, a prime requisite in our response must be the adoption of realistic pricing policies for energy. In this regard, I fully agree with the view expressed by the Managing Director at the

Interim Committee meeting that, "realistic policies would require the 1979 increase in oil prices to be passed on in full to consumers." Equally, we must use all means available to ensure that the oil price rises are not passed on in generalized price and wage increases. As Mr. de Larosière again emphasized at the Interim Committee meeting, there is a clear need to exclude oil price rises from wage indexation mechanisms if we are to avoid self-defeating wage-price spirals. We must recognize the unique status of oil in the world economy and, with that, recognize that appropriate pricing policies for oil are necessary if we are to achieve more rational energy use and encourage the development of alternative energy resources.

At the same time, oil producers have a responsibility not to restrict supplies of oil so as to limit growth in developed countries. That would not only harm those countries, but it would also have adverse effects, direct and indirect, on the economic welfare of developing countries.

I would like to take this opportunity to congratulate the President of the World Bank for focusing our attention, through his own speeches and the most valuable World Development Reports, on the importance of action to reduce protection. While emphasizing that a major force for economic development must come from within the developing countries themselves, Mr. McNamara has, I believe, correctly identified the importance of developed countries making room in their markets for the products of developing countries. And, as the recent OECD report on newly industrializing countries has confirmed, this can be accomplished with net benefits to income and employment on *both* sides. What is often overlooked is that increased imports from developing countries also lead to increased exports to those countries, and vice versa. That is only another way of saying that trade can and normally will be a mutually beneficial process.

More generally, there is a need to ensure a resumption of the great progress toward freer trade that was made throughout most of the postwar period, but which has slowed down markedly in recent years.

Another important barrier to growth is the myriad policies that are adopted, in both developed and developing countries, which prevent or inhibit the most efficient use of resources of capital and labor.

There is no doubt that the Fund and the Bank can provide valuable assistance in the resolution of these and other problems, both by providing external financial assistance and by providing advice on the policies and development strategies needed to achieve higher growth. Certainly flexibility in application of Fund policies and procedures is necessary, and I believe that the Fund has shown that flexibility in the past—including in the past 12 months. The same flexibility was evident at last Sunday's meeting of the Development Committee and is reflected in the suggestions contained in the communiqué distributed following that meeting. Australia is very ready to join with other member countries in giving further active consideration to those suggestions . . . .

The World Bank, of course, along with other development institutions, has a very important role to play in improving the prospects for developing countries. We support the need for the Bank to have sufficient financial resources to be able to extend its lending in real terms. The Bank is likely to run out of authority to enter new loan commitments by early 1982, and it will be important to ensure an increase in bank capital in good time before then.

We welcome the Bank's initiatives for an increased role in the health and energy sectors, both of which are of considerable importance to developing countries' growth prospects.

It will also be important to ensure a substantial IDA Replenishment. Australia supports a Replenishment of up to $12.5 billion and will pledge a share of 1.91 per cent equal to its commitment to IDA V.

As well as being able to increase its lending, it is also important that the Bank maintains the high quality of that lending. While recognizing the need to respond to changing circumstances, we must not overlook that changes which involved the Bank in operating outside its area of expertise could detrimentally affect its ability to carry out its role in the development process.

In conclusion, I wonder whether, when we meet in a year's time for our first meeting of the 1980s, we will have left behind not only the 1970s but also the worst features which plagued the world economy throughout most of that decade. I am far from pessimistic about the prospect. Collectively, we have learned much in recent years, and we have seen, in individual countries of both the developed and less developed world, the fruits of that experience. But too often in recent years we have encumbered ourselves with unrealistic ambitions, and we should be cautious about doing so again. What I would hope to see, in 12 months' time, is that we have moved somewhat further down the long road toward creating the conditions which are necessary for a return to a sustainable rise in world economic growth and living standards.

AUSTRIA: HANNES ANDROSCH

Governor of the Bank

Let me first express my sincere thanks to the Government of Yugoslavia for their hospitality and courtesy and to the management and staff of the Fund and the Bank for the efficient organization of our thirty-fourth Annual Meeting. I would also like to welcome the members who have joined the Fund since the last Annual Meeting—Cape Verde, Dominica, and Djibouti.

The 1970s have been years of great international turbulence and problems, characterized by a continuous struggle of individual nations and the international community against accelerating inflation rates, increasing unemployment, deteriorating external payments, and slowing of growth rates. I would like to stress that the contribution of international organizations was essential and competent in handling the consequences we are facing. The importance of our international organizations has grown significantly within this decade, and a further strengthening seems necessary and should therefore be accomplished.

This audience has been confronted with quite a number of analyses concerning the international economic situation, presenting a rather gloomy picture of the difficulties ahead of us. Needless to say, problems have to be identified when solutions are wanted and political decisions have to be taken on the grounds of fair international cooperation to meet our responsibilities vis-à-vis our nations but also vis-à-vis the world community as a whole. But one is concerned about the fact that throughout the 1970s rather pessimistic perceptions have dominated our discussions during the Annual Meetings and elsewhere, despite the fact that we were able, by and large, to overcome the major difficulties. It seems to me that in successfully coping with the problems, closer international cooperation and, above all, more confidence is warranted, in particular when inflated pessimism could all too easily fuel negative expectations in a self-fulfilling way.

Let me now turn to the present economic situation. The last increase in oil prices has added impetus to the far too high deflationary process already on the way. But this upsurge in oil prices has also added to the inflationary spiral and contributed to the deterioration of external payments particularly in developing countries. The problem is not one of inflation alone, but rather again of "stagflation" or even "slumpflation." Furthermore, the effects on external payments are comparable to those in 1974. In 1979 we expect again an OPEC surplus of $45 billion, and this could well increase to $55-60 billion in 1980. In addition, a great majority of Fund member countries are still in the process of attempting to restore order to their economies in the wake of the serious and unprecedented disturbances of 1973-75.

We need a full range of policy action to avoid a recession accompanied by inflation. We have to pursue policies that would sustain an appropriate level of economic activity and employment, while minimizing inflation. Further, we should accept a strategy to solve gradually the necessary adjustment, supported by temporary financing and not by depreciation, deflation, or trade restrictions.

Generally, what is needed is a wider and broader approach for defining the problems and preparing and implementing the proper solutions. The ever-increasing global interdependence calls for internationally agreed-upon solutions. But, and let me stress this fact, sound economic policies in the national setting do have to lay the groundwork for proper international actions. In the national context, only a comprehensive policy-mix comprising fiscal, monetary, and incomes policy and a strategy to foster structural changes is feasible. Everybody will agree that higher inflation does not create or protect employment. Therefore, no inflationary impetus should be accommodated from the monetary side. In fact, a reasonable monetary policy accompanied by appropriate exchange rate policies are the cornerstones of successful stabilization. Adjustment cannot be solved by reflation or depreciation. Needless to say, monetary action has to be supported by adequate fiscal and incomes policies. A cautious fiscal policy may serve as an instrument to stimulate selective growth and structural adjustment, thus contributing to a better utilization of resources. An incomes policy with due concern of regional, structural, and sectoral differences will certainly contribute positively to overcome the major difficulties.

A conspicuous role within this strategy will have to be played by a comprehensive energy policy resulting in an adequate supply of energy at reasonable costs. To be sure, the industrialized economies have far too long been accustomed to waste energy enormously, since it was abundant and cheap. The oil-price hike of 1973 and the subsequent price rises have confronted us world wide with a new situation. Broadly speaking, the resulting technological challenge consists in finding appropriate, safe and certain ways of substituting oil by other forms of energy, developing alternative forms of energy and conserving energy.

Globally, the economic policies applied to overcome the difficulties of the 1970s have led to different results. As to my own country, I should say that our economic policy has been aimed at maintaining "overall stability" and so far we have not been unsuccessful. Austria has responded to the new push of inflationary pressures in an early stage. Therefore, we have been able to reduce inflation below last year's level in spite of the cost explosion in world markets. In pursuing a hard currency policy and an appropriate monetary policy, Austria was able to benefit from the so-called "virtuous circle." This policy has helped in reducing inflation to 3.3 per cent, at present the lowest rate among the European OECD countries.

In 1979, real growth is expected to be as high as 5 per cent with virtually no unemployment. The external position which gave rise to major concern two years ago could be brought under control and, in fact, has improved considerably since. It goes without saying that the economic performance of any country is related to the international monetary system. . . .

We have just spoken of the risks and dangers inherent in increased oil prices, inflation, and speculative capital movements. But these are not only problems for what is often called the developed world. We have to see the scale of problems which less developed countries are now facing, in particular those which have been the most deprived or the most exposed to the present risks. We have to modify our policies in a way that we are able to respond better to the urgent need of the poorest countries. In view of recent developments, there is no doubt about the urgency of the ratification of the Seventh General Review of Quotas. I am happy to report that parliamentary procedures to implement Austria's share in this operation are well under way. We already voted on behalf of Austria on the capital increase resolution, which will double the capital base of the World Bank to $80 billion. With regard to the ongoing IDA VI negotiations, it was stated already by our representative in these negotiations that Austria will be able to maintain its share. As to the IFC, effective August 1, 1979, the capital stock of the corporation held by Austria was increased from 1,461 shares to 2,367 shares.

Let me sum up and conclude my statement in saying that due to coordinated activities often initiated, supported and carried out by the international organizations, we were able to overcome the major difficulties of the past decade. We should be confident to be able to do so in the years ahead of us with firm political decisions and closer international cooperation especially through our common organizations.

BANGLADESH: ATUADDIN KHAN

Governor of the Bank

It is a matter of great privilege for me to address this meeting of the two august bodies, the World Bank and the IMF, for the first time. The meeting is of particular significance, being held in this magnificent center in the beautiful country of Yugoslavia, a developing country, which under the dynamic leadership of President Tito, in the course of one generation has attained a remarkable improvement in the standard of living for its people. We are grateful to the Government and the people of Yugoslavia for the excellent arrangements made for the meetings and for the hospitality extended to us.

At the very outset let me thank President Tito for his inspiring address. I would also like to congratulate you, Mr. Chairman, for your forthright statement on the global situation. I would like to join others in extending a very hearty welcome to the new entrants to the Fund and the World Bank Group. I thank Mr. de Larosière and Mr. McNamara for their very illuminating statements.

In the last Annual Meetings a broad consensus had emerged on a number of fundamental issues, particularly on the widespread acceptance of the twin goals of development—the acceleration of economic growth and the attack on absolute poverty. Many Governors stressed the importance of moving away from the trend toward protectionism, and in addition called for an expansion of capital flows to the developing world, and more concessional assistance to the poorer countries.

It is a matter of great concern that the Annual Reports of the International Monetary Fund and the World Bank, the World Development Report, 1979, and documents of the Development and Interim Committees all point toward a deterioration of the international economic situation and a worsening of the development environment.

On fundamental problems, little visible progress has been made in the period since the last Annual Meetings. Inflation and unemployment continued to remain high in most member countries, and a renewal of upward momentum in the rates of inflation was apparent during the first half of 1979, raising further the price of capital goods and foodgrains. Developments regarding oil prices in midyear have put further pressure on prices. Sluggish economic growth, underutilization of resources, periodic instability of foreign exchange markets and the spread of protectionist trade measures continue to vitiate the international economic environment. During the year there has been a sharp resurgence of the combined current account deficits of the non-oil developing countries. This has come at a time when they cannot expect much expansion in their exports owing to contraction of demand in the industrialized countries. Further, rapidly rising import cost has made it difficult for many developing countries, particularly the poorer ones, to maintain desirable minimum growth rates.

The World Development Report, 1979 has been of great interest to us. Though the emphasis of the Report is different from that of the first one, it points to the extreme seriousness of the current situation and indicates grim prospects of future development. We note with great concern the downward revision of the growth rate for developing countries. These point to a worsening of the projections for per capita income growth and the widening of the gap between the income levels of low- and middle-income countries. The most discouraging conclusion of the Report is the extent to which prospects for reduction of poverty fall short of earlier expectations.

The trading environment as discussed in the Report has worsened considerably so as to retard the growth process still further. Protectionism is spreading, despite voices raised against it in all international forums and by all possible authorities.

The picture about official development assistance as presented in the Report as well as in the Annual Report of the Bank is also most discouraging. The supply of such funds has not kept pace with the need to compensate for the adverse developments in the field of trade. In addition, ODA too has remained below half of the internationally accepted target of 0.7 per cent. The World Development Report would have done well to indicate an alternative scenario in which targets of resource transfer are fully realized. For the low-income countries, the Report presents a picture of unmitigated difficulties that is unacceptable. . . .

At this stage I would like to digress a little and speak about the domestic situation in my own country, which is one of the poorest among developing countries. During the year, we have suffered from one of the most serious droughts in our history, resulting in a drastic shortfall in our food production. The resultant food imports strained our already critical payments position and this has been further aggravated by price increases for all our imports. This is a frightening development for many countries in our situation. Its impact on millions of people living below the poverty line is serious indeed. Should the situation be allowed to deteriorate at the risk of widening disparities in the levels of the standard of living of the rich and the poor?

During the last seven years we have been able to make only marginal changes in the level of living of our people, struggling through international inflation, recession, and repeated external shocks. We are in the final stage of formulating our Second Five-Year Plan to be launched next year. Our efforts will be to a very large extent dependent on external assistance, international economic changes and the international trading environment. It is in this context that Mr. McNamara's statement has impressed us most profoundly. The failures of the 1970s as pointed out by him will go down as irrecoverable loss of opportunities for the international community, and we would not like it to be repeated in the 1980s.

The critical development problems of the 1980s, as also pointed out by Mr. McNamara, are population, employment, food production, and provision of basic human needs. The policy implications for meeting these challenges for the developing countries themselves, as well as for the developed countries, have been correctly identified. We in Bangladesh, in our humble way, are trying to pursue the same objectives. We attach the highest priority to cutting down fertility rates. We are committed to increase food production very substantially through greater application of necessary inputs and modernization of farming. We are trying to create nonfarm employment through promotion of small-scale industries, building of rural infrastructure, and a program of public works. Even with heroic efforts in domestic resource mobilization we shall fall short of resources in mounting these programs. The reluctance to provide adequate program assistance and sector assistance must be overcome. Irrigation, on-farm management, public works expenditure, and other activities for creating employment and meeting basic human needs will require extensive local cost financing, and this must be financed by bilateral and multilateral donors. The international community must match the internal efforts of the developing countries adequately if the development task is to succeed. LDCs must save, but can do so only if inflation in the developed countries does not siphon away their resources.

We are encouraged by the statement that the Bank is prepared to go for additional program lending in appropriate cases. It is most damaging to the international development environment that ODA is sliding back and that many DAC countries are drifting away from the internationally committed targets. We urge that, like the general capital increase of the multilateral financial institution, ODA should be doubled in the next five years. The OPEC countries, whose total assistance remained over 2 per cent of their GNP in 1978 have set exemplary standards and the major OPEC donors like Saudi Arabia, the United Arab Emirates, and Kuwait deserve our unqualified praise for the high levels of aid ranging from 5.5 per cent to 11 per cent of their GNP.

We have listened with interest to the elaboration of the projected role of the Bank in the 1980s in the context of the development objectives of the coming decade. Of basic importance will be the increase in the capital of the Bank as recommended in the last Annual Meetings. We are happy to note that negotiations have been completed for increasing the general capital of the Bank by $40 billion. We hope that follow-up and legislative measures will be taken by the major shareholders without loss of time.

If the Bank Group is to have adequate resources to pursue its objectives, mere general capital increase will not be enough. IDA resources must also be replenished at a rapid pace. IDA funds are of critical importance to the poorest developing countries as this is the most important institutionalized source of concessional funds for them. A firm recommendation for IDA VI is yet to emerge although the matter has become urgent. Indeed, there have been discouraging developments in the recent weeks. The resources under the Fifth Replenishment will be exhausted soon, and it is a matter of great regret that committed resources under IDA V are yet to be made fully available. I would appeal to the statesmanship of the contributors to ensure that IDA lending is not halted abruptly. We should also be aware that unless agreement is reached on the Sixth Replenishment within the next few months, it will probably be necessary to establish again a bridging arrangement similar to IDA V. It is disappointing that the level of replenishment being mentioned for IDA VI is very much on the low side. A replenishment of even \$15 billion or roughly doubling of IDA V would mean a real increase of 15 per cent only. We are of the view that the Sixth Replenishment should be at double the level of IDA V.

I would like here to make a brief comment on the criteria for IDA eligibility. It should be revised to earmark all resources for the very low income countries and special weight should be given to the least developed countries.

I would like to make a few observations on the Annual Report of the World Bank. We note with great satisfaction that commitments during the year went up by nearly 17 per cent in the IBRD and by 30 per cent in IDA. But we also note that this has not been matched by a similar increase in the net transfer of resources from IBRD and IDA together. While quantitative expansion of lending is to be commended, qualitative improvement in the sectoral distribution of the Bank Group activities is of equal importance. With so much commitment toward increasing agricultural production we note with concern that lending in the agricultural sector dropped to 25 per cent in 1979 from 39 per cent a year earlier. A resumption of the lending momentum for a sector after such a sharp decline in one year may not be easy.

We apprehend that the pace and range of lending set by the Bank are yet to be matched by appropriate adjustments in operational policies and practices. As a result, disbursements which reflect actual transfer of resources still lag behind. In our view, slower disbursements arise also from policy considerations. Stagnating and declining levels of program lending, for example, have much to do with slower disbursements. We would urge the Bank to expand program lending for the poorest countries on the basis of macroeconomic considerations and structural difficulties of such economies. While delay in disbursement can as well be due to limitations on the part of the borrowers, we feel that a hard look at Bank's own operational procedures is clearly called for. We urge the Bank management to explore ways of improving operational procedures and practices so that disbursements are kept in line with the pace of commitments. The operations evaluation apparatus of the Bank can be quite useful in this respect. I would like to draw attention to the recent trend toward an increase in the number of conditions which make disbursements even slower. A disconcerting development is the imposition of conditions in phases such as conditions for appraisal, for negotiations, for effectiveness and then for disbursements. Not too infrequently have we heard the criticism that the growth in size of the Bank may erode its efficiency unless structural adjustments are made to keep pace with its responsibilities. Decentralization of its operation will also need serious consideration if disbursements are to be accelerated. We have no doubt that the Bank management under the able leadership of Mr. McNamara will keep these issues under constant review.

I would like to congratulate the Bank for its pioneering role in the field of energy and adoption of a five-year energy program for \$1.2 billion. Progress made in the area of cofinancing also deserves our support.

Before concluding my observations on the Annual Report, I would also like to congratulate the management of the International Finance Corporation for their remarkable achievements during the financial year 1979. IFC's expanding activities in the areas of fuels and minerals, development of small enterprises and agro-business are most welcome. It is gratifying to note that IFC has started operations in Bangladesh and we look forward to its greater involvement. The performance of the first year under the Corporation's Five-Year Program augurs well for the future.

Before concluding I would like to summarize and underscore the following measures:

(1) Doubling of ODA over the next five years through the achievement of internationally accepted target for resource transfer.

(2) Prompt completion of legislative measures to bring into effect the General Capital Increase of the World Bank.

(3) Immediate fulfillment of commitments for IDA V and prompt completion of IDA VI negotiations to at least double its resources.

(4) Making qualitative improvements in ODA by increasing the grant element, untying its use, and easing conditionality.

(5) Increased allocation of program assistance, sector assistance, and local cost financing by both bilateral donors and multilateral institutions.

(6) Change in the extended Fund facility by extending the repayment period to ten years.

(7) Flexibility in applying conditions of access to the supplementary financing facility, delinking the quantum of facility from quotas, and modification of the repayment periods.

(8) The establishment of the supplementary financing facility as a permanent facility. Alternatively, the establishment of a new medium-term balance of payments facility with low conditionality.

(9) Renewal of the Trust Fund through further sale of gold.

(10) Steps to ensure that the new guidelines on conditionality take into account social and political conditions and economic priorities of countries in need in such a way as to attract them to extensive use of Fund's resources.

(11) Establishment of a Subsidy Account through special contributions for use of the extended Fund facility and the supplementary financing facility by the non-oil low-income developing countries.

Mr. Chairman, I do not wish to make further demands on your time and patience. Permit me to conclude with an appeal to the affluent societies of the world and to the various development institutions to come forward in a compassionate manner to bridge the gap between the rich and the poor or face the painful picture of over 600 million people living in absolute poverty by the end of the century. This is a grim prospect and we must jointly endeavor to reverse the trend. Before resuming my seat I would like to add my voice to the clarion call made by President Tito to create an economic order free from inequality, subordination, and privileges.

BELGIUM: GASTON GEENS

Governor of the Bank

First of all I wish to thank the Government and authorities of Yugoslavia for the hospitality they have given to our Meetings and the warmth of the welcome that our various delegations have received . . . .

. . . We need to be attentive to the preservation of a worldwide exchange and payments system that is essentially open and free of restriction. The conclusion of the Tokyo Round augurs well in this connection, but we cannot disregard the warnings coming from some quarters with regard to the expansion of protectionism. In this domain, our policies will be of vital importance for the developing countries and for the sake both of these and of the industrial countries, ample access to the markets and to the available financial resources should be maintained. Particularly as regards the needs of the developing countries, whose external situation has deteriorated further in recent months, the foreseeable increase in their indebtedness could prove critical for some of them and will most certainly pose a troublesome financing problem. In this case we believe, though, that increased access to the Fund's resources, accompanied by appropriate adjustment measures, could strengthen the credit rating of the countries concerned vis-à-vis private sources of financing.

I should now like to make a few observations on the problems of development.

The 1978 World Development Report gave a first global analysis of the main aspects of development. The report drawn up for 1979 is a worthy successor to the first one by reason of its exhaustive analysis of some of the more specific aspects of the economic development of Third World countries, such as the struggle for employment and appropriate industrialization, and the phenomenon of rapid urbanization.

To us, one of the great merits of the reports is their eloquent demonstration of the complex interdependence of economies, the interaction of policies, and the need for international cooperation.

The multilateral institutions whose members are countries at all stages of development are first-class forums for concerting the transfer of real resources to developing countries.

The financial and nonfinancial roles that they can play, especially the World Bank, make them unique instruments in the development process of the most disadvantaged countries.

Under the energetic leadership of its President, Robert McNamara, to whom I extend my congratulations on the perseverance of his endeavors, the World Bank Group is certain to go well beyond the goal fixed in its Five-Year Program for 1977 to 1981. In fact, in fiscal 1979, the volume of operations approved exceeded the Group's threshold of $10 billion, or over a sixth of the total movement of resources from member countries of the Development Assistance Committee.

Certain other positive factors are worthy of mention for the year now ended, among which I will mention:

— The pursuit and intensification of the policy of co-financing projects

with funds from other public and private sources;
- A recuperation of the 1978 fallback in disbursements;
- The rapid development of IFC operations, which showed an increase of 25 per cent over the previous year. We are particularly gratified at this progress, because we had supported the idea of this institution's playing a leading role as catalyst in stimulating the flow of foreign private investment capital to developing countries, an important instrument for their economic development.

Despite the encouraging results we have just mentioned, the fight against underdevelopment in the world is far from ended. Too many countries are still facing serious growth problems, especially the poorest: these have to cope with substantial disequilibria in their current accounts and are not in a position to mobilize their often inadequate domestic resources fully. For many years to come, these countries will need substantial contributions of foreign capital on appropriate terms.

Belgium is prepared to participate in the effort of the international community in this matter. We therefore welcomed the conclusion, in the Executive Board, of the negotiations for the general increase of the Bank's capital, aimed at doubling its present authorized capital.

I shall shortly submit a draft resolution on this increase to my colleagues in the Belgian Government. We shall then be able to cast the vote of the Governor for Belgium and commence without delay the procedure for parliamentary approval.

We would also express the hope that the negotiations on the Sixth Replenishment of IDA resources may be speedily concluded. This institution should then be in a position to expand its operations in real terms for the period 1980-82. Belgium will, for its part, continue to participate actively in these negotiations.

At the last meetings, we stated that Belgium would participate in the negotiations and that it would be able to maintain its percentage contribution if the other traditionally contributing countries did not reduce their shares. We can confirm today that our country, despite severe budgetary problems, has decided to maintain its quota in whatever figure agreed upon.

These efforts are in keeping with the goals that have been set for aid purposes and with the Belgian Government's determination to devote 0.70 per cent of its national product to official development assistance.

Besides the country's contributions to multilateral institutions, which are growing rapidly, I must also mention that the credits to be devoted to bilateral financial assistance in 1980 will reach a new high level (of half a billion francs).

I should like to conclude on a hopeful note. Despite the difficulties affecting the international situation, wider and improved international cooperation has developed. I feel that the will to cooperate, and the recognition that the interdependence of the nations can lead to mutual understanding, represent the opportunity to create a juster world characterized by an equitable distribution of wealth.

This will to cooperation has already taken concrete form, within the Bretton Woods institutions, in certain measures leading in the direction of improved equilibrium.

The Belgian Government is happy to be able to make the greatest possible contribution to this endeavor.

CANADA: JOHN C. CROSBIE

Governor of the Bank and Fund

As the new Minister of Finance for Canada, representing a new Government, I have had several opportunities in recent months to meet a number of my colleagues from countries around the world. Despite the differences in our systems, size, and situations, I have been struck by the similarity of our problems. It is also apparent that solutions to these problems depend in many instances on what happens beyond our own borders. But if we share the same difficulties, we also share an opportunity. We can work together through these two great institutions that brought us to Belgrade to find mutual solutions to our mutual problems.

The single issue that has most dominated the economic news, the conference table, and the cabinet table has been energy. The recent oil price increases have boosted inflation, reduced growth prospects, and added to international payments imbalances. Key indicators of the world's economic health were already highly unsatisfactory. These added impacts have made the situation even more difficult. The key question is what our response should be, and it is clear at least in my country that a first step is more realistic energy policy.

Canada, though a net energy exporter, is short of oil. While we have been able to avoid many of the short-run problems other countries have faced, we also must reduce our dependence on oil. The Canadian Government is firmly committed to that goal. To date, Canada has artificially protected its population and industry from the full impact of international oil prices. This has had some benefit, but short term only. Reducing our dependence means restraining demand as well as finding alternatives to conventional oil as an energy source, and for both we will have to increase prices toward international levels more rapidly than before.

As I begin to prepare my first budget I have little room in which to maneuver. I am faced with continuing inflation, a large and growing current account deficit, and a budgetary deficit this year alone of over $11 billion in a country of only 23 million people. The United States, to which we sell over 70 per cent of our exports, is in recession. Our situation demands fiscal and monetary policies that are conducive over time to noninflationary growth. We must also accept that in the short term significant real growth is unlikely. We plan to apply a combination of fiscal restraint and monetary discipline to reduce inflation. At the same time, we intend to encourage market forces to play a more effective role in allocating and dealing with structural adjustments.

Many other countries are in similar circumstances. In fact, there are very few whose budgetary position and performance on inflation will allow them to pursue expansionary policies. In my view, it is essential to reduce inflation to strengthen our capacity for growth. Otherwise the expansion will not only be short-lived, but will actually worsen the problems we now face. It is clear from the world economic outlook that payments imbalances, especially among the nonindustrial countries, will be substantial in the period ahead. The Fund, as always, has an important role to play in promoting adjustment. However, I believe that because of the additional flexibility provided by the supplementary financing facility (SFF) and the imminent quota increases, the resources of the Fund are adequate in the present circumstances. This is especially true when we consider the extent to which private sources of capital have complemented the activities of the Fund and the Bank. . . .

As I said in Malta last week at the Commonwealth meeting, I do not agree with the call for some new facility to finance medium-term or longer balance of payments support. Current account deficits are to be expected in rapidly developing economies. They cause concern only if they consistently exceed the foreign exchange resources provided by private capital inflows or official development assistance. If there is a continuing balance of payments deficit, then clearly either the wrong sorts of projects are being financed, or the country concerned is trying to expand its economy too rapidly. The key point is that this is a development gap, not a matter of temporary balance of payments assistance, and it should be treated as such. If international institutions are to be called in to help, it should be the development banks not the Fund. Fundamental alterations to the role of the Fund would do us all a disservice. Sudden emergencies are one thing. They can occur for any nation. Continuing balance of payments deficits imply a need for a more fundamental re-examination of economic policy. If we are to emerge from these difficult times with strengthened economic capacities, some stringent measures of economic self-discipline are required. That is one of the first priorities of the new Canadian Government. . . .

Turning to the World Bank, Canada supports the general capital increase of $40 billion, and this should move ahead as quickly as possible. We support the IDA Replenishment, and wish to see negotiations completed for a substantial increase in IDA resources. But we do not believe IDA contributions nor indeed multilateral assistance should be made subject to the kind of political decisions now being discussed by the United States Congress. And these should be dropped. We agree with the proposals for an increase in program lending and support the development of criteria for this and for sector lending to assist developing nations in making structural changes in their economies. We commend the efforts of the Bank in assisting these same countries in efforts to find and develop new sources of hydrocarbon energy. This is essential for all nations if we are to reduce our dependence on conventional oil. We are doing this in Canada with oil sands, heavy oil resources, and frontier exploration but all are enormously expensive. In this there is a need for greatly increased investment resources. In developing countries, official aid flows have a key role to play but they are not the only answer. In the short term, the challenge is first to use the funds that are available as efficiently as possible, and second, to direct them in a way that induces more flows of private capital. We welcome, as an example, the recent increase in cofinancing activities by the Bank. In view of the economic constraints faced by major donors, including ourselves, it makes good sense for IBRD funds to be used in conjunction with money provided by other banks, national development agencies, and the private sector.

I wish to expand briefly—and bluntly—on the constraints I face at home. Concern about the gap between the industrialized nations and the developing world is shared by us all. We want to narrow this gap as quickly as possible. Our commitment to that goal is evidenced not only by words, but by deeds. I face two problems. The first is economic. While our problems in Canada of inflation, unemployment, and severe budgetary and current account deficits may seem insignificant when compared with the magnitude of the task facing any or all of the developing countries, nevertheless they are serious indeed in any economic context. They are viewed seriously by the average Canadian. Further increases in the transfer of resources are difficult to justify to Canadians until our own economic situation improves. The second problem is a serious political one. Our support for other nations depends on support for these goals at home. I tell you frankly that the support of our people in Canada is not enhanced by artificial confrontations here or elsewhere. I think it is time this was said publicly. As a politician I must live with these realities. They may be less visible internationally than the realities of life in a developing country but they are *not* less real.

Canada remains convinced that our destiny is inextricably linked with that of every other nation here. Together we face substantial problems, but we also marshal substantial resources to deal with them, not the least of which is our shared human ingenuity. The World Bank and the International Monetary Fund are institutions that have served us well. They have evolved over time to meet changing conditions, and will continue to do so. Both institutions are real demonstrations of our commitment to international cooperation. That commitment has led to substantial progress over the last 30 years, and as we return to our capitals, it is a commitment we must not lose sight of.

In Malta, one of my Commonwealth colleagues expressed the hope that frequent references to the term "realism" did not disguise a defense of the status quo. It does not, but neither does unrealistic optimism provide a solution. If we wish to be optimistic about the future, then we must have the courage to be realistic about the present. While realism may set limits on what we can do today it will expand the limits of what we can do tomorrow.

REPUBLIC OF CHINA: KUO-HWA YU

Governor of the Fund

On behalf of my delegation, I would like to join my fellow Governors in expressing our sincere appreciation to our host country for its kind hospitality and cordial cooperation. We feel it is a rare privilege that the Fund-Bank Annual Meetings this year take place in this beautiful and historical city of Belgrade, which is indeed a change of scenery to many of us.

I would like also to extend warm thanks to Mr. Jacques de Larosière, Managing Director of the International Monetary Fund, Mr. Robert S. McNamara, President of the World Bank, and the Executive Directors and the staffs of the two organizations as well as their affiliates for their accomplishments and high sense of dedication in carrying out their heavy responsibilities in the past year.

We may recall that, in order to achieve noninflationary growth of the world economy and to generate more employment opportunities, a coordinated strategy was endorsed and accepted during the last Annual Meetings. Unfortunately, the intervention of extraneous factors has nullified much of our effort. Both inflation rates and unemployment remain unacceptably high in most member countries. The rate of expansion in international trade, as a whole, is much too slow. The upsurge of protectionism has become a matter of serious concern, especially to those countries in the course of development.

The progressive reduction in the disequilibrium between oil importing and exporting countries conscientiously achieved in the past several years was abruptly disrupted this year by the interruption of Iranian oil exports, and repeated and substantial increases in oil prices. It is estimated that the current surplus of the major oil exporting countries will be raised to an estimated $43 billion this year from about $6 billion one year ago. A disequilibrium of this magnitude cannot fail to cause serious disruption to the international adjustment process.

Major industrial countries are probably better equipped to absorb the sudden increased oil cost, because of their basic strength and the sophistication of their economies. The blow falls hardest on the non-oil developing countries, whose payments and external indebtedness problems become almost insurmountable.

As if to exacerbate the already weak position of these countries, their efforts to promote exports—a necessary measure to reduce their current account deficits—are painfully frustrated by the ongoing slowdown of economic activity in the industrial countries, the principal markets for their products.

The low-income developing countries contain more than two fifths of the population of all Fund and Bank members. Thus the seriousness of the situation should not be underestimated.

My delegation would suggest that maximum coordinated efforts on the part of member countries are called for. Each country, of course, should tailor and implement its economic policies in the light of its particular circumstances. Major industrial countries are earnestly urged to take into account the plight of the developing countries and, for their long-term self-interest, to make their markets more accessible to the exports of the developing countries. It is also hoped that the flow of official development assistance will be expanded—and expanded soon—to the low-income countries.

In this respect, my delegation notes with satisfaction the continuing increase in the annual lending of the Bank and the qualitative changes of its projects, with greater emphasis placed on expanding energy production in the developing countries. By raising their exports and increasing their agricultural output, these projects aim at alleviating urban and rural poverty in the developing countries, and helping them to weather world-wide stagnant growth, inflation, and increased costs of oil imports.

We would also like to take this opportunity to express our appreciation to the Bank for its consultant services rendered to our Government. The Bank's reports on our development strategy, planning and industrial incentives were very timely; many of their recommendations have been taken into consideration in the revision of our six-year economic development plan for 1976-81, or translated into government directives for implementation. For instance, our credit assistance and conditions for granting tax relief to the machinery industry were made more accessible and liberal, as specifically recommended in the reports.

Another recommendation we have taken seriously into consideration is that for the expansion of trade and lowering of the tariff barrier. Continuous efforts have been made to reduce our import tariff on raw materials and intermediates. The latest adjustment made in July exempted 21 items from tariff, lowered the tariff on 432 items, and changed another 215 items from ad valorem to specific duty rates. By authority granted under the Customs Law, the Government also cut in half the import duties on 180 items of machinery and equipment as an incentive for capital investment. . . .

Permit me to make a brief presentation of the economic performance of my country during the past 18 months. For reasons both domestic and world-wide, we found it necessary to revise our six-year plan after three years of successful implementation. The main features of the revision are as follows: (1) to raise the average GNP growth rate to 8.5 per cent per annum, 1 per cent over the original goal, for the remaining three years; (2) to revise the average increase rates of imports and exports for the remaining three years to 19.6 per cent and 15.4 per cent, respectively; (3) to promote the machinery and electronic industries as the prime movers of industrialization, and to reduce past reliance on labor-intensive industries; and (4) to start the new Twelve Major Infrastructural and Industrial Projects in order to continue the momentum of economic activities which had been effectively maintained by the Ten Major Projects now completed.

The year 1978 was one of our best years in the recent history of our economic development. An unprecedented growth rate of 12.8 per cent was recorded. Our GNP per capita reached US$1,304. For the first half of

1979, we managed to achieve a growth rate of 9.2 per cent, notwithstanding the adverse effects of oil price increases. It is expected, however, that the growth rate for the second half of 1979 will be lowered.

The expanding volume of trade continued to provide our national economy with the necessary dynamism to grow. Imports and exports increased by 26.1 per cent and 31.9 per cent, respectively, in 1978, exceeding considerably the planned goals. For the first half of this year, the totals of imports and exports reached US$6.63 billion and US$7.37 billion, respectively, representing increases of 34.7 per cent and 31.9 per cent, respectively, over the same period one year ago.

The price situation, however, is a source of serious concern. Although wholesale prices increased at an annual rate of 3.53 per cent and urban consumer prices at 5.77 per cent last year, both have risen rapidly since then. For the first half of this year, they increased by 7.42 per cent and 3.78 per cent, respectively, as compared with the second half of 1978. If compared with the first half of last year, the rates of increase are as high as 11.10 per cent and 7.42 per cent, respectively. In order to maintain price stability, my Government is taking all possible measures to keep inflationary pressures under control.

As of February 1st this year, we introduced marked innovations in our foreign exchange regulations, with the intention of establishing a free foreign exchange market; the innovations have been working smoothly. It is our hope that in the future the market mechanism will help adjust the exchange rate of our currency with more frequent but smaller rate movements.

In concluding my statement, I would like to pledge, on behalf of my delegation, our full cooperation with the Fund and the Bank in promoting the economic welfare of the people of all member countries. We sincerely believe that the Fund and the Bank will continue to play their important role effectively in the coming year.

DOMINICAN REPUBLIC: EDUARDO FERNANDEZ P.

Governor of the Bank and Fund

First of all, I should like to state what an honor and responsibility it is for me to address this Annual Meeting of the Board of Governors of the World Bank as spokesman for Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Philippines, Spain, Suriname, Uruguay, Venezuela, and my own country, the Dominican Republic.

It is especially gratifying to express our sincerest thanks for the warm hospitality shown us by the people and Government of Yugoslavia, a country geographically a long distance from all of ours but with which we identify, since we pursue with equal effort the search for a distinctive and independent solution to our particular problems.

Our countries desire to record their appreciation of the outstanding work of the Bank staff, especially the constant efforts of the technical missions that visit us—efforts which reflect the concern for our region held by the principal executives of the Bank, Mr. Robert McNamara, its President, and Mr. Nicholás Ardito-Barletta, Vice President for Latin America and the Caribbean.

For those of us with responsibilities in the economic sphere in our own countries, it is essential to be able to analyze in an international forum such as this a situation characterized by the increasingly apparent absence of just international economic cooperation, the reappearance of protectionist barriers and the growth of economically threatening dependency situations, a state of affairs which affects our daily life and accounts for the disquiet that pervades our search for a better future.

It is encouraging to observe how the Bank endeavors continually to surpass itself in dealing with the serious problems it faces in adapting optimistically to a current world situation in which dialogue and solidarity seem more than usually difficult. It is appropriate to mention here the general increase in Bank capital approved recently by the Board of Executive Directors and which is of importance to our countries if they are to see Bank lending operations increase in real terms.

It would nevertheless seem necessary to effect certain changes that will make a material reality of the advantages implicit in that new development in the shortest time possible. I refer in particular to an effort, by the Bank as much as by our countries themselves, to streamline the disbursement process for projects in execution so that the net flow of resources from the Bank toward Latin America becomes really significant. The net amount transferred during the current year, namely, US$160 million, in no way corresponds to regional needs; it is, moreover, a sign of the delay in launching projects of vital importance to our peoples, and there is particular relevance in the fact that the net transfer of resources in 1979 barely exceeds that of the previous year and is indeed inferior to transfers recorded annually over the period 1974-77.

There is no exaggeration in viewing this as a painful paradox, since it reflects the fact that our countries' continually increasing need for resources is matched against net availabilities that do not cease to contract. What is obviously called for, then, is a policy designed to liberalize the disbursement process and to extend both grace and maturity periods on Bank loans. Such measures would help to meet regional financial requirements for new development projects and for continually growing debt-servicing obligations.

A matter which disturbs the countries in the group I represent is the intrusion of political considerations into the granting of loans, in open violation of the Bank's Articles of Agreement. We therefore cannot accept the situation that the legislative body of one of the institution's major shareholders should propose the imposition of restrictions on the use made of its appropriations of capital to the Bank or on the resources made available to the International Development Association.

We confidently regard the Bank's sense of equity and justice as an assurance that we will see increasing real growth in the volume of its resources channeled toward our region, without discrimination against any of the countries that constitute it. A statement of this nature is necessary, given the diversity in economic development levels observable among our countries, a diversity which is at times extremely marked even within one particular country.

As complex as the problem of development is, it is simplistic to make the per capita income level of a country the sole basis for decisions on the sums, grace periods and maturity periods that constitute the underpinnings of the development process. Following the same line of thought, we regard as having special importance for our countries the proposals on these matters set out in the Bank policy paper on lending criteria for the 1980s, a document still under consideration by the Board of Executive Directors.

We wish to say again that both program and sector lending should be increased substantially, since this type of financing provides a rapid means of expanding the transfer of resources to the region. We would also like to see wider and more flexible criteria approved for the financing of the local cost component of projects appraised by the Bank, as well as the adoption of criteria that would allow the setting of interest rates at the lowest possible levels compatible with maintenance of adequate financial solidity by the Bank.

It has frequently been pointed out, even in the Annual Report the Bank has submitted at these Meetings, that one of the central problems in our economies is the growing protectionism encountered by our exports. We therefore feel justified in our view that the industrialized nations should eliminate the protectionist barriers raised against our countries, and that the Bank should make a close examination of new means to channel resources to the developing countries for the precise purpose of export financing.

Although great hope was originally vested in its ability to contribute to a solution of the problems involved in financing development, the Development Committee has not fully lived up to expectations. Since this may be ascribed essentially to a lack of political support from the industrialized countries, it is necessary that the newly organized Committee engage in an analysis of the Program for Immediate Action approved by the developing countries in the Group of 24 and endorsed unanimously by the Group of 77. We also take the view that the Committee should re-institute its meetings of high-level technical specialists.

Our region places importance on a strengthening of the links between the Bank and the regional development institutions. This ought to be based on a real increment in the volume of resources transferred to our countries and on strict adherence to their national development policies.

We should now like to refer to the cases of Nicaragua, Dominica, and my own country, the Dominican Republic. Nicaragua is just emerging from a long and bloodstained political process, which, in the words of the Resolution adopted unanimously by the United Nations Economic Commission for Latin America in plenary session, resulted in damages that "have thrown the country into an economic crisis without precedent in recent Latin American history." Both Dominica and the Dominican Republic have sustained heavy damage by *force majeure*. These three countries are in need of substantial and immediate international cooperation, mainly in the form of program and sector loans from the World Bank and assistance on concessional terms from the International Development Association. The criteria the World Bank is called upon to apply in these three cases are the same as those which gave birth to it more than 30 years ago and have decreed its course of action in other areas of the world since then.

It is beyond doubt that the developing countries constitute the very reason for the Bank's existence, and on that count we are convinced of the need to preserve their political representation in the conduct of its affairs, and to maintain the present three predominantly Latin American constituencies with the Board of Executive Directors as a means of ensuring an equitable geographic distribution.

Almost all the matters I have raised have already been discussed at these Annual Meetings. The plain fact is that they are problems which confront us today with an urgency which calls for the rapid making of decisions and agreements that will translate into actions and achievements which respond to our countries' economic and social realities.

We are at a juncture that could very well nullify much of what has been accomplished. Today, when there exists widespread awareness of the gravity of international economic problems, when it has been demonstrated to what point the external sector can prove one of the most dynamic elements in the whole development process, certain industrialized countries are giving marked signs of a tendency to repudiate any long-term community of interests. That is a very telling reason why, at this particular moment, the work of the international community should be directed with greater intensity toward achieving compatibility between the actions of the developing world and those of the industrialized countries.

In closing this address, I should like to remind you that we have stated what our aspirations are as regards the volume of, and the conditions attached to, the financial resources needed in the countries for which I act as spokesman, and as regards the manner in which we wish to continue participating in the management of the Bank. I have also made clear what importance this group of countries places on an international economy in expansion which responds to the economic and social realities of their particular situations. But above and beyond these considerations lies our firm commitment to dedicated, honest and effective work, the essential underlying element in any wholehearted attempt to achieve that degree of development and welfare to which we believe we are entitled and which will be the foundation for more just and more prosperous societies.

EGYPT: HAMED EL SAYEH

Governor of the Bank

I join the previous speakers in expressing my deep appreciation and gratitude to the Yugoslav Government and people for the cordial hospitality extended to us in this beautiful and friendly country.

Mr. Chairman, we listened with great interest to your opening speech. Please accept my appreciation for your comprehensiveness with which you dealt with a wide range of important issues facing the world economy. Allow me also to join my distinguished colleagues in welcoming new members participating in these meetings for the first time.

We also convey our compliments to the Executive Directors for the excellent and comprehensive Annual Reports of the IBRD and the IMF. The reports reflect clearly the state of the international economy. We are happy to see the second issue of the World Development Report by the World Bank. This is a valuable document indeed, which provides an excellent analysis of major development issues.

We meet at a time when world economic conditions are clouded with uncertainty, characterized by persistent and mounting inflation, increasing unemployment, and international payments imbalances.

I share with my fellow Governors of developing countries their concerns, especially as growth in industrial countries has been disappointing. This is reflected in the slower expansion of the world trade and serious deterioration in the growth prospects of the developing countries.

Even more disturbing is the fact that world economic prospects are far from encouraging. The past three years may be considered a period of moderate economic growth for non-oil developing countries. Given the high rates of population growth, the growth of GNP does not offer scope for satisfactory improvement in real income. The cumulative deterioration of the terms of trade of these countries since 1974 has eroded real income benefits.

More than half of the countries with lowest per capita income are in Africa. In 1978 the average rate of growth of these countries was the lowest for any major region, for it deteriorated to 2.5 per cent, coupled with an annual population growth of almost the same rate. Hence, real income per capita was stagnant.

The deterioration in current account deficits of non-oil developing countries is a cause for great concern. The 1978 deficit is estimated at US$32 billion, compared with US$21 billion in 1977. According to IMF estimates, the combined current account deficit for all non-oil developing countries would reach US$42 billion in 1979, and would rise to more than US$50 billion in 1980. This would imply that the external position could assume the proportion of a crisis, unless effective measures are taken.

The estimated rise in the deficit of developing countries is attributed to two factors, namely, the deterioration in terms of trade, as export prices are not expected to keep pace with import prices and the expected increases in net payment of debt service and other forms of investment income. Such deficits were largely financed through external borrowing, which in most cases was not available at all or available at high rates of interest, which cannot fail to aggravate further the external debt situation.

It is difficult to envisage any substantial improvement of the world economy as long as the advanced industrial countries do not adopt the necessary measures to stimulate a vigorous and noninflationary recovery of their economies.

The recent surge of protectionism in the industrial countries has become a major concern, and a deterrent to the policy of export diversification of the developing countries. Such policy will have unfavorable impact on our earnings, growth, and development prospects. As a representative of a developing country, I feel we are burdened by the increasing cost of imports, restrictive and protectionist measures which hamper our export potential, and by the instability in the international monetary system. The elimination of protectionist measures would make a significant contribution not only to the growth and development countries, but also for the solution of major economic problems facing the industrial countries themselves.

I should reiterate that the diversification of the export base of developing countries has allowed them to compete successfully in an increasingly wide range of manufactured goods. Growth in our economies and the strengthening of our export capacity mean a growth in our import capacity from the industrial countries. . . .

It should be recalled here that one of the aims of the Tokyo Round on Multilateral Trade Negotiations was to improve conditions for the increasingly diversified range of export products of the developing countries. The objective included an improved framework for the conduct of international trade, taking into account the development, financial and trade needs of these countries. Yet, as the Annual Report shows, we cannot appraise at this stage the outcome of the MTN since much will depend on the implementation of the various codes that formed an integral part of the MTN.

Referring to the problem of financing current account deficits, we find that the two years following the 1975 world recession were a period of intensive balance of payments adjustment.

The sharp reduction of the developing countries' combined current account deficit in 1976 and 1977 permitted additions to reserves totaling about US$12 billion in each of those years. In many cases, however, this was made possible by increased borrowing. In 1978, net borrowing rose sharply, estimated at about US$32 billion.

It is quite clear that present efforts are insufficient to cope with a problem of that magnitude. Economic interdependence between nations makes international cooperation necessary and urgent under conditions commensurate with the needs of development. Official aid should be brought as quickly as possible to the target of 0.7 per cent of GNP and the aid conditions should be improved by increasing the grant element and the untying of aid. . . .

Referring to the activity of the World Bank Group, we would like to express our appreciation for the excellent development work carried out by the Bank and the International Finance Corporation. We give our support to its new policy aimed at raising the productivity of the more disadvantaged segments of the population and improving the distribution of the fruits of economic development. We also welcome and support a substantial expansion in program and sector lending. We welcome the recent increase in World Bank capital and earnestly hope that member countries' governments will soon approve the two draft resolutions doubling World Bank capital.

IDA credits are of paramount importance, since the majority of developing countries are in the low-income category. As a matter of fact, the use of the IDA yardstick of per capita income and population size as criteria for allocating its resources has shortcomings. It is hoped that the present criteria will be somewhat modified so as to ensure a more equitable distribution of IDA resources. Allow me to express the hope that current negotiations on IDA VI Replenishment will soon come to a satisfactory conclusion and that it will result in a substantial increase in IDA resources.

In Egypt we have opted for peace—a just and comprehensive peace in our troubled part of the world. Following this course has enabled us to devote more time and resources to economic development. Our efforts in this respect have been supplemented by a much appreciated flow of resources from the international community, including these great institutions, the World Bank and the IMF. The results are gratifying and we have been achieving fairly high rates of economic growth.

Thus the course of peace has proved to be the way to provide our people with better living conditions and progress.

EL SALVADOR: JOSE EDUARDO REYES

Governor of the Bank

The delegation of El Salvador joins with the Governors who have preceded me in expressing our sincere thanks to the Government and people of Yugoslavia for their hospitality and kindness and to the staffs of the Fund and the Bank for the efficient organization of these Thirty-Fourth Annual Meetings.

To the distinguished Governors and Representatives at these meetings I bring greetings from the people and Government of El Salvador, together with our best wishes for the success of the meetings in helping to achieve resolute, frank, and increasing international cooperation. We also thank the Managing Director of the Fund, Mr. de Larosière, and the President of the Bank, Mr. McNamara, for their opening statements, which in our opinion present a clear and realistic evaluation of the world economic and financial situation and offer valuable suggestions for our discussions.

El Salvador, with gratitude and high hopes, takes advantage of this excellent opportunity to address the international community and give an overall view of the efforts that its people and its Government are making to achieve clearly defined goals of social and economic progress. At the same time, we would like to tell you of their most urgent needs and their aspirations.

At this moment in history our country is engaged in the creation of a new and just economic and social order, based on the principle of solidarity and without hegemonies or pressures of any kind, in which the concept of the juridical equality of nations is upheld. . . .

We are grateful for the valuable assistance received from the World Bank in the financing of major national development projects, whose benefits are reaching broad sectors of the Salvadorian population in the form of new jobs, greater satisfaction of basic needs, and improvements in the quality of life of the lowest-income groups. We share the World Bank's concern with contributing, within the framework of its powers, to the struggle against poverty; we are confident that this concern will be translated into even broader and more effective support in the years ahead.

There is justifiable anxiety among the developing nations regarding a future that offers little encouragement and whose most conspicuous indicators are the rise in protectionism, the deterioration of the terms of trade of the nonindustrialized countries, the transfer of inflation from large to small countries, and the scarcity of financing. The most disturbing factor is that these problems continue to be debated in the various international forums without any effective solutions being found.

This situation profoundly affects the rights of the economically less favored nations; and this calls to mind a fact that I would like to point out to you: just as there are inviolable rights of the human person, in an international community such as that of our time there are also inviolable rights of States, foremost among which is the right to survive with a real and continuous improvement in the lives of their people.

Nonetheless, under present circumstances the gap between the rich and poor nations threatens to grow wider, thereby causing a greater spread of poverty, which beyond question is a continuing danger to the political stability and social peace of our peoples.

It is estimated that more than 700 million persons with per capita incomes of US$200 or less a year live in a state of absolute poverty. This represents approximately 40 per cent of the population of the developing countries. Furthermore, the problem is aggravated by the steady rise in the number of illiterate, underemployed, and malnourished human beings, whose advancement to acceptable standards of living entails a government effort that usually exceeds the domestic capabilities of the countries.

All of us bear responsibility for this state of things, for there is a growing awareness that the victories and mistakes of the past are in large measure collective and international. In our countries we cannot forget that we are still weighed down by the legacy of colonialism and neocolonialism.

Whatever may be the explanations for poverty, it is a crucial fact that poverty is today possibly greater than at any other time; and that in an interdependent world such as ours this situation is not, we repeat, solely the problem of those countries that remain on the fringes of a prosperous international society, but rather is a present reality that definitely affects the developed nations as well. We cannot look for the peaceful coexistence of rich and poor nations in an ever-shrinking world unless we are willing to accept social unrest and political agitation as part of our daily lives in the years to come.

Aid to the poor countries is never a handout. Paternalism is a thing of the past. The cooperation we seek is only a means of compensating to some extent for the benefits derived over the centuries by the powerful nations in their economic relations with the developing countries; for it is obvious that in a world whose prosperity is based on the international division of the factors of production, much of the wealth of the great is closely related to the poverty of the small.

Today El Salvador faces the challenge of carrying out a highly complex task that demands programs of assistance and urgent political, economic, and social reforms. The efforts we have made thus far respond to the Government's firm intention to implement such programs and reforms, but the needs accumulated over many years are so great that our domestic resources are insufficient to meet them. For this reason we require external financial resources, both from international institutions and from private sources of capital.

The action taken in international forums to design programs for the eradication of poverty are laudable; but until that happens the convergence of contradictory and explosive factors limits the task of economic and social development within a framework of peace and social justice.

It is easy to identify our country's most pressing problems. They include the scarcity of natural resources; high population density; and the disadvantage of participating in an ever more restricted and unfavorable international trade, with few possibilities of increasing exports of non-traditional products.

The most urgent problem is the needs of a young and dissatisfied population which takes notice of its low level of welfare vis-à-vis the opulence of other societies. And when our youth demands more resources for food, education, health, and housing, its just aspirations are frustrated because the economic capacity of the State cannot meet all of the demand.

For several years, and with the support of some international agencies, our Government has been carrying out programs to guide and plan demographic growth, together with aggressive policies for the distribution of income and wealth.

At this time the Government is implementing an ambitious development program, which because of its far-reaching social and economic impact is called the National Welfare Plan for All. Its objective is to give effective impetus to the progress of the poorest classes and to contribute to social justice in El Salvador. The plan and the measures taken by our Government were made known at a special three-day meeting held in Washington last April, within the Permanent Executive Committee of the Inter-American Economic and Social Council of the Organization of American States. The meeting was attended by representatives of the leading international financial and technical agencies, including the International Monetary Fund, the World Bank, and the Inter-American Development Bank, as well as friendly governments in the Western Hemisphere and the rest of the world. The conclusions of the meeting fully recognized the effort that the Government is making, and the fact that the National Welfare Plan for All is aimed at overcoming the problems of poverty and is at the same time ambitious and feasible.

The social reform being carried out by the Government of El Salvador aims at improving both the quality and coverage of rural education, with 40 per cent of the National Budget being appropriated for this purpose, one of the highest figures in Latin America. The other components of the social reform program are substantial increases in the income of both urban and rural workers; massive redistribution of the scarce arable land the country possesses, mainly among rural community associations; modernization of fiscal policies and increases in direct taxation; expansion of the social security system in qualitative as well as quantitative terms; integrated measures for improvement of national health and environmental sanitation programs; large-scale construction of housing for the low-income sectors; introduction of a national nutrition and food program; and creation of sources of employment through implementation of a dynamic public investment policy.

As an essential adjunct to the social welfare program referred to, the Government of El Salvador is promoting a wide-based political reform that will encourage greater participation in the work of government by all representative sectors of the country. As a first step, a national dialogue was set up among representatives of political, cultural, entrepreneurial, labor, and professional groups as a means of finding effective solutions to our problems.

This dialogue has produced important recommendations, many of which are already being implemented through specific measures designed to strengthen our democratic, republican, and representative system in an orderly and peaceful manner. In March of next year, elections to legislative and municipal bodies will be held, and the Government, in order to stimulate the widest possible participation by all political parties, has already invited such international agencies as the Organization of American States to observe their normal progress.

With regard to the external sector, El Salvador has achieved greater economic autonomy less tied to traditional external markets and products; in doing so, it has endeavored to surmount the adverse effects on its economy that result from the progressive increase in oil prices, inflation, and the economic recession affecting some of the developed nations.

El Salvador has kept its traditionally responsible attitude to its international obligations, and continues to follow rational monetary and fiscal policies in keeping with the principles this forum has always adhered to—facts which are reflected in more than four decades of external monetary stability. At present, El Salvador has one of the lowest external debt ratios in Latin America, a situation which enables it to appear with assurance and self-confidence in both public and private world capital markets.

Despite the efforts I have described, the dissatisfaction felt by minority groups that are radical though inconsistent in their aims are manifested violently through subversive or terrorist actions, which—and this is the case all over the world—constitute aggressions against those universal human rights the Government upholds. Such movements may be ascribed to a series of factors, among them frustrations accumulated over many years, the spread from abroad of an unjustifiable ideological fanaticism and the impact of the present crisis in world values.

We share the concern of those who desire a better future for coming generations, but we are convinced that violence and terrorism are incapable of ever resolving any problem. In our view, peace and justice are complementary elements indispensable to progress, but accurate knowledge and fair understanding from the international community are equally necessary if our good intentions and the efforts we are engaged in are to be reinforced.

Outside El Salvador there is a move to obscure the Government's achievements at home. This consists of an intensive campaign of disparagement in the different media, designed to confound public international opinion. We are aware of the adverse factors that retard our progress, but the real situation is distorted by irresponsible reporting that aims only at giving the world a very twisted image of the country.

I wish to state categorically before this honorable assembly that much of what is published by the foreign news media is biased, tendentious, and exaggerated, and therefore lacking in veracity.

It is frequently the case in international forums that the problems of the small developing countries pass unnoticed, no thought being given to the fact that when such problems are ignored and not paid the proper attention they sooner or later produce extreme situations that hinder even further the advance of those countries toward the peace and well-being they desire.

For that reason, I request the attention of the international community for the concerns of El Salvador, since we place our full trust in solidarity and cooperation among the nations as the essential principle of development and as the fundamental requirement for peaceful coexistence.

Again expressing the appreciation felt by the delegation which I head for the hospitality shown us by the people and Government of Yugoslavia, I wish to reiterate that El Salvador and its Government are now more than ever engaged in a determined effort to achieve social and economic progress within a setting of peace and social justice.

We desire peace for our own country and for all mankind, because we believe that the best of all possible worlds is that in which concord, understanding, respect, and mutual confidence are the rule and in which all nations join forces in the quest for the greatest possible good.

EQUATORIAL GUINEA: SALVADOR ELA NSENG
Governor of the Bank

It is a signal honor and a very special occasion for me to address this great annual gathering of the Governors of the International Bank for Reconstruction and Development and the International Monetary Fund, in order to convey to you the gratitude and the cordial greetings of the Supreme Military Council of the Republic of Equatorial Guinea and its President, His Excellency Lieutenant Colonel Obiang Nguema Mbasogo, at this crucial moment in the history of our country and our people.

First of all, we offer our warm affection and congratulations to His Excellency Josip Broz Tito, President of the Socialist Federal Republic of Yugoslavia, and to his people for the hospitality and the cordial welcome that our delegation has received since our arrival in this beautiful capital, and for their magnificent efforts in preparing for our meetings.

The Republic of Equatorial Guinea is one of the smallest countries of Africa and the world, both in area and in population; but its situation is similar to those of other larger and more populous nations. Nonetheless, we can say that all of the adversities that have afflicted Africa in recent decades have been felt particularly in our country, having drastic consequences and affecting us much more severely than our sister nations.

When our country achieved its independence, the happiness and yearnings of our people for harmonious development were great as we strove to bring about a sound and better future; but it was to be Equatorial Guinea's misfortune to fall under a personal and savage dictatorship which became more inhuman with the passage of the years.

The unchecked power of exPresident Macias Nguema has shattered the political, economic, social and cultural life of our country and our people. Because of these ruinous conditions, many of our citizens, fleeing from his attacks, sought refuge without protection in foreign lands. Others remained, against all odds, so that they might do as much as possible to lessen the harmful effects that the country was suffering, which led to the formation of the Supreme Military Council. The Council succeeded in putting an end, once and for all, to the Macias Nguema dictatorship on August 3. The Supreme Military Council, authentic interpreter of the will of the Guinean people, has been dedicated since that historic date to establishing a system of true democracy in our country, guaranteeing the greatest respect for the dignity of the individual in order to build a new society and to ensure total reconstruction of the nation and a prosperous future. In this task we rely on the following elements:

(a) The ability of our people to erase forever all the effects of the disastrous past and to build a new nation;

(b) The intention of the Supreme Military Council to thwart any attempted resurgence of antidemocratic forces that might disturb and hinder the development we seek; and finally,

(c) The solidarity and the sincere and open cooperation that we expect to enjoy with Africa in the world and in the field of international finance, for since last August 3 our country has been opened to the world after a total isolation of five years.

This solidarity has been shown to us since the outset in an effective and unprecedented way by the Government of the Gabonese Republic, which came with open hands to assist us in a humane and brotherly spirit, responding as a brother and good neighbor. The Kingdom of Morocco, as well as Cameroon, has likewise been aiding us. And we should also call attention to the valuable and noteworthy assistance that we have received from Spain. The European Economic Community as a whole has provided medications, food, and everything required to meet our basic needs. To all of the countries that have given Equatorial Guinea their unconditional assistance, we offer our sincere thanks and our warmest good feelings. We have learned that we are not alone and that we can count on a sympathetic worldwide response during these times.

Equatorial Guinea stands ready to open itself to the rest of the world and to be a full participant in all systems of international cooperation, since the dictatorship had completely destroyed the economic structure of our country. But we believe that relying earnestly on the World Bank and the IMF on one hand, and promoting public and private foreign capital investment on the other, we can carry out the projects that will build up our national economy with dynamism and efficiency.

Equatorial Guinea is known to have vast natural resources of all kinds, but urgently needs technology to ensure its own development. Nonetheless, we are aware that these factors in themselves are not sufficient to attract foreign investment. Cognizant of this situation, the Supreme Military Council that now governs our country assured the diplomatic corps and the international organizations present in Malabo last August 4, through the President, that the Government offers all guarantees with priority for the entry of foreign capital of individuals, bodies corporate or international financial institutions, public or private, wishing to invest in Equatorial Guinea. To them we state that anyone who brings his capital to our country will enjoy full rights and adequate guarantees of its repatriation under law.

Since the moment it assumed power, the Supreme Military Council has made it clear to the international community that it will base its policies on the principles of international law and on the Charters of the United Nations and the Organization of African Unity.

The Republic of Equatorial Guinea today calls for the unfreezing of all credits in its favor in the World Bank, the International Monetary Fund and other financial institutions of which we are members, in order to take the first steps to overcome the difficult situation in which the previous regime has placed us. At the same time, Equatorial Guinea declares its complete willingness to enter into bilateral and multilateral agreements with the governments of friendly countries in order to study and implement forms of technical, financial and economic cooperation and assistance, so that we may progress and realize the just aspirations of our people, so long tormented, under conditions that are spiritually and materially more human. We are fully aware that the Bank and the Fund can do this, for experience has shown us that they have so acted in other countries.

In order to achieve these objectives, we ask for the cooperation of all our friends, which we have no doubt we will receive.

FIJI: S. SIWATIBAU

Governor of the Bank and Fund

I would first like to show my appreciation to our host Government for the excellent arrangements under which we meet this year. I thank the President for his words of welcome and the peoples of this country for the warm hospitality accorded us this week.

I shall not expatiate upon the current international economic scene and prospects, as these have been comprehensively covered in the Annual Reports and other documents issued by the Fund and Bank. Governors who took the floor before me have also covered them amply. Suffice it for me to say that I share the collective concern for the upward trend in world inflation, persistent high unemployment levels, the looming recession and the mounting deficits of the non-oil developing countries.

On the current economic scene and immediate prospects, there is general agreement. But on their causes and prescriptions that need to be applied, I believe there exists a diversity of views.

Inflation has become endemic. It has over the last few years brought about a significant erosion in confidence. We see a persistent inflation psychology. What we now experience could almost be called a crisis in confidence in the economic policies and management, particularly of the largest economies.

The current situation could perhaps be viewed in its historical perspective. Over the last few decades our various governments, nudged along by their elected parliaments, have embarked aggressively into the provision of social services of all kinds. Indexed pensions generous medical provisions, indexed and minimum wages, free or subsidized education, generous unemployment benefits have all become familiar features of government policy formulation in recent years. These are of course laudable objectives but it would appear that their impact on the widening fiscal deficits, negative incentive for and attitude to work, static growth in productivity and the consequent accelerated growth in money supply have contributed to the inflationary psychology of today.

I would agree with those who advocate the eradication of inflation in the industrialized countries as deserving of the highest priority. It would be the condition precedent to the revival of public confidence which must in turn precede the growth in savings and investments in the industrial world. Only then can we expect steady growth in the medium and long term. I would therefore concur with the Managing Director when he observed that industrial countries should, in the months ahead, espouse cautious monetary and fiscal policies while strenuously applying their energies upon the breaking up of supply bottlenecks in the medium term.

So it may not be inconceivable that the world economic situation may further decline before we begin to traverse a more lasting and upward trend.

Although oil prices have contributed to the upward trend in world prices, we must not fall into the temptation of attributing all economic ills to them. I believe that the fundamental problem of the so-called stagflation in the United States and other industrial countries is largely self-inflicted and stems from the policy perspective which I have already mentioned. . . .

In the months ahead I believe that the IMF would have to take an active role beyond its traditional interest of monetary, fiscal and exchange rate policies. Increasingly it should pursue active discussion in fields relating to supply, and embracing energy, production and incomes policies. Almost by definition, involvement in such policies will mean that the Fund must increasingly take a relatively longer-term view of economic developments within the member countries. I hasten to add that this does not mean that the Fund must assume a developmental role such as that of the Bank. But it would mean a much closer cooperation and coordination by both institutions in their future programming within the member countries.

We are told that current deficits of the non-oil developing countries will rise from an expected \$43 billion this year to more than \$50 billion in 1980. These additional burdens will be added to the weight of the cumulative deficits of the last five years. Deficits have of course to be financed. Already a good many of these countries are living with the unsatisfactory situation where capital inflows have been absorbed by deteriorating terms of trade and rising debt service burden—and not for developmental purposes.

In the months ahead we shall again have to rely upon the private international banks for the financing of the massive deficits accruing to developing countries. But the difficulty of the poorest developing countries which do not have ready access to the Eurocurrency markets deserve special consideration. These countries will have to look more toward the Fund and Bank for the satisfaction of their foreign exchange needs. It is in response to such needs that I believe the Fund must exercise a degree of flexibility, particularly with respect to the quantums of drawings under the supplementary and extended facilities. I understand that the Fund may already be bent upon that strategy and I would like to lend support to that course of action.

In tackling the difficulties of the developing countries we must not underestimate the important role of domestic policies. Although appropriate domestic policies, under the current world economic climate, may not in themselves be sufficient conditions for avoiding dislocations, they are certainly necessary. So domestic policies must be supplemented by a world economic climate which is not hostile to the efforts of the developing countries.

In this connection I support those who have argued eloquently for the removal of trade barriers. I would hope, in spite of the constraints itemized by some of the economically powerful nations, that the downward trend in ODA would be reversed in the years ahead. Relaxation of controls against capital outflow such as adopted by the United Kingdom recently is certainly welcome.

I would hope that the increased capitalization of the Bank will be expeditiously implemented. Although it is not for us to question the prerogative of the U.S. Congress to attach conditions to the utilization of its capital contribution to the Bank, I hope that this issue would be resolved saisfactorily without jeopardizing this urgent exercise.

I believe that the Bank should gradually increase the share of its program loans in its total lending. But we should of course hasten slowly along this path and continually review our progress with the benefit of hindsight.

The satisfactory and expeditious conclusion of IDA VI would be vital for ensuring unabated flow of capital to areas of urgent need in the coming years. I would like to make a plea for a substantial real growth in IDA VI over IDA V.

The Bank, I am informed, applies an administrative per capita guideline upon its running total of loans to member countries. Such a policy, when applied strictly, operates adversely if not perversely against the smallest member countries which must undertake lumpy projects, particularly in the infrastructure sector. It is our wish that this particular policy of the Bank would be applied flexibly and with an eye to the individual characteristics of the borrowing country. . . .

FINLAND: PIRKKO TYOLAJARVI

Governor of the Bank

Speaking on behalf of the five Nordic countries on matters related to the World Bank Group, I first wish to thank our host country for its warm hospitality and the excellent arrangements for the Annual Meetings. It gives us particular pleasure to meet in the capital of Yugoslavia, a country which retains a key role in the North-South dialogue.

The present economic difficulties must bring into an even closer focus the two fundamental objectives of the international development efforts: the acceleration of economic growth in the developing countries and the reduction of absolute poverty. While the basic responsibilities regarding policy choices remain with the developing countries themselves, the economic health of the industrialized countries is a vital factor determining growth prospects for developing countries. Therefore, decisions and measures by the industrialized part of the world should be shaped in such a way as not to hamper the policy options of the developing countries. At the same time, it is evident from the adjustment difficulties of all countries that the international community must be able to respond to the needs arising from the changing circumstances. In order to achieve this, dialogue is needed—a continuous and closer dialogue.

Development efforts now take place against the background of the recent rise in oil prices and the concurrent slowdown in the rate of growth in the industrial countries. The non-oil producing developing countries will be most adversely affected and for many of these countries prospects are alarming. Quite a few of them may in the near future be faced with serious financing problems, which will leave them no other choice than to curtail their investments and development plans. This will, in the end, mean a deterioration in the welfare of their citizens, already at an unacceptably low level.

We know that there is a compelling need for a major increase in the transfer of resources to the developing countries. Poverty and human suffering remain basic problems for a substantial part of mankind. This is neither acceptable, nor tolerable. Thus, every means available should be explored in order to assist the developing world in finding the human, financial, and technical resources necessary for them to improve the standard of living of their people.

The central issue in this context remains to bring official development assistance by the industrialized countries up to the target of 0.7 per cent of their GNP. A special responsibility rests with the major donor countries with a low ODA share, particularly with those in basically strong balance of payments positions. It would greatly enhance the prospects for attaining the 0.7 per cent target if these countries were prepared to commit themselves to a specific annual growth of their ODA.

Furthermore, a smoothly functioning international capital market, as well as monetary policies conducive to capital outflow from surplus countries, would also be important elements in the financing of the LDC's deficits.

Two significant agreements within the World Bank Group are nearing their conclusion. The more advanced of these is the general capital increase of the Bank, which has been unanimously accepted by the Bank's Executive Board. The Governors of the five Nordic countries have already cast their votes in favor of the Resolutions relating to the capital increase.

The second major agreement, the proposal for the Sixth Replenishment of IDA, is approaching its final stage. In this context the Nordic countries wish to emphasize the necessity of continued and adequate flows of IDA resources. IDA lending is an essential source of external finance for the poorest developing countries. Therefore, we strongly urge that a prompt agreement on the IDA Sixth Replenishment be concluded at a level which provides for increased lending in real terms.

It is generally recognized that the Bank is an important and efficient channel for development finance. Its potential importance is accentuated especially for the low-income countries meeting increased difficulties in their efforts to raise capital on international financial markets. The Nordic countries therefore hope that the Bank could find ways and means not only of maintaining these countries' share in World Bank lending, but also of increasing it further. Certain creditworthiness considerations must of course be taken into account, but this problem should not be exaggerated; it should rather be approached in a constructive spirit.

Regarding Bank-Fund collaboration, we would welcome any improvements in order to deal with balance of payments, as well as long-term adjustment problems. In this respect both organizations have their specific roles, which are complementary. We welcome the Bank's willingness to increase its program lending. As long-standing advocates for program lending we fully endorse the Bank's efforts to identify more opportunities for such assistance. I was particularly pleased to hear at the recent meeting of the Development Committee that this view is shared by many of my colleagues.

Absolute poverty can be eradicated only through the mobilization of enormous human resources. In this perspective Mr. McNamara has emphasized today the need for efforts to create productive employment as the most critical element in the process of establishing a solid base for development. We also agree with the President that if effective land reforms cannot be implemented, if enough capital for small-scale farming cannot be created, if the markets for their products cannot be widened, then we have little hope for improving the standard of living in the rural areas. As a result migration to the cities will continue. Rural and urban poverty are the two facets of the same problem. We welcome and give all our support to the Bank's efforts.

Mr. McNamara also points out that, in spite of decreasing crude birth rates, projections on population growth and their implications for global as well as regional stability in the decades ahead are alarming. There is little hope for economic progress without a more rapid reduction in birth rates. Experience shows that this can be achieved only as a part of an integrated program holding out hopes for improved living conditions for the people. Family planning projects should be incorporated into broadly based economically feasible health systems, which are adapted to the countries' particular requirements.

We are preparing for a New International Development Strategy. We are faced with growing difficulties in the international economy. We need rational and creative policies. We must all share in the development effort.

FRANCE: RENE MONORY

Governor of the Fund

Since our last Annual Meetings, the face of the world has changed. We parted in an optimistic mood, but meet again in dejection. We had believed that the courageous measures adopted—more or less rapidly—by most countries since 1974, to adjust to the new circumstances of the world economy, would make a new growth gradually perceptible. Today many of us are dubious, wondering whether the international community is capable of rising to a new challenge: by which I mean the deterioration in the world economic outlook of which Mr. de Larosière has just reminded us. The poorest countries in particular fear that they may be forced to abandon the hopes of development they were nurturing for their peoples. I understand their anguish.

To counter these threats of a slowdown in growth and the reappearance of disequilibria, there needs to be a reinforcement of international solidarity. This is accomplished by the introduction of economic policies adapted to the situation and mutually compatible, by the adoption of specific measures to benefit the most disadvantaged countries, and by the stabilization of the international monetary system.

Our world has to be snatched from the vortex of monetary disorder and poverty. Shall we be clear-sighted enough to realize this?

Can we act with sufficient generosity and energy to take the measures that are needed?

I. *I shall first try to describe in broad outline the state of the world and of France.*

The results for 1978 and the early months of 1979 should reassure us as to our capacity for action. They demonstrate that a policy judiciously chosen, implemented by concerted effort, can effectively redress economic trends.

In that period growth became more regular and more sustained, the rate of inflation slowed, trade was intensified, and the most acute of the balance of payments disequilibria was attenuated. These developments also allowed up to hope that the situation of the developing countries would continue to improve.

Today these prospects are again open to question, given the new rise in oil prices—60 per cent in dollars since the beginning of 1979, the American recession, and the increase in interest rates. The present situation of the world economy inevitably reminds one of that which characterized the years 1974 and 1975. Experience of that former crisis shows that the new oil shock will be reflected in an acceleration of inflation, a slowdown in growth, and a deterioration in international payments equilibria. This is indeed the IMF staff's forecast for 1979 and 1980.

In the face of these new dangers, we must define national economic policies adapted to the situation and in harmony with one another. This means that at times it will be necessary to rise above nationalistic egoisms. Naturally, however, all these efforts will be effective only if there are no further underlying disturbances that would again endanger the equilibrium we wish to attain.

These mutually compatible policies adapted to the situation should first and foremost emphasize a reduction of each country's dependence on foreign sources of energy. I can assure you that, where France is concerned, this goal will be most resolutely pursued. Thanks to efforts that were made immediately following the 1973-1974 crisis, it has been possible to reduce France's oil imports by some 10 per cent in volume, as compared with 1973. This policy was reinforced in the first half of 1979, when at EEC meetings and the Tokyo Summit France pledged itself to adhere to specific, ambitious objectives in reducing its dependence on foreign energy. I am more than ever convinced that the main priority in the importing countries' economic policies must continue to be given to energy conservation and to prospecting for new sources and forms of energy. But, as my Irish colleague said in his statement on behalf of the EEC, particular care should be taken to ensure that every country, to the extent of its means, participates in this joint, long-term effort designed gradually to reduce our dependence on petroleum. In this regard I welcome the parallel action taken by the Bank with a view to reducing the developing countries' energy dependence.

I think the lesson we can draw from the 1973-1974 crisis is that the countries which surmounted that crisis most successfully were the ones that adjusted most rapidly to the changes in the international environment. France is pursuing a policy whereby that adjustment can be made as quickly as possible. This policy is aimed essentially at three objectives.

(A) *First, the stability of the franc*

The franc has exhibited remarkable stability since March 1978; the French Government intends to make every effort to ensure that this continues. For this purpose, it will pursue a rigorous domestic monetary policy, acting not on interest rates but by means of a quantitative restriction of credit granted. In 1980 as in 1979, the money supply will increase appreciably less rapidly than the national wealth. In addition, every effort will still be made to keep the French balance of current payments slightly in surplus. Although dearer energy imports represent an extra burden for France of 20 billion francs in 1979 and 35 billion francs in 1980, we expect to attain this objective both this year and next.

(B) *Our second objective is the pursuit of balanced growth*

While it is essential to recoup rapidly the real outflow of funds suffered by our economy, it is nonetheless desirable to reduce as far as possible the depressive effect that this exerts. For this reason, the French budget for 1980 has been submitted with a deficit of 31 billion francs, an amount compatible with the observance of the monetary objectives I have just mentioned.

This balanced growth should therefore be based upon an expansion of productive investment. Certain indicators lead us to think that this advancement in investment could soon take place. It will be made possible by the net improvement in the financial situation of the French business sector, which has benefited in particular from a moderate increase in the wage bill and the adoption of strong incentives for the French public to channel their savings into the business sector.

(C) *The third objective is the adaptation of economic structures*

Adapting the structures of the economy to the new facts of world economic development is an imperative for all industrial countries. For this reason, France, after using all necessary means to effect a lasting restructuring of the sectors that are in difficulty, intends, through the introduction of innovations, to fit its industry for the challenge of the future.

I now come to the consequences for the rest of the world of the new steep rise in petroleum product prices, which will clearly entail severe disequilibria.

This deterioration of the world economic situation poses particularly serious problems for the non-oil developing countries. These countries will have to finance an additional oil bill estimated at $12 billion on an annual basis, and their overall foreign payments deficit will rise from $32 billion in 1978 to $45 billion in 1979. Other projections bring this deficit to $55 billion in 1981, and the World Bank presents even more alarming figures for 1985.

However, overall figures do not say everything and may be misleading. Countries are not equal in the face of this new crisis.

The distribution of the overall deficit among the countries concerned will be very uneven. Many of them will in addition have to face large debt repayment obligations. Not all of them have been able to increase their reserves during the last three years. Not all of them will be able to continue borrowing large amounts from private sources of capital, if they have access to them at all. The recent rise in interest rates merely aggravates these difficulties, despite the fact that these markets will probably receive additional placements of funds from the oil-exporting countries. The non-oil developing countries, which have often contracted large debts at variable rates, are now hard hit by the excessive rise in interest rates. Is there any hope, then, that they will be able to continue borrowing enough capital on international markets to increase their growth rates, or even merely to maintain them?

The development of these countries is at stake, that is to say the chances of hundreds of millions of human beings to achieve the break away from poverty for themselves or for their children. But we should recognize that it is also, at least in part, our levels of activity and our levels of employment as industrialized countries that are at stake here. We should therefore consider most carefully what is to be done in the dual area of money and development.

II. *International Monetary Problems . . .*

III. *The Problems of Development*

As I said a moment ago, the pursuit of development is our common concern; it must also be our common task.

Our efforts must extend in several directions. In the monetary sphere, we are striving to correct balance of payments disequilibria. But this is not all. For the poorest nations, official development assistance is the *sine qua non* of growth, while for the richest nations it is a fundamental duty of solidarity.

Indeed, the additional oil bill to be met by the non-oil developing countries in 1980 will represent nearly half of total official development aid from the OECD and OPEC countries.

In order that many countries, especially the poorest ones, may cope with this deteriorating situation without being forced to sacrifice their development, an increase in official development assistance is essential. But we must be realistic: under present circumstances, such aid should come chiefly from countries whose official assistance is now at an abnormally low level. I believe that international solidarity demands a special effort on the part of countries whose official aid falls farthest short of the international aid objective of 0.7 per cent of GNP. Furthermore, I am sure that the oil countries which will benefit from additional annual export earnings of US$75 billion will not shrink from their new responsibilities.

As far as France is directly concerned, we have signed international commitments in the matter of aid, and we shall keep them.

In the framework of this policy, the Governor for France has today voted in favor of a doubling of World Bank capital. I hope that all other member countries will be able to do the same promptly. I welcome this doubling of capital because, over and above the question of figures, I see it as an expression of the confidence the Bank enjoys.

In the same spirit, I hope the negotiations on the Sixth Replenishment of IDA resources will be concluded soon, so that no interruption will threaten the proper implementation of the Association's programs.

It seems to me essential that with its new resources the World Bank Group should be able to intensify its action in favor of the poorest nations, and most especially those in sub-Saharan Africa. In this connection, those who know me are aware that I share the concerns expressed this morning by Mr. McNamara. We cannot resign ourselves to the disadvantaged state of these countries, and I am sure that, like France, the World Bank will make its work with them a priority matter.

But efforts of cooperation in favor of the neediest must be situated within a setting of global cooperation. Indeed, in the present context, ways of giving new impetus to the dialogue between rich and poor nations must be found.

This dialogue, in which all must participate henceforth, should be kept open and given new impetus. In my opinion, its strengthening requires first of all that we endeavor to preserve what has been accomplished, especially as regards the opening of frontiers, and also that the international environment should be reasonably stable, or rather that changes in it should be gradual and thus relatively foreseeable. Shocks such as those we have just felt with the rise in oil prices cannot make the formulation of long-term programs any easier.

We cannot finally be satisfied with the results of the last development decade, or claim that the difficult circumstances in which we are beginning the decade of the 1980s justify any relaxation of our efforts. On the contrary, our ambition to do better must remain as firm as ever.

These are the few thoughts that I wish to proffer today. They are reflections that spring from a desire to make the very best of existing institutions and procedures. Although that may not suffice. It will probably be necessary to push further ahead along the same path by modifying the mechanisms of financing more profoundly so as to effect a better concentration and flow of resources toward the most disadvantaged.

You have undoubtedly noticed my disquiet. Despite that feeling, however, my view is not a pessimistic one, and I should like to regard these Meetings as an occasion for hope. Each one of us here will, I trust, carry away a heightened perception of the problems the world must face, and therefore bring to their resolution a stronger will to action.

Let us assist one another in seeing more clearly, in not being blinded by our day-to-day concerns. It is less a question of overcoming our egoisms than of curing our short-sightedness: what might be taken for generosity is no more than clarity of vision, and the effort toward solidarity is in fact only a matter of worldly wisdom.

GERMANY: HANS MATTHOEFFER

Governor of the Bank

This week, it is for us a great personal pleasure to enjoy the hospitality of the Yugoslav Government. We appreciate that Yugoslavia, through its independent policies, contributes to political stability in Europe and to the moderation of tensions and the strengthening of peace in the world.

Since we met a year ago, the payments imbalances among industrial countries have been reduced more rapidly than most of us had expected, and with them an important source of exchange market instability. Economic activity has accelerated in some countries—notably Italy, Japan and Germany. On the other hand, the world has once again realized the risks involved in our heavy reliance on oil as a source of energy. This year's oil price increase will affect all sectors of the world economy. It has increased inflation, decreased the prospects for growth, and imposed new burdens on external payments, especially of developing countries.

It worries us extremely that after four years of relative success in fighting inflation prices are rising more rapidly again in many parts of the world. We must make sure that these price pressures do not lead to an escalation of worldwide inflationary expectations.

Stability is an elusive goal. It is founded among other things, on the collective confidence of individuals and economic groups. Such confidence is hard to win and easy to lose. It must be earned—with steady, consistent policies aimed not only at the maintenance of global demand, but also at improving the basic conditions of healthy long-term growth: sufficient incentives for private productive activity, competition, adequate public investment, social justice, policies to solve the problems of different regions and branches and publicly financed research and development activities.

The uncertainties which cloud the economic outlook as we approach 1980 make the fight against inflation more difficult. We cannot afford to leave resources idle, in view of the many unfilled needs on our globe. We must pay great attention to the desires of those who want to be able to work for a decent living. We should see to it that those who are still unemployed should get work as soon as possible. But whereas this seems a realistic goal in most industrialized countries there is practically no hope to reach it in other parts of the world. Economic structures are very different throughout the world. What may be necessary and helpful in one country may be detrimental in another. Though it is very important and often helpful to discuss developments in international bodies, we should be very careful to pass judgment or give advice on strategies and measures in different countries and different situations that we do not really know well enough.

It is fortunate that the international payments system is now in a better position than it was in 1974 to absorb the strains from this year's oil price increase. The current account positions of many industrial countries have come rather close to what could be called equilibrium. This is particularly true for the United States, Germany, and Japan. The combined deficits of primary producing countries had also declined, in 1977 and 1978, to a level not excessive in relation to the financing available and to the transfer of resources already under way.

Of course, this year's oil price increases will result in new imbalances. The surpluses of the low absorbers among the oil exporting countries will rise sharply, the deficits of many non-oil LDCs will increase. These deficits will be particularly onerous for those countries which are already in a difficult debt situation.

A significant part of private capital flows is channeled through the Euromarkets. We think that these markets fulfill a very useful purpose. They satisfy the financial needs of many countries in a highly efficient way. It should be a common task to maintain and to secure their functioning. But the growing volume, of uncontrolled flows in these markets is also a matter of concern. First, we should have a better understanding of the risks involved in this type of international lending. Secondly, the national legislation of banking supervision varies among countries and leaves too much for evasion. We should therefore, come to a minimum standard of prudential control which should be accepted by as many countries as possible. Thirdly, countries whose currencies are used as Eurocurrencies might have lost a certain part of their ability to control money supply. The main reason for this is the exemption of Eurodeposits from minimum reserve requirements. We should find a solution allowing every country to control the monetary aggregates in its currency irrespective of whether these aggregates are part of the national or the international market. . . .

Nevertheless, a significant part of the financing needs can and must be covered by private capital flows. Private direct investment can make a contribution, since it is usually accompanied by a transfer of technical know-how and carries no fixed repayment obligation.

A few days ago I proposed to our German legislature to increase official aid by 12½ per cent in 1980 and by another 12½ per cent annually in the following three years, a rate of growth more than twice as high as for our total Federal expenditures. The major oil producing countries—who have already provided significant resources to non-oil LDCs—will participate in such an increased aid effort.

Many of the least developed countries will face the greatest difficulties. Germany, together with other donor countries, has canceled its aid claims on—up to now—16 countries in this group; we now provide official aid to these countries in the form of grants only.

But even if the readiness and capability of the industrialized countries to help the countries of the Third World in their development efforts grow substantially, problem of deficits of payments and debt burdens will remain. Development aid is related to development projects. Development projects—if successful—may in the long run alleviate important problems, for instance, in the energy sector. Nevertheless, it is not likely that import demands of developing countries may in the foreseeable future fall to the level of their own exports. Nor is it realistic to assure that developing countries may steadily finance a sharp imbalance of payments by the aid of international finance institutions. . . .

Even the strongest countries do not escape the need for adjustment.

Structural change is an essential condition of economic progress. A look at the international economic scene shows that countries which have opened their markets to free trade and international competition enjoy higher rates of growth, healthier economic structures, fewer balance of payments difficulties than those which try to protect their producers from international competition. Developing countries need access to the markets of the industrialized nations. It would be self-defeating if we assisted these countries in the development of their productive capacities, but failed to buy their products. If trade has to be a two-way street, this is particularly true of trade with developing countries: they can almost be counted on to spend any extra export earnings on additional imports. During the last five years Germany has doubled its imports of manufactures from developing countries, while our domestic demand rose by only 40 per cent.

It is in this light that we have been extremely gratified at the conclusion, earlier this year, of the Multilateral Trade Negotiations. The reduction of trade barriers agreed in these negotiations will give new impulses to world trade at a time when they are particularly needed. It is important to ensure that these agreements enter into force, as scheduled, from the beginning of 1980 onward.

The exchange rate movements of recent years have certainly contributed to the improved payments structure among industrialized countries. Their greater willingness to use exchange rate adjustment as a tool of economic policy—which is also reflected in the amended Articles of Agreement of the Fund—has been successful. Excessive fluctuations are, of course, undesirable. It will be a continuing task of economic policy to maintain orderly conditions on the exchange markets while permitting rates to respond to "fundamental" factors. The experience with the EMS and with last year's program to defend the U.S. dollar against unwarranted speculation has been encouraging. I expect that the recent unrest on the exchange markets will turn out to be a temporary phenomenon. The markets will soon realize how close to equilibrium the balances of payments of the United States and other industrial countries really are. Then the inherent strength of the dollar will reflect itself in the international exchange rates. The EMS has been and will continue to be a stabilizing element on the international monetary scene.

One of the reasons why the world economic outlook is probably less gloomy today than after the oil price increase in 1973 is the strength of demand in several European countries.

For a year or so, business activity in Germany has been remarkably buoyant. Economic expansion in Germany continues. During the second quarter of this year industrial production was 7½ per cent higher than a year ago, and new orders were 8½ per cent higher. For 1979 as a whole a GNP growth rate of 4 per cent is now certain. Unemployment has been reduced to 3.5 per cent, the lowest rate since 1974. Our main concern is the reappearance of inflationary tendencies. We are making every effort to contain them. Price stability in Germany should also assist our trade partners in their struggle against inflation.

It is now likely that the current account of the German balance of payments will be very close to equilibrium this year. Our imports continue to rise faster than exports, in volume terms by 11 and 9 per cent, respectively. The exchange rate changes of recent years and the healthy growth of our economy have obviously produced their expected effects. I believe this represents a significant contribution to the international adjustment process and to the maintenance of the momentum of the world economy.

We fully accept the reduction in our current balance. Indeed, we have deliberately tolerated the appreciation of the deutsche mark. Smoothing temporary exchange rate fluctuations while accepting the effect of fundamental market forces will continue to be the central theme of our exchange rate policy. We shall make every conceivable effort to increase and improve our cooperation with the U.S. monetary authorities. . . .

I turn now to the policies of the World Bank and its subsidiaries. The World Development Report 1979 is an impressive document, giving a picture of future prospects of the developing countries, and drawing attention to the enormous efforts which are still needed to assist these countries in solving their problems. The Report estimates that foreign capital requirements of the developing countries will rise from US$64 billion in 1976 to US$469 billion in 1990. Such figures certainly serve as an indicator of the size of the problems we face. The business results for the previous year are an impressive testimony to the performance of the World Bank. For the first time, financing commitments to developing countries exceeded the $10 billion mark. And I think we have reasons to express our appreciation to the staff and the President of the World Bank Group for the excellent work they have done. The role of the World Bank as mediator between the capital markets and the developing countries in the procurement of credits will continue to gain in importance. I can assure you that, as in the past, the German capital market will be accessible without restriction to the World Bank.

In order to meet the problems of the 1980s, the Bank is in the process of doubling its capital. At last year's Annual Meeting, I drew attention to the urgent need for the Bank to raise its capital while retaining a solid financial structure. I am pleased to see that the Board of Executive Directors has now submitted proposals to the Board of Governors which, in my view, correspond to the requirements. My Government has already approved the draft resolution; its approval is intended as a contribution to the rapid implementation of the general capital increase. But a rapid implementation of the general capital increase depends on a quick resolution of the uncertainty surrounding the valuation of the Bank's capital and the maintenance of value which arose with the entry into force of the Second Amendment to the Fund Agreement on April 1, 1978. In my view, the best solution of the problem lies in the selection of the SDR as the evaluation criterion for the Bank's capital: these difficulties should be eliminated by the beginning of the subscription period for the general capital increase by constructive cooperation of all concerned.

The available financing funds on concessionary terms will not keep pace with the massive rise in demand despite all efforts. It will be, therefore, more necessary than ever to concentrate these funds on the low-income developing countries to combat hardship and absolute poverty. My Government is therefore ready to assist in equipping the International Development Association in its Sixth Replenishment period with the funds it requires to effect a real annual increase in the lending volume. In particular I welcome the readiness of some of the more advanced developing countries to make a contribution for the first time to IDA, thereby sharing responsibility for the least developed countries. We realize that these new IDA contributors themselves still have substantial credit requirements. They should, therefore, continue to have access to World Bank lending facilities. Our contribution to IDA Six is also made in the expectation that other important traditional IDA donors will not diminish their shares and that OPEC states will participate in sharing the burden. We would like to see contributions to the World Bank Group be made in consonance with the respective Articles of Agreement without attaching additional conditions.

I hope that the negotiations on the Sixth Replenishment, which will take place immediately after this Annual Meeting, will reach a successful conclusion. We are ready to play our part.

I am happy to note the rapid and constructive reaction of the World Bank to the suggestions of the Bonn Economic Summit to step up the promotion of the exploration and production of energy raw materials in developing countries. I welcome the energy program of the World Bank and would urge it to step up its efforts even further.

Instruments of development financing are under steady review. New mechanisms may seem desirable and should carefully be tested, like program financing. World Bank program credits in conjunction with IMF measures may help to eliminate severe balance of payments difficulties.

In addition, there may be special need for more program and sector financing by the international development banks. The main criterion in granting program and sector credits to developing countries, independent of the balance of payments, should be the quality and implementation of their development plans.

Mr. Chairman, I do not want to close without once again expressing our appreciation that the Interim Committee has chosen Hamburg for its next meeting. I look forward to welcoming many of you there next April.

GREECE: XENOPHON ZOLOTAS

Governor of the Fund

. . . On this occasion, I would like to say a few words on the issue of financing the balance of payments deficits of non-oil developing countries, following the rapid rise of oil prices. When this situation first occurred in 1973, the Eurodollar market contributed significantly to the financing of these deficits. Now the problem has become even more acute, because the LDCs have already assumed a heavy debt burden, and international banks seem reluctant to increase their exposure to these countries. It is true that international organizations, including the World Bank and the Fund, are prepared to help. This is not, however, sufficient. A way must be found to induce private banks to proceed with the recycling of funds to the LDCs. Private banks need some form of security. I feel that the creation of an International Loan Insurance Fund, which I proposed two years ago, is still relevant.[1] Such a Fund would assume, up to a certain degree, the risks involved in private lending to the LDCs. I understand that some private banks expressed interest in this proposal, which is also being considered by UNCTAD. For the poorer countries with expanding deficits, however, this device would not suffice to solve their problem. In this case, therefore, special measures should be taken by the governments of the industrialized countries and the surplus oil countries to aid them directly to overcome the crisis.

In conclusion, I would like to commend the President of the Bank and the Managing Director of the Fund, and their dedicated staffs, for the Annual Reports which have substantially contributed to our knowledge of the world's economic and financial problems. I wish them continued success in their difficult assignments. I would also like to express warm thanks to the Government of Yugoslavia for the hospitality extended to us in this beautiful city, as well as our appreciation to President Tito for his inspiring welcoming address.

GRENADA: BERNARD COARD

Governor of the Bank and Fund

It is my pleasure to speak on behalf of a group of Caribbean countries comprising middle-income developing states, viz., the Bahamas, Barbados, Guyana and Jamaica; and low-income small island states, viz., Dominica, St. Lucia, and my own country, Grenada. Antigua, St. Kitts and St. Vincent are likely to join the Bank in the near future and will fall into the latter category.

The Caribbean extends a very warm and special welcome to Cape Verde, Djibouti, and our sister Caribbean state, Dominica.

Grenada, my own country, has a population of merely 110,000, and there are states with even less. Barbados, which has a population of one quarter of a million, shares some of the peculiarities and problems of small island states. Though economic differences exist between us, we have taken the collective decision to focus today on the problems of our latter category, i.e., low-income small island states. These states pose definite development problems because of their size, but it is also true they have the capacity for effective and productive utilization of financial resources.

The world economy is once again in crisis. And our countries, because they are so critically and delicately integrated into the world economy, are confronted with the forceful impact of this crisis. Thus, our economies are characterized by alarming rates of unemployment, stagnating production, the noticeable absence of capital resources and skilled personnel, low levels

[1] Zolotas, X., *An International Loan Insurance Scheme*, Bank of Greece, Papers and Lectures No. 39, Athens, 1978. See also *The Dollar Crisis and Other Papers*, Bank of Greece, Papers and Lectures No. 41, Athens, 1979.

of technology and infrastructural development, high rates of domestic inflation, and even higher rates of imported inflation.

Given these stark realities, we urge the Bank to take careful note of the conclusions of the Group of 77 and the Conference on the Mobilization of External Finances for Small Islands held in Western Samoa in April this year.

Both conferences stressed that our small island economies were in dire need of massive transfers of real resources, with concessional capital flows being primary. Emphasis was also placed on the need for greater flexibility in the application of the per capita criterion for granting financial assistance, and on the removal of complex and lengthy procedures in the implementation stage of projects. These adjustments can and will aid in the speedy transfer of financial and technical assistance to our non-oil producing mini-economies.

In the context of small open economies such as ours, key strategies of import substitution to save foreign exchange and export promotion to earn foreign exchange are critical. Our development priorities lie in the areas of agriculture, and agroindustries, fishing, cottage industries, and light manufacturing. In addition, the development and diversification of energy resources and tourist development are also shared by middle-income states such as the Bahamas, Barbados, and Jamaica.

We in the Caribbean believe that the Bank's assistance to us through its energy lending program is likely to be most useful in certain areas where appropriate raw materials and resources exist. Great energy potential exists for the development of hydro, wind, and solar power. High oil prices as well as short supplies point to investments for us in oil exploration and production, as well as energy conservation measures. Our expectation is that the Bank can and will respond positively to the need for an integrated form of energy development in the region.

As we mentioned earlier, tourism is of major interest to our nation's development strategies, and we therefore regret the decision of the Bank to abolish the Tourism Department; we hope that the Bank can find ways to fulfill our needs in this area.

Our small island economies need longer and more sizable forward commitments by the donors of ODA. For us, it is quite clear, that in the field of external assistance, it is largely through low cost financing that we can hope to find relief through the Bank for our faltering economies. Noting again the international economic and financial crisis, we reject the notion that the least developed and developing countries will have to bear the major brunt of this assault. For this reason, we are alarmed by the prospect of the immediate cessation of IDA operations, as was indicated by Mr. McNamara on Tuesday. The countries on whose behalf I speak urge continuation of this program, agreement on the Sixth Replenishment with substantial real increases over IDA V, and sustained effort by Bank member states in reaching an early resolution to this pending IDA liquidation.

We in the Caribbean regard the task of international development as a partnership effort. Cofinancing arrangements are of particular importance to some of us. We welcome closer working relations with institutions and countries most likely to cooperate with the Bank in its tradition of development financing, and Bank efforts to attract cofinancing can afford our countries greater access to capital markets.

Historically, Caribbean countries have given their full support to the new International Economic Order, particularly as a framework within which we can achieve just and equitable trade and other relations. Clearly, the recent trends toward increased protectionism by some industrial nations will not assist in the march toward just global transformation. Protectionism has, in effect, stifled the exportation of essential products from the Caribbean, and the threat for the continuation of this practice remains even now.

One area of Bank activity which we believe merits review in these times is its policy toward the financing of overrun costs. Delays in project start-ups and continued implementation are very often caused by circumstances not readily within the control of the local authorities and, when this happens, there are invariably substantial increases in project costs that cannot be met, without undue sacrifices, from local sources. The need to search for alternative sources of financing these overruns, delays still further the completion of the project and denies the benefits to the country. We urge the Bank to reconsider its approach to this aspect of Bank financing with a view to facilitating project completion and increased disbursements.

We are pleased to note that the Bank plans to significantly increase the amount of its lending to the Caribbean Development Bank over the next five years. We hope, however, that any such increases will not be at the expense of the Bank's direct lending programs to our individual countries. In addition, we wish to register our continuing support for the Caribbean Development Facility.

In welcoming Dominica to the Bank we cannot but be mindful of the tragic situation in which this country finds itself following the almost total devastation of its small island economy by the recent hurricane David, the worst in recent memory. The Caribbean countries sincerely hope the international community will respond positively and urgently to their desperate needs as well as to our other sister Caribbean state, the Dominican Republic.

Finally, on behalf of the people and Government of Grenada and the Caribbean, I would like to express our sincere and warm appreciation to the people and the Government of Yugoslavia for the courtesy and hospitality afforded us.

INDIA: I. G. PATEL

Governor of the Bank and Fund

It is a matter of particular gratification for the Indian delegation that we are meeting this year in this beautiful capital of Yugoslavia. Our two countries have a long history of friendship and shared endeavors; and I have no doubt this meeting will provide us with yet another opportunity of collaborating in the cause of world economic development. The city of Belgrade has been described as one of "tempestuous history and a dynamic present"; and if there is one thing which is most needed with regard to the world economic situation at present, it is the spirit of dynamism which seeks a way out of the present difficulties in a positive and mutually supportive manner.

As the documents before us outline vividly, there are many aspects of the current economic situation which cause serious concern. For us, in the poorest part of the developing world which does not enjoy adequate supplies of domestic oil, the coming years carry the prospect of a formidable set of difficulties. The poorer prospects of growth in the industrially adanced countries mean a lower demand for our exports and the acceleration in the pace of inflation in the richer countries spells a deterioration in our terms of trade. This latter tendency is accentuated by recent trends in oil prices. The combined result is a much greater need for resources from abroad to maintain, let alone improve, our low standards of living—and this at a time when the response of the developed world to *their* current difficulties is taking what appears to us to be a needlessly negative turn. Reluctance to increase concessional aid flows and further restrictions on our exports, particularly of manufactured goods, as also on the entry of our people, cannot but appear to us as responses which are as shortsighted from the point of view of the development of the world economy as they are detrimental to our own increasing efforts—and I venture to say, reasonably successful efforts—to remove mass poverty from our midst.

These immediate prospects become all the more worrisome when set against the grim outlines of the medium-term scenario sketched out in this year's World Development Report. Even on fairly optimistic assumptions, we are left with the dismal prospect that at the end of the century there would still be 600 million people classified as absolute poor; and I need hardly add that it is a matter of particular concern to us that the majority of these would be residents of Southern Asia.

It is not merely good politics but sensible economics to spare the world a growing polarization and confrontation between the North and the South. We have therefore consistently pleaded in gatherings such as this that effective and energetic steps should be taken by the developed countries to maintain their economic activity at a level which will sustain a high rate of growth in international trade and to continue to discharge their obligation to the international community by way of liberal trade policies and concessional capital exports, particularly to the poorer developing countries. Even at the risk of saying the obvious, it is particularly relevant at the present juncture to stress the importance to *all* nations of policies that emphasize our growing interdependence. Larger capital exports to developing countries on terms which they can afford and in a manner which facilitates prompt utilization can spur world demand in general and offer a way out of sluggish growth to the developed countries as well. Larger production around the world of commodities which are in particularly short supply such as food, industrial raw materials and energy can stimulate growth as well as counter inflationary pressures in *all* countries. The same is true of allowing the poorer countries to develop fully their export potential in low-cost manufactured goods, so that the structure of production everywhere gets better adjusted to the longer-term requirements of sustained growth in a relatively inflation-free environment. I for one feel that this is a vision, or a version if you like, of our common future which is as realistic as any other—and certainly more rewarding.

As things are, the performance of the developed countries in the matter of real resource transfers, continues to be less than satisfactory. ODA has declined from 0.35 per cent of GNP of DAC countries in 1975 to 0.31 per cent in 1977. Indeed, one discerns a move by same countries even to question the universal acceptance of 0.7 per cent target! We are convinced that the growing requirements of low-income countries for external resources cannot be met adequately by reliance on private capital flows. Dominated as these flows are by multinational corporations, their contribution in terms of promoting technological and economic self-reliance in developing countries is seriously in doubt. It is precisely this awareness which has led to the international acceptance of the ODA target.

It is also a matter for concern that even in respect of official grants and concessional loans, low-income countries get a smaller share than would be justified by their population share. In fact, the share of low-income countries in net foreign capital inflow for financing development, which is already small, has been declining. Again, it is not only the quantum of ODA that is of importance; its quality is equally important. One cannot emphasize sufficiently the need to soften the terms of ODA. Several countries have set an excellent example of providing most of their assistance to low-income countries on a grant basis, and I would hope that more countries would follow their lead. We have always urged that there is a case for a retroactive application of such softening of the terms of assistance if developing countries are not to find the already heavy burden of debt servicing increasingly difficult to bear.

To say all this is not to question that the major part of development effort will have to be made by the developing countries themselves. For us in India, self-reliance is not a distant goal but an objective toward which we are progressing steadily. In per capita terms or in relation to the number of absolute poor or in terms of the share in total investment effort, the draft that India makes on external resources is extremely low. If external assistance is to go to countries which need it most and which show a determination to help themselves, I venture to suggest that my country deserves it greatly.

Regarding trade, we pointed out even last year the deleterious effect on our trade of the restrictionist tendencies among developed countries. We notice with a great deal of distress that in the current year many developed countries have either intensified existing import restraints or introduced new ones. I need not emphasize the harmful effects these will have on the economic growth of developing countries particularly in a period of sluggish global growth. We earnestly hope that the Tokyo Summit Conference Declaration to fight protectionism will be vigorously implemented by the industrial countries. As I stated earlier, an increase in the export earnings of developing countries implies an increased demand for the products of developed countries and a chance to remove workers from low-skilled jobs to occupations of higher productivity. A recent report of the OECD shows that exports of manufactures to the newly industrialized countries create around half a million more jobs than are lost due to imports from them. In the long run the cost of adjustment tends to be smaller than the benefits from trade liberalization, including lower rates of inflation and higher consumer welfare.

In this context I may mention that India has adopted a liberalized import policy consequent upon the improvement in our balance of payments and has thus contributed her mite to the international adjustment process. However, India's balance of payments is threatened by recent economic events such as the increase in the energy import bill, slowdown in exports due to sluggishness in world trade and restrictions abroad, and the deceleration of foreign remittances. I am mentioning this only because I wish to highlight the fact that a favorable international climate is a prerequisite for the pursuit of positive and outward looking policies in developing countries.

I mentioned at the outset that the immediate outlook facing the oil-importing developing countries is particularly difficult. Their combined current account deficit which was around \$24 billion in 1978 may rise to \$37 billion in 1979 and is expected to worsen further to \$45 billion in 1980. Nearly three fourths of the estimated increase in the deficit in 1979 is attributable to a deterioration in the terms of trade of these countries rather than to any surge in imports or slackening of export effort. The plight of the low-income non-oil developing countries is even more serious because in their case, the size of their deficits is severely constrained by the inadequacy of official development aid and their poor capacity to borrow in private capital markets. The result is that they have little alternative to adjusting to near-stagnation rates of growth unless additional means are urgently found to assist them. This group of countries accounts for more than 40 percent of Fund membership in terms of population, but less than 3 percent in terms of GNP. It stands to reason, therefore, that the policy prescriptions designed to correct the imbalances of this group should be such as not to frustrate even modest aspirations for development. . . .

Turning to the World Bank family of institutions, it is a matter for gratification that the discussions with regard to augmenting the World Bank's resources through a General Capital Increase appear to be proceeding satisfactorily. We have the unanimous recommendation of the Executive Board suggesting an increase in the Bank's capital by the equivalent of US\$40 billion which roughly represents a doubling of its capital base. This has not come a day too soon. It is now for us to ensure that this recommendation is quickly acted upon and that our respective legislatures will pass without delay and, I should hope, without any qualification, the concerned legislation permitting all of us to subscribe additionally to the Bank's capital. I am happy to say that we have already communicated our affirmative vote on this.

Of even greater interest to us in the low-income countries is the progress with regard to the Sixth Replenishment of IDA resources. I am happy that this meeting of the Board of Governors is being followed soon by a meeting of the contributor countries in Dubrovnik where, I hope, there will be a resolution in favor of an enlarged IDA 6 which would represent a substantial increase in real terms over IDA 5. It is also a matter for satisfaction that the list of contributor countries is getting longer, though not as long as one would have liked. I would hope that along with the expansion of this list, the contributions from countries, especially from surplus countries, would also be enhanced. In this context, one cannot but view with some concern, the tendency to bring political considerations into what should basically be an economic exercise. I have, however, enough faith in the economic statesmanship of the leaders of governments and of legislatures in the major developed countries to express the hope that the various proposals for an increase in resources for the World Bank family of institutions will go through without any serious delay or damage.

With the increase in its capital funds, we can legitimately expect the World Bank to go forward more speedily in terms of a quantitative expansion of its activities. While this is important in itself, I regard it as of particular significance that the World Bank's assistance has increasingly been attuned qualitatively to the needs of the developing countries and of the underprivileged sections of their societies. The Bank will, no doubt, be paying greater attention to refashioning its policies and streamlining its procedures to enable quicker disbursements so that the transfer of resources is effected more speedily. One of the means to do so is to expand the area of program lending. Such lending has to be related not only to exceptional circumstances connected with short-term balance of payments but also to the stage of development of a country and its ability to absorb this type of assistance. Program lending, in that sense, has a distinct developmental function.

I would also hope that the Bank will expand its sector lending and local cost financing operation and adopt a more flexible approach in this matter, so that shortfalls in financing as a result of domestic resource constraints do not impede the development effort. This is all the more necessary as the Bank increasingly takes on financing of new style projects in the rural sector whose implementation, in their very nature, is likely to take more time. While I am all for such projects, I am sure the Bank would not reduce the emphasis on its more traditional role of financing the infrastructure for, often, it is the adequate development of this sector that is a precondition for the successful implementation of projects in the agricultural and social field. It is also a matter for satisfaction that the Bank is moving into the area of financing health projects. I hope there will not be any lessening of the emphasis on family planning efforts in the Bank's new health sector programs. For our part, we continue to attach the highest priority to the family planning effort on a voluntary basis as part of a larger program of health services.

Before I conclude may I join other Governors in welcoming our new members, Cape Verde, Djibouti, and Dominica. May I also express our gratitude to all those who make our two institutions such important instruments of international cooperation. To Mr. McNamara and his colleagues in the Bank, we owe an increasing debt of gratitude for their unstinting and imaginative efforts on behalf of the poorest people everywhere. In Mr. de Larosière we have not just an able and energetic Managing Director for the Fund but also an outstanding exponent of the cause of the developing world. To him and his colleagues also, we owe a special debt of gratitude.

Last but not the least, I wish to thank the Yugoslav Government and the friendly people of Yugoslavia for their generous and warm hospitality. They have spared no pains to make us comfortable and to ensure the smooth progress of our work. My delegation was particularly pleased to hear the inspiring address of Marshal Tito, statesman, world leader, and the only founding father of the non-aligned movement who continues to carry aloft the banner of peace and cooperation in an increasingly interdependent world.

I am sure all of us will carry back fond memories of this meeting.

INDONESIA: ALI WARDHANA

Governor of the Fund

Since we met last year the development of the world economy has followed a path leading to greater convergence of the economies of the major countries. Economic growth, employment, inflation, deficits and surpluses and exchange rates began to move closer to each other, raising the hope that at long last the recovery from the 1974-75 recession might reach a more satisfactory as well as a more stable level.

As it turns out, the Annual Reports of our two institutions and their Reports on the World Economic Outlook and World Development reveal a situation which is less promising. The prospects for the remainder of 1979 and for 1980 seem to point to a slowing down in economic activity in the largest economy, while at the same time inflation continues to increase. Fortunately, in some other industrial countries the cyclical phase is different. Economic growth has increased, with inflation under reasonable control and the balance of payments showing signs of moving toward a lesser degree of disequilibrium. But the emerging slowdown in the largest economy together with a rising rate of inflation must have an impact on the situation elsewhere, in particular in the developing countries.

The World Development Report of the Bank, issued for the second time, draws a picture which is far from bright. A decrease in economic activity in the industrial countries would reduce international trade, already burdened by protectionist measures. As a consequence, revenues derived from exports will decrease. If the momentum of growth is to be maintained, larger external resources derived from investments, loans and official assistance are required. A reduced rate of growth in developing countries would retard progress and consequently it would also keep a great number of human beings trapped in poverty, including absolute poverty. Unfortunately, it is not sure whether the flow of external resources would be increased because the industrial and richer countries are in the process of protecting their own economies.

The important question before us is how to handle the present worsening situation. The policies of the relevant industrial countries, with their overwhelming impact on the rest of the world, are crucial. As far as we see it, the problem of inflation should receive top priority. Inflation in the largest economy, in particular with its impact on growth and the exchange market, if permitted to continue would generate unsettled conditions not only domestically but also elsewhere.

I would like to draw attention in particular to the psychological effects of inflation. It is difficult to reduce inflation by appropriate policies; it is far more difficult still to remove expectations related to inflation. When people begin to expect that prices will increase, they start to dissave, and the velocity of money increases even if liquidity is kept stable. That expectation is not only related to domestic prices but to international prices as well. I realize that it is difficult for any government to set priorities and then to adopt policies on a continuing basis to resolve the identified problem, in this case inflation. But without containing and reducing inflation the world will not be able to develop its economy in an appropriate manner.

Meanwhile, we in the developing countries are similarly confronted by agonizing problems. It is clear that we too should be extremely vigilant with regard to inflation although part of it is beyond our control insofar as it seeps into our economy through the higher price of imports and the weakening of the value of our revenues and reserves. But as far as it is in our power, our policies also should be geared toward combating inflation. I believe that the relative success of Asian countries in terms of growth, internal and external stability, alluded to in the Fund's Reports, is attributable to the deep concern of the relevant governments with regard to the development of the price level. They have adjusted their fiscal, monetary and exchange rate policies at an earlier stage than perhaps elsewhere.

It seems to me that under the circumstances in which we are presently living with the prospect of lesser export revenues and uncertainty with regard to the availability of external resources, we should rely even more on domestic policies than in the past. Savings from abroad are necessary to amplify our limited resources, but in the face of doubts regarding the size of the flow of foreign resources it seems mandatory that we husband our own resources in the first place by creating, domestically, the best possible climate for developing them to the maximum possible. For that purpose adequate demand and supply policies as well as exchange rate policies consistent with underlying conditions have to be adopted. We remain, of course, still dependent on external factors because our products need markets, and markets are at present not free from protectionist measures. If we can run a sound and viable economy, even with limited resources which temporarily may not enable us to expand to the desirable limits but would not be plagued by inflation and balance of payments problems, I do believe that we would qualify better for external assistance and make resistance to it less tenable and justified.

Given the availability of resources, the Fund and the Bank are the institutions which do not make their assistance for balance of payments and development purposes dependent on the vicissitudes of political or narrow economic views. On the contrary they base their judgment on the need of the relevant countries, provided, of course, that domestic policies are adequate. Unfortunately the required size and continuity of resources are not always secured, perhaps in particular in the case of the World Bank. This institution is the largest source for economic development assistance. Endangering the Bank's resources would be disastrous to developing countries. . . .

It is clear that the Fund and the Bank cannot satisfy the need of developing countries to finance their rising current account deficits and their development requirements. Official development assistance should continue to flow adequately, and capital markets should remain open. President McNamara in his foreword to the World Development Report expressed it in a clear and compelling manner: "The success of developing countries will very largely depend on their domestic program and policies. But their task can be greatly aided by improved access to markets in the industrialized nations and by more generous flows of concessional assistance from these countries."

These are the observations which I would like to make in the light of the worsening situation of the world economy. There are reasons to be concerned, but we should not despair. With self-help on the side of the relevant countries and the recognition that we are living in an interdependent world in which assistance is beneficial for both donors and recipients, we should be able to ride out the gathering storm.

It remains for me to encourage both Mr. de Larosière and Mr. McNamara to continue exercising their imaginative leadership of our two institutions. I am sure that we all would wholeheartedly support them in their difficult task.

Finally, allow me to express my delegation's deep appreciation to the Government and people of Yugoslavia for the magnificent arrangements and warm hospitality which we all enjoy in this great and fascinating country.

IRAN: ALI ARDALAN

Governor of the Bank

On behalf of the delegation of the Provisional Government of the Islamic Republic of Iran and on my own behalf, I welcome the opportunity of participating in these Meetings for it enables us to remind representatives of the World Bank and International Monetary Fund member countries of the many problems and difficulties being faced by various countries in the world in their endeavor to implement an equitable, balanced, and all-inclusive system of the international economy. Certain speakers have already alluded to certain of these problems and difficulties, but the matters which need to be studied in greater depth, and for which rapid decisions need to be taken in today's troubled world, can be resolved only by a greater unity of word and action and a resolute desire to reach a common solution.

First, I must express my delegation's satisfaction that these Meetings are being held in Yugoslavia, and thank both the Government of Yugoslavia and the authorities of the Bank and the Fund for their hospitality and their highly efficient organization of the Meetings program.

Since it is the first time that representatives of the Provisional Government of the Islamic Republic of Iran have participated in these important Meetings, I should like to outline for you briefly the revolutionary changes that have taken place in Iran in the last seven months.

As you are aware, the Islamic Revolution of Iran is characterized by certain unique features. In fact, since the victory of the Revolution, the Provisional Government of the Islamic Republic of Iran has maintained its relations with foreign countries and abstained from allowing its policy to be based on any specific model. It has been able to provide everyone with an accurate presentation of the country's real resources and, taking these resources into account, seen to it that realistic programs are drawn up.

The Iranian Revolution took place at a time when, as the result of a deceitful economic and social policy that had been pursued for many years, the country was experiencing profound crisis conditions. The permanent economic factors resulting from this policy, in which the bad far outweighed any good points there might be, have caused numerous losses in our economy with the result that our country's exchange and production systems have had to endure very heavy pressures. Fortunately, under the guidance of the superior principles and laws of Islam, new economic targets have been set for Iran, and in the light of these principles the country has seen transformations in its economic, social, and political infrastructure that are conducive to the foundation of a sound, coordinated economy.

One of the important measures adopted by the Provisional Government of the Islamic Republic of Iran has been to cancel the over-costly projects originated by former governments. I will add that the Government's policy is to lead the country toward a balanced economy by implementing the projects of greatest importance and by cutting out all unnecessary expenditure.

In the sphere of international relations, as I have already mentioned, the Government has maintained open frontiers since the Revolution: not only has it not broken off relations with foreign countries, but it has still continued to encourage international cooperation and the development of dealings between countries, based on mutual respect, which is in accordance with the traditional principles of Islam.

In recent months the Provisional Government of the Islamic Republic of Iran has faithfully observed all reasonable obligations to foreign nations, and it continues to do so. In other words, the Provisional Government of the Islamic Republic of Iran has no intention of withdrawing from present-day civilization or hermetically sealing its frontiers. We are trying to reap the maximum advantages of modern technology, so that our people and our native soil can benefit thereby.

As regards international cooperation, we favor such cooperation as long as it is not controlled by blocs and is exercised on terms of strict equality between the different countries. This may make it possible to foster a more stable situation in some developing countries. Of this latter question, we believe the international development organizations should be reinforced, particularly the World Bank and the International Monetary Fund; we shall comply in full with all our obligations in this respect. We propose that all countries in the world devote at least 1 per cent of their national income to the development of the disadvantaged countries.

Oil problems in various countries are frequently discussed at these meetings and perhaps it is not necessary to allude to them here. The important thing for the oil producing countries is to make rational use of these resources, which are in fact relatively modest and will soon be depleted. With regard to the decrease in the oil producing countries' incomes, it should be borne in mind that the dollar rate against the SDR has been declining from the beginning of 1979 to the present, and there is every reason to believe that this decline will continue. On the other hand, in the same period the price index for industrial countries' exports has increased, so that a double burden is imposed on the oil producing countries. This is why we, in common with other countries, are trying to industrialize and to expand our economic and social development, but always with this difference—that our funds are derived solely from that nonrenewable resource, petroleum.

The Provisional Government of the Islamic Republic of Iran is of the opinion that the increase in the price of oil is inevitable, as in the present world situation the industrial countries are unable to control their inflation, which they export to the countries that buy their products; but it should be acknowledged that this oil price increase is not the ideal solution. It should be stressed, however, that the only purpose of the oil price increase is to enable the oil producing countries to restore their purchasing power vis-à-vis the industrial countries. Obviously, non-oil developing countries should not suffer from the oil price increase. This problem can be solved by granting them loans and credits on favorable terms.

The Bretton Woods system, as you know, was established during the last war, with the aim of facilitating signatory countries' development, trade among them, and a fixed parity between their national currencies. Eventually, however, the system established fell short of expectations, due to complicated worldwide changes in the monetary and financial spheres. Indeed, parallel to the countries' economic development and the emergence of economic groups with distinct unilateral interests, protectionist trade policies have been adopted, to the detriment of economic assistance.

Moreover, the Bretton Woods system did not involve all the countries of the world; consequently, a number of them remained outside the framework of economic cooperation. Then, too, in the Third World many nations have since been born whose economies are based mainly on exports of raw materials. As we all know, raw materials are usually subject to very wide price fluctuations on world markets, which may entail heavy losses for the producing and selling countries. Hence, it is necessary to resort to a sound trade policy, far removed from protectionist practices.

The economic situation of the Third World countries should not be discussed as a separate issue, for it results from their past and from the excessive exploitation of their resources, throughout their history, by the more advanced countries; that explains their present situation.

The fact is that it is imperative to set up an international monetary system in keeping with the requirements of this day and age. That system should be based on the cooperation of all of the world's countries, taking into account the opinion of each one, be they capitalist, socialist, or Third World countries, within the framework of the International Monetary Fund, where the participation of other countries should be assured. This will result in an increase in international trade, a rise in employment opportunity, acceleration of economic growth, and the disappearance of inflation and stagnation.

It should be emphasized that economic stagflation is due to many deficiences in the labor market, insufficiencies in certain economic sectors, differences in economic growth as between countries, conflicting policies in international agreements, the rise of wages and prices, and the rise of prices on raw material markets and other markets.

It should be stressed, however, that the basic reason for the problems mentioned lies in lack of confidence in the world monetary system. . . .

In the face of these problems, the major international monetary and financial institutions, such as the International Monetary Fund and the World Bank, have always adopted a benevolent attitude, but one based on a realistic view of things, taking account of existing limits and possibilities. It should be possible to make improvements here, by various types of action. These institutions' policies should be based on promoting cooperation and understanding among the countries of the world, and particularly, insofar as developing countries are concerned, with greater understanding for the special difficulties of those countries. It should be borne in mind that, while loans granted temporarily resolve certain problems, the difficulties, these countries have in repaying the principal and the finance charges, which are often too burdensome for them, push them a little further into the abyss of debt every year.

In this area the International Monetary Fund should undertake in-depth studies in order to play its part properly as an assembling agent. We are in full agreement with the International Monetary Fund's efforts toward elimination of exchange rate fluctuations, and hope that with the plans presented, the disturbances noted will at least be greatly alleviated. In our opinion, the assistance granted by the International Monetary Fund and the World Bank should be reflected not only in loans but also in the seeking of solutions to the fundamental and most pressing difficulties of certain countries, such as balance of payments disequilibria; in this case, on many occasions experience has taught that one cannot really solve the problem by way of temporary changes in the parity of currencies, or the adoption of policies restricting imports, or the granting of loans. On the contrary, these measures often affect the economic structure of the countries concerned.

This consequently leads to a general distrust in the stability of currencies and a total lack of confidence in investments. In those circumstances, whatever measures are taken to improve the system are bound to fail. What has been done in this area so far is not sufficient. This is why the delegation of Iran proposes that a second conference, similar to the Bretton Woods conference, be held, bringing together the industrial countries, the socialist countries, and the Third World countries, so that a decision may be taken on the general principles of the international monetary system. A system should be based on equality of rights of all countries of the world, taking account of the difficulties of each one. At that conference all aspects and details of new international monetary schemes should be examined and discussed. . . .

IRELAND: GEORGE COLLEY

Governor of the Bank and Fund

As Ireland currently holds the Presidency of the Council of the European Communities, I would like first to make a statement on behalf of the Community and then to follow with a few remarks as Governor for Ireland.

Speaking on behalf of the member States of the European Commiunity, I will begin by referring to the current economic situation and prospects. At this time last year there was some optimism concerning the immediate outlook for the international economy. This was due in large measure to the program of concerted action agreed on at Bonn, supported by the coordinated effort agreed by the member States of the Community at the European Council at Bremen. There was hope that the economic recovery then under way could be strengthened with a further easing of inflationary pressures and a general improvement in the pattern of payments imbalances. There was, moreover, the expectation in some countries of entering upon a period of sustained and balanced growth which held out the prospect of getting to grips with the problems of high unemployment and inflation—problems that have been particularly persistent features of this decade.

It is disappointing, therefore, that the problems of low growth and high inflation have been exacerbated this year. While a number of factors have been at work, it is clear that developments in oil supplies and prices since the beginning of the year have contributed significantly to these problems. There can be little doubt that the outlook for growth is bleaker as a result of the increase in energy costs. The collective external balances of the oil importing countries, and especially the balances of the non-oil developing countries, will also be adversely affected, while international inflationary pressures will be accentuated.

As far as the European Community is concerned, our growth expectations for this year have now dropped back to about 3 per cent, while the average rate of inflation is moving up to 9 per cent or more and the favorable balance on external account is being significantly diminished. Furthermore, the level of employment in the Community is not being improved to the extent needed to accommodate the anticipated growth in the labor force. While the outlook for next year is still far from clear, recent events could have considerable negative repercussions. Nevertheless, we expect, and will seek to achieve, at least a moderate rate of growth next year, continuing the positive trend of recent years.

The response to the difficulties induced by the changed energy situation must above all be positive. A first step is general acceptance of the need for a reduction in the current level of reliance on imported oil. As was recognized at the Strasbourg European Council and the Tokyo Summit meetings a few months ago, it is imperative that all the oil consuming countries move together and take effective measures to ensure that moderation in energy usage is brought about at the earliest opportunity. The European Economic Community will play its full part in this and it looks to other countries to do likewise. For this is a matter where—especially when measures are to be taken to curb private consumption and industrial needs—it is very difficult for any particular country or group of countries to stand alone on the side of virtue. Over the medium term, a reduction in oil imports will require, as well as improved energy conservation programs, the development of alternative energy sources.

In the management of our economic affairs, there are valuable lessons to be drawn from experience gained during the upsurge in oil prices five years ago. Externally, countries must realize that any attempt to shift the payments imbalances resulting from the increased costs of oil imports on to other countries can only serve to aggravate and compound the adverse effects. Internally, action will be necessary to win understanding and acceptance of the fact that there has been a real transfer of purchasing power to the oil producing countries. Attempts to compensate for this by increases in money incomes can only have the undesirable effects of further fueling inflation and eventually causing even greater unemployment, real losses in wealth, and postponed growth possibilities.

It is obvious that a continuation of the coordinated international approach to economic policy is required if an effective response is to be forthcoming to the present difficulties. Within this approach there will necessarily be room for flexibility and differentiation between countries. For most countries, the curbing of inflation is a paramount issue. For many countries, however, this issue cannot be viewed in isolation from the pressing need to ensure that economic activity is on a sufficient scale to avoid unemployment reaching proportions that would threaten social and political stability. Those countries that have a relatively strong balance of payments position together with a low level of inflation may be better placed to maintain the momentum of domestic demand in their respective economies thus benefiting their trading partners.

While we are faced with considerable problems, the outlook for the future has some important positive features. We have learned in recent years how resilient the international economy is. We can also be fortified by the reflection that, instead of undermining international cooperation, our most difficult period in recent decades has served to ensure a more concerted and determined international response than might have been expected. This follows from the growing recognition, stressed at the United Nations Conference on Trade and Development meeting in Manila, of the interdependence between all our countries. Our task in the period ahead, in the effort to ward off serious recession, is to broaden and extend the scope of international cooperation. All sections of the international community have a contribution to make. In the worsened economic climate, the developed countries should strive to maintain financial flows to the developing countries and should not yield to the temptation to take protectionist measures. On the energy front, the producing and consuming countries must now more than ever be acutely conscious of their mutuality of interests and how any abrupt change in prices or supply can upset the delicate international balance. . . .

Let me now say a few words to you as Governor for Ireland. The Irish Government has been making determined efforts to tackle effectively the two major world problems so far as they affect our economy—inflation and unemployment. In our circumstances only an approach that deals with these two problems together is valid. With the present high level of unemployment and the increase in the number of young people seeking work, it would not be realistic for us to concentrate exclusively on measures to reduce inflation without regard to their implications for employment. Equally, we realize that, in the long term, our efforts to provide employment will be frustrated unless inflation is contained and reduced. Our growth rate this year, although not as high as our original targets, will still be high by international standards and our unemployment figures show a welcome improvement. These trends have been achieved against the background, not only of slow growth of world trade and increases in import prices, but also of our first half year of successful participation in the EMS, membership in which represents a major change in our exchange rate arrangements.

We are determined to press ahead with action on the two fronts of unemployment and inflation. The task for 1980 is, of course, made more difficult in view of the less favorable outlook for growth in the world economy. We hope therefore that the discussions here this week will help to bring agreement on policies directed toward achieving the maximum sustainable increase in growth.

I should like to take this opportunity to reaffirm Ireland's wholehearted support for the principle of international cooperation which is the driving force behind the great family of institutions that exists in the IMF and World Bank. In this context, I would like to focus my remaining comments on three aspects: first, the need to strengthen the role of the IMF; second, the need to set our face firmly against protectionism as a panacea for some of the problems now facing us; and third, the importance of the activities of the World Bank. . . .

The low growth of the world economy in recent years and, in particular, the sluggish growth of world trade, have been associated with increased pressure for protectionist trade measures. These pressures, which are, of course, contrary to the spirit of the IMF's Articles, must be strongly resisted. Protectionism is a negation of international economic cooperation, impedes necessary structural changes, and, of course, has a particularly adverse effect on the developing countries. We welcome the renewal earlier this year of the OECD Trade Pledge to which Ireland is a signatory. This

Pledge, together with the substantial conclusion, of the Tokyo Round of the Multilateral Trade Negotiations in April last, hold out the promise of a more open and equitable world trading system.

Finally, I should like to refer to the World Bank. The Bank's impressive World Development Report, 1979 is yet another explicit reminder of the extraordinary contribution the Bank is making to the development process. Given the importance of the task we must ensure that the institutions and resources of the World Bank continue to be fully geared to tackle it effectively. As the activities of the International Development Association are concentrated on those developing countries that are in greatest need, early agreement on a substantial real increase in the Association's resources is essential.

In conclusion, I should like to thank President McNamara and Managing Director de Larosière for the excellent work they are doing and for their dedication.

ISRAEL: ARNON GAFNY
Governor of the Bank

It is, indeed, a pleasure for the Israel delegation to come to Yugoslavia. Israel and Yugoslavia have long cooperated as members of the same constituency, both in the Bank and in the Fund. We would like to thank the Government and the people of Yugoslavia for their hospitality.

The world stands today on the threshold of a new decade, to be entered with both apprehension and hope. The sense of apprehension is readily understandable, considering the events of the 1970s. The decade, which is drawing to a close has seen serious world economic disequilibrium, perpetrated by energy crises, severe inflation, and a slackening pace of development.

The sense of hope is also understandable. The Bank and the Fund have, in recent years, devised several innovative approaches aimed at alleviating, even if only partially, the grave economic problems confronting many member countries. Their efforts to foster recycling, the creation of the oil facility, the supplementary financing facility, the extended Fund facility, the Third Window, and the liberalized access to the compensatory financing facility have provided timely economic support for the member countries in need.

Nevertheless, for all the justifiable pride to be taken in these achievements, I believe that this distinguished forum, together with the Bank and the Fund, fully recognize that for many members the economic prognosis for the coming years is bleak.

At the outset of this decade, the late David Horowitz, first Governor of the Bank of Israel and Israel's first Governor of the World Bank and Fund said, in his address to the 1970 Annual Meeting:

> Civilization is today complacently sitting on a time bomb—a confrontation between the two thirds of humanity in the underdeveloped nations and the third in the developed nations. This confrontation

> is inevitable because of the disparity in incomes, the population explosion, the investment gap, and the debt explosion—all of which, by setting into motion a self-perpetuating, self-propelling set of forces, is increasing differentials in standards of life and cultural levels and engendering attitudes fraught with grave dangers for the future of humanity.

It is a sobering thought that today, almost a decade later, these words still constitute a valid description of the world in which we live.

The economic outlook for the years ahead is, indeed, a grim one. This is specially so for the middle-income, developing countries who have been particularly hit by the energy crisis. These countries are unable to generate domestic savings on a scale sufficient to maintain adequate economic growth. Yet, despite their growing needs, they find themselves ineligible for many forms of development assistance. Their payments deficits have soared, while the scope of their external debt has reached most serious proportions. All possible measures should be taken to prevent their economic situation from deteriorating still further.

The second half of the 1970s saw a partial readjustment in some non-oil economies, but this proved to be only a temporary respite. Today, once more, following the latest increases in energy costs, numerous developing countries are confronted with severely aggravated balance of payments problems. Many are in no position to cope with these problems without external assistance. . . .

It would also be appropriate for the Bank to take further measures to aid member countries upon whose development additional constraints are now being placed by energy costs. Such measures should aim at increasing the availability of medium- and long-term development financing from various sources, through expanding cofinancing. Since our last meeting, there has been a commendable increase in the extent of World Bank cofinancing of projects with commercial banks. In ficsal 1979, the private capital flow into cofinanced Bank projects is expected to reach some $600 million—a level equal to the total volume of cofinancing in all prior years combined. Yet, despite this rapid growth the scope of cofinancing remains small, both in terms of the banking community's potential and in terms of development needs.

I venture to suggest that a more effective integration of the lending activities of the World Bank and the private capital market might be achieved through the operation of a specific cofinancing mechanism, or agency, *within the Bank*. Such a mechanism would foster cofinancing with interested members of the international banking community on a far larger scale than is currently the case.

The envisaged mechanism would add to the Bank's know-how in the field of project implementation, as well as its expertise in solving all legal and technical aspects of the cofinancing. Once such a facility were to be placed at the disposal of commercial banks, cofinancing arrangements could become an integral part of the international capital markets.

In this way, the World Bank would utilize its expertise to prepare development projects without impairing its lending programs to the poorest members, since the proportion of World Bank financing, relative to that of the banking community, would reflect the development level of the loan recipient country. An international cofinancing mechanism, bringing the Bank (and possibly other multilateral institutions) into an integrated lending program with the banking community, could serve to increase markedly the flow of private capital into development projects. Therefore, it seems that such a mechanism warrants careful and immediate consideration by the Bank.

Mr. Chairman and fellow Governors, I would like to take this opportunity to recall that just one year ago, as you may remember, the Annual Meetings coincided with the first major steps taken toward peace in the Middle East. Since then, Egypt and Israel have signed a peace treaty and we are moving along the road to its full implementation. It is our hope, shared, I am sure, by many here today, that peace will ultimately come to the entire region, bringing with it prosperity and security for all.

ITALY: FILIPPO MARIA PANDOLFI

Governor of the Fund

Over the last twelve months we have seen our economic forecasts disproved by actual developments; our hopes of consolidating the positive results of a concerted strategy upset by the re-emergence of instability and uncertainty; our ability to diagnose economic illnesses frustrated by our inability to apply the therapy. Mr. de Larosière has given us a full account of these troubling events in his opening address, and his frankness deserves our full praise and appreciation.

1. *World economic outlook*

During 1979 the broad picture of the international economic situation has indeed deteriorated. Inflation has been accelerating worldwide. The deflationary impact of the oil shock and a cyclical downturn in the United States have tended to slow down the growth of the world economy. Exchange markets have come again under pressure, and a modern version of the gold rush seems to have started. Once again the real problem confronting us is not to be overtaken by events.

The new circumstances require an adjustment in the policies of developed and developing countries alike. The highest priority among policy goals will have to be assigned to fighting inflation. To contain the cost in terms of growth and unemployment, such policy should be accompanied by determined action to foster investment, improve resource allocation, and remove distortions in the price system. Moderate wage policies are also essential, if a new wage and price spiral is to be avoided.

The deflationary effects of the increase in oil prices will have to be accepted. The inflationary impact, on the other hand, can be minimized if the cost involved in terms of real resources and incomes is appropriately and equitably shared among the social partners.

An energy policy for the long run will have to be designed to reduce oil consumption and to enhance alternative sources of energy, since energy is going to represent a permanent constraint to world economic growth.

Let me now turn to the economic outlook in my own country. When I addressed this meeting last year I indicated that the Italian economy was staging a recovery, that the balance of payments prospects were favorable, and that progress was being made in reducing inflation. Developments since then have in many respects validated that prediction. Indeed, real GNP is expected to show an increase of more than 4 per cent in 1979, and the current balance of payments has remained in surplus. The exchange rate of the lira has been stable, and our participation in the EMS arrangements has been helpful in stabilizing expectations. However, our price performance has been disappointing, and inflation in Italy has continued to be higher than the average of the EEC countries. But with the considerable degree of adaptability displayed by enterprises in large sectors of the economy, exports have so far remained broadly competitive in world markets.

For 1980, Italy's overall economic outlook has become less favorable, given our heavy dependence on imported energy and the role that exports play in the growth of our economy. Although changes in political circumstances have resulted in delays in the implementation of our Three-Year Plan, the Italian Government is determined to pursue policies of structural adjustment in line with the Plan. For 1980 our aim is to bring down the rate of inflation to that prevailing in 1978 (12 per cent) and to obtain an output growth of 2.5 per cent. To this end, the government budget will contain detaxation measures in favor of enterprises in order to reduce labor costs. It will also provide for higher taxes on energy consumption and for increased tariffs on public services. The intended effect of the budgetary policies for 1980 would thus be to stimulate both private and public investment without contributing to inflation.

2. *Policy coordination for development*

Recent events raise serious problems for developing countries, which are in no way addressed by global policy prescriptions. The 1979 oil price rise will aggravate the combined deficit of this group of countries, which is expected to reach the staggering figure of $53 billion in 1980. The impact of the new oil shock comes on top of an already unbalanced domestic and external financial condition for LDCs. We must be frank and admit that additional pressures for LDCs as a group are likely to result from the industrial countries adjustment effort, with adverse effects on both the growth of their export markets and their terms of trade.

The combination of unfavorable external developments and domestic factors has led to a substantial worsening of the development prospects for LDCs. To redress at least in part this situation a policy strategy should be designed to step up the flow of real resources toward non-oil exporting LDCs. In this regard, fresh consideration could be given, as part of a global strategy, to schemes of "triangular" cooperation, whereby capital goods and technology and human skills would be supplied by industrial countries while financial resources would be made available by surplus oil exporters.

To the extent that inappropriate domestic policies are behind the disappointing results attained in recent years, forms and conditions should be studied under which an increased flow of real resources would be provided in order to favor the adjustment process. A long-term commitment by oil producers to such forms of cooperation would greatly contribute to the stability of international capital and foreign exchange markets.

We also expect international institutions, particularly the IMF and the World Bank, to play a larger role than in the past in harmonizing policies of member countries, through a strengthening of surveillance activities and the channeling of appropriate financial resources to LDCs.

In this connection, the efforts of the World Bank institutions to supply financing and expertise for comprehensive development projects in such fields as energy, infrastructure, and agriculture, deserve our full support. I have been deeply impressed by the strength and the passion of Mr. McNamara's speech. His call for action deserves a prompt and effective response on our part.

A large general increase in the Bank's capital has been agreed upon, and Italy has already voted in favor of it; it is important that the relevant resolutions be approved as soon as possible to allow the Bank to maintain its future lending commitments. Negotiations for the Sixth Replenishment of IDA are also under way, and we hope that they will result in increased availability of financial resources on concessionary terms.

These initiatives, however, do not lessen the need for an increase in aid flows by all countries. As for Italy, following the cancellation of debts vis-à-vis ten developing countries early this year, the Government has presented to Parliament just two weeks ago a proposal for doubling the volume of ODA in 1980, and further increases in assistance to LDCs are envisaged. . . .

I cannot conclude without saying how much we have appreciated and admired the efficiency and warmth of the hospitality of Yugoslavia and how much we have been honored by the presence here yesterday of her historical leader, President Tito.

I say this with deep conviction coming as I do from a neighboring country. Nations know the difference between neighborhood and friendship. And we are friends. The countries here represented know the difference between mere association and true solidarity. Indeed, true solidarity is needed, within the framework of our monetary and financial institutions, to meet the challenge posed by the state of the world economy.

JAPAN: TEIICHIRO MORINAGA

Alternate Governor of the Bank and Fund

Since the Annual Meetings of the Fund and the Bank last year, we have witnessed improvements and progress in several aspects of the world economy. World trade has continued to expand, though at a moderate pace, payments imbalances have been reduced and the exchange markets have been relatively calm since around the turn of the year.

Prospects for the world economy, however, suggest that we might face new difficulties, that is, inflation coinciding with stagnation. The declaration of the Tokyo Summit Conference last June pointed out that inflation, which had been subsiding in most countries, has begun to regain momentum, and that changes in the energy situation have reduced the room for maneuver in economic policy, and may accelerate inflation and decelerate growth in all countries. In addition, a rapid increase in payments imbalances between oil-producing and oil-consuming countries is considered inevitable.

Since the oil crisis six years ago, each country has been making the utmost effort to adapt its national economy to higher oil prices. Some observers consider that the recent increases in oil prices will not have such a great adverse impact on the world economy for the time being.

However, certain aspects of the world economy suggest that the current situation is more serious than that of six years ago. Unemployment remains at a high level in a large number of countries. Prices are rising in many countries at a double-digit rate, and incipient signs of worldwide inflation can be observed. Furthermore, prolonged sluggishness in investment has caused problems on the supply side, including the slowdown of productivity growth. Little progress has been made in the improvement of fiscal balance; in some countries, fiscal deficits have even widened.

All in all, the world economy has not recovered from the damage left by the prolonged recession following the oil crisis; its ability to respond flexibly to economic difficulties has been reduced. On top of this, the energy situation has become increasingly uncertain as both higher prices and limited supply impose additional constraints. Under these circumstances, the choice of economic policies open to member governments is severely limited.

In view of the growing interdependence of national economies today, coordinated actions among nations have become increasingly important to their handling of these problems that confront the world economy. During the past few years we have made efforts to coordinate our actions aiming at a well-balanced world economic development. Now we see new problems arising which require a new type of coordinated action. . . .

In the context of the said observation on the world economy, let me turn briefly now to the policy stance of our government. The basic stance of our policy management has been to expand domestic demand and equilibrate the external balance, based on the spirit of international coordination. In fiscal 1978, which ended last March, the Japanese economy can be said to have broadly followed the desirable course of growth envisaged in our basic policy stance. In other words, in fiscal 1978 domestic demand increased steadily, due to the effects of fiscal and monetary policies, mainly through expansion of public investment, solid growth of private investment and recovery of consumption reflecting stable price conditions. This increase in domestic demand enabled us to realize a real GNP growth of 5.5 per cent, in spite of a substantial decline in foreign demand.

The economic expansion, underpinned by domestic private demand, is still continuing to date. However, wholesale price rises have recently accelerated due to such factors as price increases for oil and other international commodities, weakening of the yen value and the steady expansion of domestic demand. Accordingly, the current price situation requires careful watching. We intend to pursue appropriate economic management in order to ensure continuous growth of the domestic economy, while paying close attention to price stability.

On the other hand, the surplus in our balance of payments has rapidly diminished due to factors such as the expansion of domestic demand and the substantial appreciation of the yen. Around the beginning of this year our current account became more or less balanced and has been recording deficits recently. Needless to say, we will pay continuously close attention to the developments in our balance of payments.

We have learned several valuable lessons from our experience in the recent adjustment process of the balance of payments. On this occasion, I would like to discuss three of them in particular. First, the importance of the relationship between the vitality of the private sector and the stability of prices. It is particularly noteworthy that the price stability seen during the adjustment process has fostered confidence in the private sector and thus made a significant contribution to the autonomous economic recovery led mainly by the private sector.

Second, the length of the time lag before balance of payment adjustment can matetrialize. In our experience, the adjustment was brought about by various factors including the sharp and rapid appreciation of the yen, expansion of domestic demand, and the effects of import promotion measures. The effects of these factors did not become visible for a considerable time. In the meantime, a phenomenon known as "overshooting" has occurred in the foreign exchange market. Our experience of this phenomenon last autumn suggests that coordination among monetary authorities in the field of foreign exchange policies, which I mentioned earlier, must be called for as a measure to cope with this problem.

Third, the process of economic recovery and restoration of external balance has left scars on the domestic economy, and complete rehabilitation is a major issue for the future. The huge deficit in our fiscal balance, which has resulted from the expansive fiscal policies of the last several years, will be a major constraint on our economic management in future. The government has been forced to make massive public bond issues to finance this deficit. In fiscal 1979, we have reached the highly abnormal situation of depending on these public bonds for 40 per cent of government expenditure. Unless something is done, inevitably the fiscal sector will cease to be able to play its proper role. We must act without delay to restore fiscal soundness and improve the flexibility of fiscal policy. We are determined to continue our utmost efforts to achieve this objective, though it may require some length of time.

Let me now turn to the task of development in the developing countries and the activities of the World Bank. There is a growing fear that the turn recently taken by the energy situation will increase the difficulties facing developing countries. Not only will it increase the current account deficit of non-oil producing developing countries, it could also adversely affect the industrialized countries' ability to extend aid, and slow down their economic growth, thereby reducing the market for the exports of developing countries.

Nevertheless, I have deep confidence in the ability of developing countries to cope with the situation. Even in the face of the severe economic difficulties which followed the 1973 crisis, the developing countries as a group managed to expand their trade and maintain a high rate of growth. I am particularly impressed by the economic and social progress made by the countries which, through a comprehensive approach of expanding their trade, introducing foreign private capital and training their workers, have made dedicated, concerted efforts for economic development.

I believe that if both developing and developed countries continue to make a steady cooperative effort we will again overcome these new difficulties. In line with this belief, Japan has been taking the following measures: First, in spite of the domestic social and economic impacts, we have further opened up our market to the products of developing countries through tariff reductions and other measures. As a result, Japan's imports of manufactured and semi-manufactured goods from developing countries have more than doubled within the last three years. In addition, we have been actively participating in the joint work for establishing the Common Fund in order to help stabilize primary product prices and contribute to the economic advancement of the developing countries. We have made a contribution to the agreement successfully reached last spring on the fundamentals of the Common Fund.

Second, we believe that private investment and technical assistance are essential for the developing countries to maintain self-sustained growth through effective mobilization of human and natural resources. In this respect, it should be noted that in fiscal 1978 Japan's direct investment to developing countries increased by 59 per cent over the previous year.

Third, we intend to double the annual amount of our official development assistance within the three-year period up to 1980, with a firm belief that concessional official flows should be increased especially for the poorer developing countries. I am pleased to report that our official development assistance in 1978, the first year of that period, reached $2.2 billion, 56 per cent above the previous year's figure of $1.4 billion.

Fourth, judging from our own experience of economic development, we believe deeply that developing technical skills and tapping the talent of the people are essential for the successful social and economic development of a country. Along this line, we intend to expand our educational and technical assistance to the developing countries.

The World Bank has a pivotal role to play in the international efforts toward economic development and alleviation of poverty. Based on its wide experience over thirty years, the Bank has made a great contribution in various spheres of development. In particular, the Bank has repeatedly pointed out the importance of the population problem and of the policy initiatives taken by developing countries themselves. Also the Bank has rightly decided to redirect its priorities into projects relating to food production, social development, and energy development. We strongly support these operational policies of the Bank. We hope that in implementing these policies the Bank will maintain a flexible attitude, keeping a proper balance between the sectors it has recently undertaken and the traditional ones, and listening to the voices of the borrowing countries.

Last spring, Japan decided to subscribe to additional shares in the World Bank in order to express more clearly our resolve to support the Bank. We heartily welcome the recommendation on the general capital increase of $40 billion made by the Board of Executive Directors last June. As for the IDA Sixth Replenishment, we have already expressed our intention to make a substantial contribution in the hope that it will reach an early and successful conclusion.

Since the needs of developing countries are now so varied because of the differences in their geographical, social and economic backgrounds, the development strategy for a developing country should fully take into account the characteristics of that particular country. In this respect, we will continue to give strong support to the regional development institutions, which have been complementing the activities of the World Bank by properly reflecting regional needs in their operations.

The Danube, which links Belgrade with the rest of the world, has historically played a vital role in the exchange between the Orient and the Occident. And Yugoslavia today is making valuable contributions to mutual understanding, as well as mutual well-being and prosperity, between the North and the South. I see a historic significance in the fact that this Annual Meeting, here in Belgrade, has offered us a good opportunity to deepen our awareness of the globe as a single community.

In conclusion, may I express my sincere gratitude to President Tito and the Government and people of Yugoslavia for the warm and generous welcome we have received in Belgrade.

KOREA: WOUN GIE KIM

Governor of the Bank and Fund

It is indeed a great pleasure to be meeting in this beautiful and historic city of Belgrade. I would like to begin by expressing my sincere gratitude to the Government and people of Yugoslavia for their gracious welcome and to His Excellency, President Tito, for his inspiring opening address.

Several new members have joined the Fund and Bank since last year's meeting, and it gives me great pleasure to join with earlier speakers in extending my government's warmest congratulations and welcome to these nations.

We are meeting at a time when the world economy is suffering from sluggish trade expansion and low levels of economic growth, coupled with high inflation and the energy problem. And it is difficult to see any glimmer of hope that the situation will improve in the near future. In a word, the international economic situation is surrounded by uncertainties and gloom. Some of the troubles we face are short term in nature, while others appear to be long-term structural problems. Accordingly, it is clear that both long-term and short-term solutions must be found, if we are to deal with the situation effectively.

It is, inevitably, the developing countries which are being most seriously affected by the current difficulties in the world economy. Their balances of payments are certain to suffer as the export climate deteriorates and their import bills continue to rise. . . .

In addition, we should recognize that the developing countries urgently require structural development. I believe, therefore, that the actual volume of long-term and concessional capital flows to the developing countries must be increased. In order to achieve this aim, I would urge that the general capital increase of the IBRD and the Sixth Replenishment of the IDA should be effected as soon as possible.

Furthermore, I would earnestly request that the large donor countries make every effort to raise their bilateral Official Development Assistance so as to reach the internationally agreed target. Moreover, in view of the growing dependence of the developing countries on the private capital markets, we should attempt to avoid imposing any restrictive measures on these markets which might adversely affect them.

We cannot, of course, attribute all the world's economic problems to the recent oil price increase. Nevertheless, it is a major destabilizing factor and each country must devote maximum priority to coping with the energy issue. I am greatly heartened to see that not only individual countries but also the international institutions have become deeply involved in the quest to ease the problem.

However, I would like to emphasize that still more investment must be directed to the expansion of energy supplies, including the exploration and development of alternative and potential energy resources. And I would also note that the investment needed for these kinds of projects must be undertaken primarily by the industrial countries, because it is they which have the necessary technology, experience and capital to do so.

I welcome the Bank's recent decision to expand loans to the energy sector. The Bank has already broadened the scope of its involvement in energy development by introducting financing for exploration and commissioning a valuable survey on the developing countries' oil and gas reserves. However, I would like to see it greatly expand its role by substantially increasing its programs in these areas. One aspect of this should be for the Bank to extend technical assistance for the redirection of investment from energy-intensive industries to those requiring lower energy inputs.

Another major task which confronts us is the removal of protectionism, not only as a means of promoting the developing nations' exports, but also to bring about a more efficient global pattern of industrial activity. In recent years, the progressive trend toward greater economic interdependence has accelerated. It is now vitally important that we redouble our efforts to ensure that our world's limited resources are allocated in the most efficient manner possible, on the basis of comparative advantage. This would serve the multiple purpose of expediting economic growth, increasing world trade, creating a more balanced pattern of wealth and eliminating poverty.

The first step toward this goal is clear and unequivocal. The protectionist measures which have been adopted by the advanced nations as a means of protecting their inefficient industries must be abolished.

These countries must recognize that their artificial trade barriers merely delay the industrial adjustments which will enable their economies to grow more rapidly in the future. I would stress most strongly, therefore, that they should be adopting a positive approach by devoting their full efforts to structural adjustments without further delay.

In this connection, I find it most disappointing that despite the declared intentions of the advanced countries to make such adjustments, very little has actually been done. Just one example of this lack of action is the decision to extend the Multifibre Arrangement. . . .

. . . With regard to the IBRD's operations, I am satisfied with the criteria for lending in the 1980s as proposed by the Bank management. In particular, I welcome the realistic approach in connection with graduation and believe the relative standard will accurately reflect the economic strength of the developing countries. Also, I commend the Bank's effort to meet the changing needs of borrowers in accordance with the new challenges they face. The new lendings for technological development and the energy sector are good examples of this effort.

The amount of program or sector lending has been less satisfactory, however, and in my opinion, this type of financing should be expanded as a valuable means of giving recipient countries a greater degree of flexibility and responsibility in the application of their borrowings and enabling them to undertake the comprehensive development of particular sectors or industries.

As we approach the end of the 1970s, it would be pleasant to be able to look forward with confidence to a brighter start to the new decade. Unfortunately, this is not the case.

In our present situation, we have no option but to halt the trend toward a polarization of economic views based on narrow short-term self-interest. What we urgently need is a spirit of cooperation rather than confrontation, of concession rather than conflict. The IMF and IBRD, as truly international bodies, can exert an immense influence by taking a lead in this respect. They deserve our fullest support and cooperation in the challenging years ahead, and I believe we are fortunate indeed to have men such as Mr. de Larosière and Mr. McNamara to guide us through these turbulent times.

Individually and collectively, I call upon all member nations to strive together to ensure that, through the restoration of a reasonable and equitable rate of growth and full employment, the 1980s will end on a brighter note than the current decade.

LAO PEOPLE'S DEMOCRATIC REPUBLIC: BOUSBONG SOUVANNAVONG

Governor of the Bank and Fund

On behalf of the delegation of the Lao People's Democratic Republic, I associate myself with previous speakers in congratulating the management and staff of the Bank and the Fund on the excellent preparations they have made for our Annual Meetings. And once again my delegation would like to thank the Government and people of Yugoslavia for the kind and hospitable reception accorded to us. My delegation welcomes the new members joining our institutions this year: Cape Verde, Djibouti, and Dominica.

A few days ago an Outline of a Program of Action on International Monetary Reform was adopted at the first meeting of Ministers for Finance of the Group of Seventy-Seven. I should here like to reiterate the approval of my delegation on the evaluation of the present world economic situation contained in this work and its program of action on international monetary reform which is of crucial importance at this time. The Program of Action has defined in general terms different measures that should be taken. It needs to be developed through the formulation of appropriate mechanisms, which can be done within our institutions.

Rather than discussing in detail the other matters to be deliberated by our Annual Meetings, my delegation would like to refer here to some aspects of official development assistance to the least developed countries and the most seriously affected countries, particularly the island or landlocked developing countries. As an instance, I should like to describe the situation of my country, the Lao P.D.R.

From the economic point of view, since its foundation a little less than four years ago the Lao P.D.R. has concentrated all its efforts on reconstructing an economy destroyed and disrupted by a devastating war of aggression. The Lao Government and people have devoted themselves first and foremost to the development of agriculture so that they can become self-sufficient in food resources as soon as possible. To this end agricultural cooperatives have been formed and the arable land area extended; irrigation works have been carried out, new seed and new cultivation techniques introduced, and so on. At the same time, efforts have been made to increase exports of our main products: timber, coffee, and tin. All this has been undertaken by our own efforts and also with the aid of socialist countries, UN specialized agencies, our own two institutions the World Bank and International Monetary Fund, the Asian Development Bank, the OPEC Special Fund, the European Economic Community, certain private institutions, friendly countries such as Sweden, and yet others. This assistance has been most precious in difficult circumstances and the Lao P.D.R. is deeply grateful for it. Approaches are being made with a view to gaining from other institutions and friendly countries material support for the efforts of our Lao people, who aspire to rise as soon as possible from their state of poverty. But despite all this hard work, which has gone some way toward improving the life of our people, we are still facing some economic difficulties following the 1977 drought, the 1978 flood, and plagues of insects, which are affecting some of our crops this year. As in the past, with our own resources and the assistance of friendly institutions and countries we should certainly be able to surmount the difficulties caused by natural calamities. We would mention that we are having difficulties of another kind, created by hostile activities on the part of the present Peking regime. These activities range all the way from subversion and provocations to infringement of our territory in border areas. All of these tactics can be explained only by the expansionist and hegemonical policy of their originators vis-à-vis a small country like the Lao P.D.R. whose only aspiration is to live in peace—as is borne out by the good relations it maintains with all the other countries in the region.

I have mentioned these matters in passing; however, apart from its efforts to achieve self-sufficiency in food resources and to stimulate exports, the Lao P.D.R. needs resources in order to develop certain basic sectors such as the production of building materials and the improvement of access routes to the sea. Unfortunately, donors do not seem interested in these sectors, despite their priority importance. A similar situation might be found in a number of other countries. Therefore, for the least developed and cost seriously affected countries, and for those developing countries that are land-locked or islands, the volume and the appropriation of ODA to be assigned to them merit special attention.

Another aspect of ODA that my delegation would like to mention is the desire of certain countries' institutions to attach political conditions for this assistance. In this connection we firmly support the position of the managements of the Bank and the Fund opposing such conditionality as contrary to the spirit of our institutions, and we think all assistance should be based on the principle of respect for the independence and sovereignty of the receiving country and for the mutual interest of the parties.

The same problem arises in the case of cancellation or rescheduling of debt for developing countries. It is encouraging to note that several countries have converted loans that they had accorded developing countries into unconditional grants; others, however, attach political conditions to such a concession. My delegation hopes the latter group of countries will reexamine this question in the general spirit of official development assistance.

These were some considerations that my delegation has wished to contribute to the discussions, in the hope that with the goodwill of all the members and the energetic efforts of the managements of the Fund and Bank, substantial progress will be made in our two institutions.

LIBERIA: ELLEN JOHNSON-SIRLEAF

Governor of the Fund

It is a great honor and privilege for me to speak before this august gathering and to express, on behalf of the African Governors, Africa's collective views and assessment of the recent developments in the world economy as well as the operations of the Bank and Fund. Before I touch on the difficulties that have afflicted the world economy in the recent period, allow me, Mr. Chairman, to convey the African Governors' warm welcome to Cape Verde, Djibouti, and Dominica taking part in these deliberations for the first time.

When we met in Washington a year ago, the Honorable Minister of Finance and Governor of the Fund for the Republic of Cameroon, H. E. Marcel Yondo, expressed the views and concerns of the African Governors about the unsettled state of the world economy. The distinguished Governor noted, in particular, the disquieting effects on the economies of our countries, of the low rate of growth in the world.

Since our last Annual Meetings the state of the world economy has deteriorated further. The economic crisis is deepening, inflation is accelerating, and the public debt of the developing countries is continuing to widen. Preliminary indications are that economic growth in the industrial countries was below 4 per cent in 1978, for the second year in a row, and the current year will even fall short of the low 1977 and 1978 rates. The volume of international trade expanded in 1978 by some 5 per cent, slightly above the average of 4 per cent for the preceding five years.

As regards the developing countries, their economic problems, taken as a whole, remain substantial. Their economic growth rate has remained stagnant at the 1977 level of about 5 per cent. The export volume of the non-oil developing countries expanded in 1978 by some 7 per cent, but this was accompanied by an appreciable deterioration in the terms of trade. The current account deficit of the developing countries worsened again in 1978 and in 1979, reaching $32 billion and $45 billion, respectively. These deficits were largely financed through foreign borrowing, which resulted in a substantial increase in the external debt—of the order of 20 per cent—of the non-oil LDCs.

I should now like to speak more particularly of the problems of the African countries. In 1978 Africa once again had the lowest rate of economic growth among the developing countries, a mere 2.9 per cent, which was about one half that of 1976. Even more disquieting are the prospects confronting our countries in the period ahead. In the World Development Report for 1979 estimates of the growth of per capita income in the low-income African countries of only 0.2 per cent for the period 1970-80 fall far short of the target set for the United Nations Second Development Decade, with no appreciable improvement expected in the next ten years.

The growth of the African countries' exports in 1978 of 9.6 per cent was well below that of international trade as a whole (16.5 per cent). Moreover, their export receipts were curtailed by the substantial deterioration in the terms of trade of their major export commodities. The main reason for the decline in export performance was the instability of the prices of our export products and the considerable rise in the prices of manufactured goods. In the case of Africa, the current account deficit reached $8.4 billion in 1978, and, in contrast to the other developing countries, many of our countries were obliged to substantially run down their reserves. This disturbing situation would have been even more worrisome if a number of African countries had not substantially reduced their imports, often to the detriment of their growth and of the economic and social progress of our people.

Looking at the evolution of the deficits of the developing countries over the period 1974-78, we find that the situation of the African countries deteriorated while that of the other developing regions improved. While the share of African countries in developing countries' exports remained unchanged over 1974-78 at around 17 per cent, their total current account deficit rose from $2.4 billion in 1974 (8 per cent of the aggregate current account deficit of the developing countries) to $8.4 billion in 1978 (27 per cent).

The projected worsening of the current account deficit of the African countries calls for intensified efforts to increase and diversify our exports. However, the recent increase in protectionism in the industrial countries has become a serious obstacle to our diversification policy. As a World Bank study has shown, the protectionist measures taken by certain developed countries will restrict the growth of exports not only of the main exporting countries but also of the smaller and less advanced developing countries. It is, therefore, desirable that the measures taken by the developed countries to protect their industries be abolished as soon as possible and that other action in this field be subjected to suitable international surveillance in order to avoid excessive recourse to protectionism.

African Governors believe that the time has come for all countries to recognize that interdependence has become a reality in the world economy. In this connection, we share the view that the industrialized countries should realize that they depend as much for their economic growth on the developing countries as the latter do on access to developed countries' markets. We deeply regret the position taken by the industrialized countries at the Fifth UNCTAD Meeting in Manila. At that meeting, we lost a unique opportunity for devising a collective solution to the crisis by which the world is beset. The meager results achieved in the context of the recent multilateral trade negotiations also reflect the indifference of the industrialized countries to the problems facing the developing countries.

In the view of the African Governors, a large part of the solution to the world economic crisis lies in increased transfers of real resources to the developing countries, as this will enable them to increase the level of imports from the industrialized countries. A substantial increase in ODA has the advantage of contributing to the utilization of idle production capacities of the industrialized countries, to reduction of unemployment in those countries, to the restoration of growth to acceptable levels, and to the expansion of world trade.

It is for these reasons that we are very concerned about information that some governments of major aid donor countries plan to reduce their aid targets below past levels, which have themselves been unsatisfactorily low. Of even greater concern are measures periodically proposed in the legislatures of some member countries of our institutions to make conditional contributions, all of which threaten the very existence and contradict the very principles of the Bank and IDA. In the interest of the development needs of the developing countries, and for the mutuality of interest to which we have already referred, we call on all the members of the international community to respond in a manner that will not only maintain the progress we have already achieved in international cooperation, but will also enhance our joint efforts. We once again call on the rich members of the international community to take steps which will bring official aid to the United Nations target of 0.7 per cent of GNP of these countries in the shortest time possible.

The need to increase official aid applies particularly to the African countries. According to provisional DAC figures, the official development aid of the OECD countries rose from $14.7 billion in 1977 to $18.3 billion in 1978—that is a real increase of about 7 per cent. Although this level represents only 0.32 per cent of the GNP of the industrial countries, we are pleased to note that several DAC members have made an effort to improve loan conditions by increasing the grant portion. It must not, however, be forgotten that debt service presents a serious problem for a number of developing countries. Consideration must be given to the need to mitigate the debt-service burden of the developing countries.

The African Governors, while recognizing the efforts made by some developed countries to provide debt relief for developing countries, deplore the fact that such measures were not extended to all the poorer developing countries. We urge the developed countries which have not yet done so to take steps as soon as possible to assist in alleviating the debt burden of the poorer developing countries and, in particular, the African countries.

African Governors continue to attach great importance to their regional development institutions, especially the ADB and the ADF (African Development Bank and African Development Fund). In our statement last year we informed you of the decision of the ADB Board of Governors to open its capital to nonregional members. The enabling legal steps are now in the process of being finalized. We expect and appeal to non-African members to expedite their own ratification procedures so that the ADB may be able to play its legitimate role as a major agent for economic development in Africa.

With regard to the ADF, the second replenishment period is under way. We regret to say that these contributions have fallen short of our expectations. We hope our partners will continue to assist in the strengthening of the resources base of the fund.

I should like now to turn to the question of the resources and operations of our two institutions, beginning with the World Bank Group.

We warmly congratulate President McNamara, the Executive Directors, and the staff of the Bank on having implemented, and even slightly exceeded, the program of operations for FY 1979, with a record volume of some $10 billion. Of course, the development of the Bank's activities is not a matter of figures only. We believe that its activities have improved considerably in quality and cover new sectors oriented toward alleviating poverty and satisfying the essential needs of the peoples of our countries.

We have always supported the Bank's policy, which puts emphasis on raising the productivity of the more deprived strata of the population and improving the distribution of the fruits of economic expansion among the various segments of society. We know also that achievement of these goals depends in large measure on our own efforts. But we realize that the magnitude and quality of external assistance can considerably strengthen the effectiveness of the economic policy measures adopted by the African countries. In this connection we note with satisfaction that the Bank Group's commitment in Africa rose appreciably in FY 1979 to just over $2 billion. We continue to believe, however, that it is still possible to increase considerably the share of the Bank Group's commitments in Africa. This is particularly true of IDA credits.

We attach great importance to a more equitable distribution of the Bank Group's resources—particularly those of IDA, since most of the African countries are in the low-income category. We are therefore naturally concerned to note that the program of operations for 1979-83 provides for a substantial reduction in East Africa's share of IDA commitments, from 18 per cent for the period 1974-78 to only 15 per cent for 1979-83. Moreover, the growth in the volume of Bank/IDA commitments in this region for the years 1979-83 will be well below the average for the other regions: 15 per cent as against 57 per cent. We hope that this possibility will not materialize, especially in view of this region's substantial requirements for external financing on concessional conditions. We also draw attention, once again, to the shortcomings of per capita income and population size as criteria for allocating IDA resources. We strongly hope that criteria which better reflect the development stage and external financing needs of the beneficiary countries will be developed so as to ensure a more equitable distribution of IDA credits.

As regards the sectoral distribution of Bank Group operations, we support the increase in the shares allocated to rural development and small and medium-sized business. However, we consider that the Bank Group's operations should be integrated into the countries' development programs, and be based entirely on the priorities of the developing countries. Accordingly, we consider that infrastructure, particularly transportation and telecommunications, should continue to occupy an important place in the Bank Group's operations in Africa. In this context, and in the framework of the United Nations Transport and Communications Decade for Africa, we ask that the World Bank Group provide its financial and technical assistance so that the objectives set for the Decade can be achieved and so that it might strengthen its traditional support for the development of infrastructure in Africa. We also welcome the action of the Bank Group in the energy sector and support the expansion of the petroleum development program approved by the Executive Directors at the beginning of the year, particularly the financing of prospecting. We believe that the catalyst role of the Bank Group is crucial in the field. We attach particular importance to the Bank's technical and legal assistance in negotiations between the African countries and foreign companies.

We are pleased that in June 1979 the Executive Directors were finally able to give unanimous approval to the general increase of the Bank's capital stock. This measure will undoubtedly enable the Bank to increase its lending in real terms in the next few years. However, the uncertainty concerning the lending program for this fiscal year will not be entirely dispelled until the Governors adopt the draft resolution on the General Capital Increase. Many of the African Governors have already communicated their approval of these resolutions to the World Bank, and those who have not done so will take similar action very soon. We call on Governors from other regions to cast their votes as soon as possible so that these resolutions may become effective before the end of this calendar year.

Last year we expressed our concern at the reduction consequent upon the General Capital Increase in the number of Board seats held by the sub-Saharan African countries. We should like first of all to express our appreciation to President McNamara for his efforts to ensure that the African countries retain the number of seats they presently hold. We believe that we could usefully take advantage of the respite accorded us by the temporary solution of this question to examine the principle of the parity of the number of seats on the Board of Executive Directors between developed and developing countries, the link between shares held and number of seats, and adequate representation of the various regions on the Board.

We also drew attention last year to the vital importance of IDA to African countries. We urged then that, like IDA Fifth Replenishment, the Sixth Replenishment should be double the volume of the Fifth Replenishment so as to offset the effects of inflation and to provide for a real growth in IDA operations. A replenishment of about $14 billion therefore appeared to us to be appropriate. Reports of the early stages of negotiations had been encouraging. But developments in the recent past tend to suggest that some countries are taking positions which may reduce the level of IDA Six below the desirable level, and some countries are flirting with measures which could jeopardize the realization of resources already agreed upon for IDA Five, thereby bringing a quick and early stop to the commitment authority of IDA. Since I speak on behalf of the vast majority of countries that depend on IDA, it can be understood that I cannot overemphasize the importance of IDA to my region. We are considerably disturbed by the recent reports on IDA Six negotiations and we sincerely hope that the donor countries will once again find it possible to appreciate the needs of IDA recipients and give appropriate consideration to these needs when they decide on their subscriptions. It is our hope that these negotiations will be completed by the end of 1979, to ensure ratification of the agreement by the parliaments of the donor countries by June 1980. We appeal to each country to desist from taking actions that could prevent the mobilization of resources already agreed upon in past replenishments.

We have learned with satisfaction of the decision by the Board of Executive Directors to abandon the interest rate formula introduced at the time of the selective increase in capital. The further decision to replace the formula with a system of basing lending rate on a planned income target of the Bank is, to us, a wise one, and one that could be better tailored to the debt-service carrying capacity of the borrowing countries.

Last year, we drew attention to the additional burden that the loan conditions introduced in 1976 imposed on the developing countries. We recognized then that without an increase in Bank capital, such an additional burden was perhaps inevitable. We hope that the Board of Executive Directors will be able to relax these conditions following the General Capital Increase. . . .

. . . In speaking of the problems that beset the international community and in highlighting the particular set of difficulties that are peculiar only to our countries, we lend our support to the Board and management of the Fund and Bank and hope that our views and policy position will be given due consideration in the course of the day-to-day exercise of decision-making in the Board of the International Monetary Fund.

Before concluding, I would like to draw the attention of the meeting to a problem of great concern to the African Governors, a problem which requires a lasting solution. As you know, several African territories have recently gained their independence, or are in the process of doing so, and have become—or will be becoming—members of these Bretton Woods institutions. There are currently 39 countries electing two African Executive Directors, or between one fourth and one third of the entire membership of the Fund and the Bank. These Directors represent from 16 to 23 countries, as compared with an overall average of 6.5 countries per director. This disparity is likely to grow in the future.

This structure places an excessive burden on these African Executive Directors. As a result, it has become extremely difficult and onerous for them to devote adequate attention to the interests of all their constituents. This situation prevents our Executive Directors from efficiently performing their duties in the Board, especially when the interest of the member countries concerned are involved.

The Fund has, in fact, anticipated a situation of this sort, as evidenced in the text of the Executive Directors' Report to the Board of Governors on the Second Amendment, to the effect that the Fund, when exercising its powers under Section 3 of Article XII, would be guided by the following objectives:

— to ensure that the number of the membership in the Executive Board will contribute to its proper functioning;
— to maintain a suitable balance in the membership of the Executive Board;
— to ensure that the size of the constituencies electing executive directors does not impose an excessive burden on these directors and hamper the smooth operations of the Executive Board. . . .

Although the situation described was anticipated by the Fund—which is not the case with the World Bank—it will not be resolved by increasing the total number of elected Executive Directors, but rather by ensuring that any such increase would provide adequate representation of our countries in the Executive Board of the IMF. We, therefore, urge the Fund and the Bank Executive Boards to study the matter without delay and propose a solution to reach that objective at our next Annual Meetings in Washington in September 1980.

LUXEMBOURG: PIERRE WERNER

Governor of the Fund

Let me first warmly thank the Yugoslav authorities for their cordial hospitality extended to this assembly.

The optimism displayed at our meeting last year has not been confirmed by the general economic evolution, and a less positive and even somewhat gloomier assessment of the world economic outlook is made today—an assessment already anticipated by the Interim Committee in March this year in Washington.

The increase of oil prices has been unexpectedly important. Despite some progress reached during the past two years, it has not been possible to eliminate inflation, although the use of the existing production capacities has not been satisfactory. International imbalances not only are still persisting, but they tend to become more marked, and the long-term energy supply is not yet guaranteed at a cost that is reasonably foreseeable.

I am speaking on behalf of a small country which until now has managed to keep its unemployment and inflation at a relatively low level, but which is also very vulnerable to influences originating from other countries. Therefore, I strongly hope to see that the search for solutions of all these problems will be undertaken on the basis of reinforced concertation and with regard to the legitimate interests of all the parties involved. This approach has proved to be the proper way, especially in the framework of institutions like the IMF and the World Bank. Thus it has been possible to improve the functioning of the adjustment process, to increase the level of financial flows toward developing countries, and to preserve up to now the principle of freedom of international trade. However, protectionist trends are increasing and present a major danger for smaller industrialized and for developing countries. In past years world economic growth developed parallel to the internationalization of trade; and thus the reappearance of protectionism, which some consider as a possible remedy, can only be a step away from the road to economic progress.

In this context I would like to draw your attention to the fact that the Luxembourg economy is closely linked to the evolution of the world steel market, which for the moment is seriously depressed. This has forced my country into a thorough restructuring of the production equipment, which raised a series of delicate social problems. Faced with different kinds of choices, we tried to resort only to measures counting basically on competitive abilities and on the free play of international market forces. . . .

Regarding the problems of development aid, I would like to mention that the Luxembourg Government decided to strengthen further during the fiscal year 1980 its aid to developing countries. The budgetary credits to be used for financing aid to developing countries will show an increase of 31 per cent, while the total increase of the draft budget is only 7 per cent. Beside some bilateral aid measures, Luxembourg traditionally had a preference for multilateral aid: we think that this form of aid is best appropriate for reaching a closer coordination of transfers of resources and for getting the highest possible yield of the effort carried out. Thus I endorse the philosophy the World Bank tried to develop in its two Reports on World Development, which stress the basic needs of the underprivileged categories of population.

Luxembourg has always given a priority to fund replenishing of IDA, which aims at the improvement of the conditions of the poorest countries. Therefore, I can commit my Government to a further substantial increase of IDA resources.

Although the Luxembourg domestic capital market has a relatively small size, it has always been open, within its limits and without any discriminatory treatment, to the capital needs of multilateral development institutions. The liberal framework of the international financial center of Luxembourg allows it to contribute to the financing of deficits in balance of payments. Monetary authorities feel uneasy about the strong growth of the Eurocurrency markets and some call for control of these markets. I think, however, that this problem must be tackled with caution and moderation. We must be aware that the Euromarkets play an irreplaceable role, at a time of great need for capital flows, in the interest of growth and development, when no national financial system is able to take up a similar role in a satisfactory way.

The best approach seems to me to deal with the sources of the funds providing the market's liquidity, in order to assure a better equilibrium of balances of payments. Moreover the banking control authorities of those countries with international financial centers must keep an eye on the observance of the banking profession's golden rules as regards, among other matters, liquidity and maturity.

I listened with great interest to the inspiring speeches of the Managing Director of the Fund and of the President of the World Bank. The Luxembourg Government, within the limits of its capabilities, will give its support to the fundamental aims of the Bretton Woods Institutions, set before us with such talent and persuasion by Mr. de Larosière and Mr. McNamara.

MALAYSIA: TENGKU RAZALEIGH HAMZA

Governor of the Bank and Fund

It is a great honor and privilege for me to address distinguished fellow Governors at these Thirty-Fourth Annual Meetings of the Boards of Governors of the World Bank and the International Monetary Fund. I wish to thank the Government and people of Yugoslavia for the excellent arrangements made to host the Meetings here in Belgrade and for the warm hospitality extended to all of us.

At the last Annual Meetings, Governors expressed deep concern over the prospective deterioration in the world economic situation and its detrimental impact on the economic performance of the developing countries. Much of this has come to pass and we are now in the midst of an economic malaise characterized by high rates of inflation and unemployment. Even the 1979 Annual Report of the Fund has admitted that ". . . with respect to several of the most fundamental economic problems, little visible progress has been made in the period since the 1978 Annual Report."

The experience of the 1970s has led to a widespread recognition that no country can afford to ignore the impact of international developments on the management of its economy. Given this development and the need to cooperate with each other, consultations have been proceeding to foster greater international coordination and cooperation to resolve the many complex and pressing problems. The world economic outlook is still clouded with uncertainties, with slow growth, high inflation rates and pervasive instability in the international monetary system. Latest efforts by the national authorities to deal with these basic problems and the spread of protectionism have fallen far short of expectations.

In the context of interdependence, the destinies of the North and South are closely linked to each other, irrespective of differences in political ideologies and economic systems, through the flow of trade, financial resources, and direct investment. The stark realities are that we cannot progress in isolation. It is therefore important that remedial actions and solutions be taken urgently, failing which the consequences can be disastrous to both the developed and the developing countries. In the absence of real and effective cooperation, the economic and social disparities already existing between rich and poor nations are bound to widen. This will result in increasing dissatisfaction and disenchantment on the part of the world's poor. In the circumstance, one cannot avoid sharing the consequences of further international economic disorder, which will threaten the harmony, peace, and liberty of the world. In sheer desperation, the developing countries could well be pushed to resort to radical changes in the existing conduct of their commodity exports, with serious implications for the maintenance of living standards in the devoloped countries. In such an event, the developed countries, which have the most, might well end up the principal loser.

Memories still remain fresh on the serious consequences of the 1974/75 oil crisis and its wide-ranging dampening impact on growth, employment, and living standards throughout the world. One could well imagine the seriousness of the situation, if in addition to energy, supplies of essential raw materials—which are important inputs for industry in the developed world—were seriously affected as a result of drastic measures taken by these producers. Such a development which has the most serious consequences for all of us must be avoided at all costs.

Be that as it may, I am by nature an optimist and a firm believer in international cooperation. As I see it, what we lack is a firm political commitment to actively work together for global progress. The political will must be forthcoming to ensure that the welfare of our people will be promoted and safeguarded at all times. This must be accompanied by the spirit of give and take and willingness to make sacrifices for the good of all. . . .

Growing interdependence exerts a certain responsibility on the developed countries to coordinate their policy objectives over the medium term. Certainly, all of us have a stake in seeing that the major developed countries are fully committed toward coordinated growth and payments adjustment, an early return to relative price stability, the removal of protectionist measures, and the maintenance of orderly exchange markets. Furthermore, the developed countries must improve the quality and quantum of their official development assistance.

In this connection, we hope that the current negotiations on the replenishment of IDA VI will be speedily and successfully concluded. I would also urge that all member countries give positive and early support to the resolutions on the General Capital Increase of the World Bank in order to enable it to continue its vital role in promoting accelerated development of the developing countries through greater program and sector lending as well as project loans designed especially for poverty eradication.

Whatever the international environment, the welfare of our people depends ultimately on self-reliance and the pursuit of sound domestic economic policies. In formulating these policies, we sometimes have to adopt tough and unpopular measures, to ensure that the vast majority of our peoples enjoy the fruits of development. This approach requires prudent management, and financial discipline on the part of governments in the developing countries. We must shoulder the responsibility to meet the challenges ahead with dignity and a resolve to promote growth with stable economic and financial conditions in our own economies.

The decade of the 1970s has been characterized by economic and financial turbulence. As we come to the end of this decade, we are yet to see the light at the end of the tunnel. Obviously more initiative and innovation as well as political will and commitment are needed to ensure that the social and economic turbulence of the 1970s is reduced or minimized as we enter the decade of the 1980s and in the years ahead.

Looking back, I consider that the dissatisfaction with many aspects of the international monetary, development and trade issues, particularly problems related to primary commodities, has compelled the developing countries as a group to adopt "The Program of Immediate Action on International Monetary Reform." Much time has been spent in discussing these issues, but unfortunately the willingness to act positively on the part of the developed countries in the interest of the world community is sadly missing.

Given this depressing scenario in the world economic scene and the prevailing lack of political will to take remedial action, the question is where do we go from here?

MAURITIUS: RABINDRAH GHURBURRUN

Governor of the Bank

I should first like to express the appreciation and thanks of my delegation to the Government and people of the Socialist Federal Republic of Yugoslavia for the excellent arrangements they have made for our Meetings and for their warm hospitality.

I should like also to associate myself with the other speakers who have preceded me in extending a warm welcome to the newly affiliated members of the World Bank and the International Monetary Fund.

Since our last Annual Meeting there has been a further deterioration in the world economic climate. The slowdown in world trade, the high rates of inflation, the recent increases in oil prices, and the instability in the exchange rates of major currencies have caused major problems to many countries. The developing countries and in particular the small non-oil developing countries have had to bear the full impact of these events. As a result, they have not been able to achieve the social and economic objectives set for the Second United Nations Development Decade. In the present uncertain world economic situation, the prospects of the non-oil developing countries are indeed very bleak.

The smaller economies, the least developed countries, and the middle-income countries with their very limited natural resources are in a more vulnerable position. These countries, like my own country, are experiencing severe problems of unemployment, slow growth, deterioration of the terms of trade, and persistent balance of payments deficits. Although some of the problems are peculiar to small economies, many of them have resulted from the shortsighted policies pursued by the idustrialized countries. The rise in protectionism, especially the restrictive measures applied to such products as clothing, textiles, sugar, and other agricultural produce have inhibited the structural adjustment process in many countries. This has been harmful to both developing and developed countries. The decline in official development assistance has hampered further the adjustment process.

The priorities of a country are determined by the problems confronting the country. Mauritius is densely populated and has very limited agricultural land. We are making efforts to diversify the economy to provide employment opportunities to the growing number of new entrants to the labor force. This requires substantial investment in development of the infrastructure such as road, water, and power development and housing. Such programs cannot be implemented without external assistance. We are happy to note that the World Bank is adopting a more flexible approach toward the requirements of developing countries.

Mauritius was among the very first countries to work out a comprehensive program for the development of the rural areas. The program was launched on a modest scale with the assistance of the World Bank. The results obtained have been very encouraging and so we have decided to extend the program to cover the whole country. This is an instance where funds provided by the World Bank have benefited directly the poorer section of the community. We submit that projects of this kind deserve to receive continued assistance.

I would now like to say a few words on middle-income countries. For the purposes of loans, countries are classified in two categories: (a) countries with annual per capita income of US$300 or less, and (b) all remaining countries. This approach works unfairly in the case of middle-income countries. These countries cannot be lumped together with the advanced industrialized countries. The middle-income developing countries deserve softer terms and conditions than the advanced industrialized countries.

In my opinion, the criteria of country population and per capita income for determining the maximum size of loans need to be revised, in order to enable the small countries to raise loans for financing high-priority major projects such as harbor and airport development and housing. The Bank should be prepared to examine each request for a loan on its merits and should not apply rigid criteria.

My delegation supports the recommendation of the Group of 77 for a greater increase in the World Bank's program lending as a means of helping developing countries to achieve their development objectives. The projected sluggishness in the growth rates of developed countries, the sharply rising trend in the price of oil, and the deterioration in the terms of trade of developing countries provide justification for a substantial increase in program lending and for extending it to needy countries. Such loans, complemented with short- and medium-term assistance from the IMF will assist countries in their longer term structural adjustment process and in mitigating severe balance of payments difficulties. We therefore welcome the support of Mr. McNamara for extending program lending.

I would like to place on record the strong appreciation of my delegation on the effort being made by the President of the World Bank to enlist the support of the U.S. Government for the Sixth Replenishment of the International Development Association. . . .

To conclude, the international community is aware of the diseases that afflict the world: inflation, instability in exchange rates of major currencies, slow growth, unemployment, and poverty. The big question is how to remedy the situation. We believe that the cures for these diseases exist, provided that the conscience of the international community is stirred and the world accepts the remedy.

MEXICO: DAVID IBARRA MUNOZ

Governor of the Bank and Fund

On behalf of the Government of Mexico, I wish to express our most sincere gratitude to the people and Government of Yugoslavia for their friendly and cordial hospitality, and in particular to thank President Tito for words which rekindle feelings of human solidarity in a world fraught with inequities and discontent.

The Group of 77, at its Arusha meeting last February, underscored the imperative need for systematic efforts toward a reform of the international monetary system that will have as one of its main concerns the needs of the developing countries.

That decision is explained by the recognition that there has been a new reorganization of the world economy since the beginning of the 1970s, but that up till now the governments of the developing world have had little influence on its orientation and shape.

The Group of 24 took up the challenge in its capacity as the body representing the industrializing countries in the financial and monetary areas. After several months of vigorous work it completed the "Outline of an Action Program for International Monetary Reform."

I have the great honor of presenting this document to you. It is the result of a joint and highly constructive exchange of ideas and viewpoints. The document reflects the consensus and expresses the solidarity of the members of the Group of 24, and the unanimous support of the Group of 77, regarding circumstances and problems that affect all of our peoples. Thus, the representatives of the industrial centers should respond—and respond constructively—to this explicit manifestation of the unity of the developing countries. This was the sense of the resolution on transmittal of the document to the Interim and Development Committees for consideration, as well as to other international forums.

The Action Program is pertinent and valid not because of the originality of its individual elements, but rather because it brings together for the first time, in a consistent and structured way, the principles, objectives and actions that will have to be embodied in the reform of the international monetary and financial system.

The "Outline of an Action Program" is an overall statement which integrates and harmonizes various monetary and financial measures with those relating to trade and sectoral development, without losing sight of the diversity of the situations of the developing countries. It naturally goes more deeply into financial and monetary matters, emphasizing that short-term balance of payments credit cannot be separated from credit to meet development needs. The two are strictly complementary, and the absence of one nullifies the effectiveness of the other.

The document does not attempt to set goals to be met in precise time periods, for it realistically recognizes that the arrangements will have to be made with a series of adaptations in which the most disparate and powerful interests must be reconciled. But it does aim to provide guidelines that will serve all of the developing nations in integrating and unifying their proposals in the various international forums, and in meeting their responsibities to their people and to history.

The first part of the document "Outline of an Action Program for International Monetary Reform" presents an evaluation of the fulfillment of the initial objectives of the process of monetary reform.

As the document clearly states, the long-standing hope that decisions of worldwide impact would be decisions of all, and would reflect common interests, has been realized in only a very modest degree.

For a variety of reasons the international community has paid little heed to the needs of the developing world, whether in regard to monetary matters, trade, or the transfer of real resources.

Moreover, as the second part points out, the outlook is for a low rate of growth, unemployment and instability in the world economy. All of those factors will have an adverse impact on the less developed countries and make it more urgent to achieve their effective participation in the creation of the new international economic order.

The mention of only one problem will provide a vivid illustration. Whereas world trade in this decade has grown only half as fast as in the previous decade, protectionism against the developing countries has been intensified, world inflation has worsened, and in many cases allocations of official aid have declined. Thus, it is not surprising that by 1980 the balance of payments deficit of the non-oil developing countries will have doubled in two years, exceeding US$50 billion. They are now faced with the dilemma of whether to incur a burdensome and excessive debt or to endure a standstill in the development of peoples who are still at very low levels of income.

For this reason, the international community should undertake structural adjustments that will bring about the expansion of productive potential in both the developing and the industrialized countries. These requirements, while urgent, are nonetheless difficult to meet as long as disunity and misunderstandings persist.

The third part of the document sets forth the principles of an international monetary reform that will be acceptable to the developing countries and will not entail unmanageable costs for the group of advanced economies. It is hoped that its contents will afford a framework for the formulation of specific actions aimed at the improvement of the international monetary system, without prejudice to its complementation in other forums dealing specifically with matters of trade or sectoral development.

I repeat that many of the basic proposals are not new. Indeed, they reaffirm the viewpoints that the great majority of the developing countries have been reiterating for years in various international forums. Now the hope is that we can achieve, without imposing or being forced to accept, a consensus that will guarantee the solidarity of all in the process of reform of the world monetary system and can find ways of solving problems that, far from being overcome, have been getting worse.

That is why the document insists on the establishment of and full respect for several basic principles: the implementation of an effective, symmetrical and equitable process of adjustment; support for a system that, while regulating and producing adequate international liquidity, will serve as a mechanism for its equitable distribution in accordance with the special needs of the developing economies; affirmation of new and old commitments for the net transfer of resources to the developing countries on a large scale; and assurance for all governments of genuine participation in the adoption of schemes that transform national economies.

Let us take, for example, the application of rules aimed at achieving a convergence of adjustment processes which entail a minimal sacrifice of the national development objectives of the countries concerned. Such a plan would lead to the prescription of obligations applying, without any distinction whatever, to debtor and creditor countries; alternatively, to examining international liquidity both as a worldwide aggregate and from the point of view of its adequacy and its distribution among groups of countries or geographic areas. Otherwise, the reduction of international liquidity surpluses, a goal which no one disputes, could become a new cause for constraint in the already weakened economic relationships between developing countries and industrial economies. . . .

In fact, it is still imperative to apply simultaneous solutions in the fields of monetary policy, trade policy, and the transfer of resources for development. Otherwise, if the solutions brought to bear are mainly partial ones, it could be difficult to change patterns leading to frictions and frustrations of every kind.

With regard to the transfer of resources for development, once again it is recommended that net flows of financing to developing countries be increased and—of course—maintained. We thus come up against the problem of concessionary aid, and fixed annual pledges of official development assistance (ODA) are recommended. Other claims that are once again insistently raised are those for a link between SDR allocations and financial assistance for development, an increase in the program lending of the international credit institutions, and the formulation of more suitable or more flexible strategies to avert the problems of debt servicing in certain developing countries. On this last topic, the better course is to face up to a rapidly growing problem that will become increasingly acute if world trade flows decrease. . . .

The proposals made with regard to international trade are designed to combat the new protectionism, accelerate the growth of North-South trade in goods and services, and increase access to industrial countries' markets for developing countries' exports.

The proposed "Program of Immediate Action" is an attempt to present in harmonious and ordered form the essential proposals that the developing countries have been putting forward not only here, but in various United Nations agencies.

It is reflected, particularly, in the position adopted by these countries at UNCTAD V, where a full-consensus decision was reached on the transfer of real resources for development.

The last part of the document contains suggestions for the Group of Twenty-Four's work program and suggests mechanisms for evaluating the effectiveness and coordination of future tasks.

In my opinion this work constitutes a step forward toward the establishment of a viable monetary and financial system that can satisfy the needs of all, those of the developing economies in particular. For the first time a course is being charted, a program of action is being designed, which means that the initiative has been taken and passivity has been rejected.

The accomplishment of the proposed objectives requires the resolute support and active participation of the nations represented here. This might be one of the last opportunities for the developing countries' views to be taken into account as a new economic organization of the world is formulated, thus averting a new breakdown affecting an unforeseeable number of nations.

Let us hope that consideration of the "Program of Action" will not be eluded and that a spirit of solidarity among all peoples, rich and poor, will prevail. I trust it will be recognized that the economic interdependence of the world and the presence of a worldwide crisis are making our era a time to unite, to achieve reconciliation, rather than a time to hold on to privilege or to strive for the supremacy of hegemonical interests.

The developing countries have organized their thought and their aspirations on these matters we are considering. Now the industrial countries have the chance to unite in the common task of working out a global strategy that shall benefit all, excluding no one.

MOROCCO: ABDEL KAMEL RERHAYE

Governor of the Bank

First of all I should like to associate myself with preceding speakers in thanking the Yugoslav Government and people for the warm welcome and hospitality they have lavished upon us and for the great care that has been taken in organizing our Meetings.

I should also like to convey to you the good wishes of the Kingdom of Morocco for the greatest success in our discussions.

Furthermore, on behalf of my delegation, I want to welcome the new members who are participating for the first time in our two institutions' Meetings.

Yet again we find ourselves in the presence of an economic situation characterized by the aggravation of a crisis hugely growing both in proportions and in gravity, the perpetuation of which is a menace to peace and security in the world.

In fact, we find that since our last Meetings the trend in the world economic situation has been only downward.

In the industrial countries, domestic demand has been inadequate to stimulate sustained economic growth and the low growth rate shown in the first half of 1979 has been deflected in a downward direction for the rest of the year.

The resulting underutilization of resources and production capacities has been reflected in high unemployment rates, although these have had no constricting effect on inflation.

Unfortunately the policies implemented by the industrial countries to cope with the situation have not given due priority to the necessary structural reforms or to concertation between developed and developing partners. On the contrary—these policies have often taken the easy but dangerous course of protectionism and exchange rate manipulations, thus helping to aggravate the situation of the developing countries whose export growth rate has diminished and whose terms of trade have deteriorated.

In token of this, economic activity in those countries—mainly oriented to exports—has slowed down with all the drastic consequences that result for countries whose demographic increase continues undiminished. One of the more evident and scandalous consequences is a dire poverty which annually increases to affect ever-widening sectors of the population.

Another no less perturbing consequence is seen at the level of investment in the form of lack of confidence, laissez-faire, and even the use of resources in non-productive activities that are unprofitable for the national community and may later render these countries' productive structure unfit to respond to a recovery in world demand.

All this signifies that interdependence between countries is a reality which is making itself forcefully felt and which States may no longer ignore in their domestic policies or their international commitments.

In the latter respect, it is also clear to us that the progress made by the international community in resolving the problems of its least developed members and those most affected by the economic crisis are inadequate and perhaps not suited to the present situation.

In spite of everything, however, I am still convinced that the sentiment of solidarity among men, and their awareness of the interdependence that exists between them in a world where economic activities are no longer restricted by frontiers, will enable us to find adequate solutions to these problems.

Therefore, we would call upon the developed countries to increase their development assistance in real terms, and invite those of them who have not yet reached the objective of 0.7 per cent of GNP fixed by the United Nations to do so without delay. This increase in the volume of assistance should be coupled with an improvement in the terms attached thereto.

To this end, we would hope the developed and developing oil-exporting countries can realize that it is no longer possible to meet the important financing needs of developing countries chiefly by onerous loans from commercial banks without quite soon burdening their foreign debt to an excessive extent and thus limiting their capacity to borrow.

Official development assistance and loans from multilateral development institutions should therefore constitute the bulk of the financing resources placed at the disposal of the developing countries.

With this in view, the Group of 77 has prepared and adopted an overall Program of Action aimed both at the economic problems associated with development and at those relating to the reform of the international monetary system. This Program, which is devised to attain the objectives sought by the developing countries, has been submitted to the Interim Committee and to the Development Committee.

We support this program and ask that it be studied with special attention so that positive results may be achieved as soon as possible.

With respect to the World Bank, I should first like to convey warm congratulations to Mr. McNamara, the Executive Directors, and the staff of the Bank for their success in the negotiations for the general increase in the Bank's capital which, I am sure, will help to increase further the volume of the Bank's lending. I earnestly hope that all countries without exception will rapidly take steps to ratify the resolutions on this increase, so that our Bank can be in the best position to carry out its mission.

At the same time, I should like to express the hope that the negotiations for the Sixth Replenishment of IDA resources can soon be concluded, and that this replenishment will accrue in a substantial amount.

Another cause of satisfaction to us is the general increase in the capital of the African Development Bank and the opening up of its share capital to non-African countries. The increase will enable this important regional institution to contribute more substantially to the financing of development in Africa, while still preserving its African character.

As regards the specific development problems of the African continent, I share the views expressed by the spokesman of the African Group and on which memoranda have been addressed to the President of the World Bank and the Managing Director of the International Monetary Fund. I remain convinced that the solution to these problems calls for a greater effort of international solidarity to ensure that real resources can be transferred on a large scale to those countries, to assist them in promoting their economic and social development. . . .

In conclusion I should like to say that the work of the International Monetary Fund and the World Bank, as a whole, needs to form part of a plan to trigger off a cumulative and lasting process of advancement in income and employment in both developing and industrial countries, within a stable and pacific environment. The aim of their activities above all, should be, to lighten the burden of adjustment for the developing countries and to support their development efforts.

It is by such endeavors, which often necessitate much tenacity and much courage, that the lot of the great majority of mankind can eventually be improved.

Morocco has never ceased to work, under the enlightened direction of His Majesty the King, for the attainment of these noble objectives, and will continue to make its contribution to all efforts of good will for the advancement of man in a finer international society.

NEPAL: HARIHAR PRASAD YADAV

Governor of the Bank

It is a great pleasure for me to attend, for the first time, the Joint Annual Meetings of the International Monetary Fund and the World Bank Group here in Belgrade, the historical capital city of Yugoslavia. At the outset, I wish to join other delegations in recording our appreciation to His Excellency President Josip Broz Tito for his thoughtful and inspiring address which, I believe, has provided us a correct and positive setting for our meeting.

As we review the overall development of the year gone by, I find it more a record of disappointments than of achievements. The economic indicators such as growth rates, inflation, and balance of payments, to name a few, in which we measure our performance are far from satisfactory for the majority of the member countries that are represented here. What baffles us more is that the prospect that has been projected into the years to come is not promising either, given the postures of stalemate in the dialogue between the nations that have means to help ameliorate the situation and those who have not. Notwithstanding the fact that interdependence underlies the healthy economic growth of developed and developing countries alike, international trade has continued to be stifled under the regime of protectionism, giving rise to the further deterioration of structural imbalances. As a consequence, the trade that is pregnant with resources to stimulate growth has not been allowed to play its due role.

The world economy, buffeted, as it were, with the impact and dislocation caused by the monetary instability and energy crisis of this decade, has been projected to dip into further recession with the consequential repercussions on the economies of the Third World. We have noted with concern that the deficit in the current account of the non-oil developing countries which was worsening in 1978 is forecast to widen substantially in 1980, exceeding $40 billion. The mounting burden of debt servicing which will be further aggravated is another area of concern.

While Nepal fully realizes the difficulties that the developed countries themselves are facing in the midst of the ensuing economic crisis, we cannot and will not accept the thesis that any improvement in the North's concessional policy toward the South must await resurgence of full economic vitality in the former. That official development assistance by many developed countries has never approached the targeted figure even while those countries were enjoying significant rates of economic growth is now a matter of history. If current world economic difficulties present problems to the industrialized world, need I mention the magnitude of the burden that a least developed country like Nepal has been forced to shoulder.

Having noted the grim realities facing the developing countries in general and the least developed countries in particular with deep concern, my delegation reiterates the need to implement the Program of Immediate Action endorsed by the Group of 77 as expeditiously as possible. In this context, I find it appropriate to recall the plea made by my sovereign, His Majesty King Birendra, at the Nonaligned Summit in Havana in these words, "As a developing country of the Third World, Nepal is painfully aware of the twofold reality of international economic order—the aggravating problems of development and the failure hitherto of finding a just and effective solution. A situation in which more than half the population of the world exists in absolute poverty can under no circumstances be considered conducive to peace. While the industrialized world is reluctant to fulfill its moral obligation for the development of a new international economic order, the imbalance within the fold of resource-rich and resource-poor developing countries calls for greater attention. It is the reason why we continue to urge that any restructuring of the existing economic order must sufficiently take into account the special problems of the least developed countries." Indeed, the role of concessional financial resources in least developed countries can hardly be emphasized. Representing one of these countries in this assembly, I urge fellow Governors, especially of those countries whose contributions to the Official Development Assistance in recent years have dropped to unacceptably low levels of their GNP, to take necessary actions to make up the shortfall to the internationally agreed target of 0.7 per cent. In this connection, I also look forward to a successful conclusion of the Sixth Replenishment of IDA resources at an early date to enable the Bank to continue its commitment authority beyond 1980 without having disruptive effects on the development efforts of the least developed countries.

We also note with satisfaction that the negotiations for the General Capital Increase of $40 billion to the capital stock of the Bank was recommended by the Executive Board to the Governors for their votes. I do hope that all necessary actions will be taken to make the increase effective in due time. . . .

Turning once again to the Bank Group, the financial role of the Bank in the years ahead is sure to grow many fold, not only in the traditional sectors of lending but also in the field of energy resources development. We welcome this as a very timely response to the emerging needs of the non-oil developing countries in the context of increasing energy costs. In this context, I find it particularly heartening to note Mr. McNamara's reference to increasing hydroelectric generation. Nepal has vast potential for hydroelectric generation. Its proper harnessing will benefit not only Nepal but also her neighboring countries.

On the operational side, I would like to urge the Bank management to look into the possibility of reviewing its criteria of project appraisal. The financial rate of return, for instance, should not be taken as something sacrosanct to prohibit project financing if otherwise justifiable by the broader context of economic and social considerations of the country concerned at particular situations. Insistence on these criteria at the various stages of implementation of the project, especially in the public utilities sector, can put the progress of the project in jeopardy.

Before I conclude my statement, I would like to endorse the broad policy initiatives postulated by Mr. McNamara in the framework of the Third Development Decade that is going to be designed in the near future. In fact, our own objectives of more than two decades of planned efforts for economic development could not have been said in better words. We have continued to stress the objectives of meeting basic human needs of the maximum number of people. As we prepare to launch the Sixth Five-Year Plan next year, rural development and the agricultural development policy will be the cornerstone of the overall development strategy of the Plan.

To conclude, I would like to avail myself of this opportunity to express our admiration for the excellent arrangements for this meeting. My delegation is grateful to the Government and the people of Yugoslavia for their kind courtesies extended to us during our sojourn.

NETHERLANDS: F. H. J. J. ANDRIESSEN

Governor of the Bank

First of all, I want to extend our wholehearted gratitude to the Yugoslav Government for its hospitality during this extremely well-organized Annual Meeting. It is a great pleasure for us to be the guest of a country with which we have such a close cooperation within the International Monetary Fund and the World Bank.

Our Annual Meeting is taking place at a time when the recovery of the world economy, which became evident in 1978, has been disrupted by yet another sharp rise in oil prices.

I do not intend to elaborate on the policies to be pursued in order to get through the very difficult period that lies ahead. The strategy to be employed has already been admirably formulated by the Managing Director, Mr. de Larosière. Clearly, the control of inflation is of paramount importance. Care should be taken to avoid excessively restrictive monetary and budgetary policies, which would unnecessarily harm the employment situation. An appropriate policy mix is required. Because of the importance of exchange rate stability, external considerations will have to play an important role in shaping monetary policy. It is also necessary to prevent as far as possible the passing on of the increased oil prices to incomes. This is in the interest of both industrialized and developing countries.

Today, I want to emphasize the problems of the countries which will be hardest hit by recent developments, and to elaborate on possible solutions of these problems.

Provisional estimates indicate a deficit on the current account of non-oil producing developing countries in 1979 of nearly $50 billion. This collective deficit is, as a percentage of GNP, about as large as in 1974. Moreover, the figures conceal very great differences within the group. Another cause for concern is that the increased deficit in the past few years has been caused to a large extent by a deterioration in the terms of trade, and therefore makes no contribution to the development process.

Although the necessity for adjustment should have high priority in the developing countries as well, it will not always be possible to effect this in the short term. Therefore, substantial financing will be unavoidable. The commercial banks are in a position to play their part in the necessary financial recycling again, but this will not provide an adequate solution for all developing countries. The debt position of many countries is already serious and is reaching dangerous proportions for a growing number of them. In addition, if an excessive call is made on commercial sources the necessary adjustment may be jeopardized or deferred.

In present circumstances therefore, the Fund and the World Bank must play a vital role. The member states will have to enable the institutions to fulfill this role properly by adjusting and improving the existing facilities of the Fund and the Bank and increasing their financial base. It is the Bank's role to cope with the structural deficit of long-term capital by means of a more frequent use of the instrument of sector and program loans. Joint financing with the commercial banks should be further encouraged. The Fund, on the other hand, should continue to provide financing in the case of temporary balance of payments deficits on an adequate scale. I consider it very important that the Fund make its credits subject to adequate policy conditions to achieve adjustment of the balance of payments in an appropriate time span. However, these conditions will have to be adapted to the specific situation in the country in question, as was laid down recently in the new guidelines.

The developing countries' needs for assistance cover the whole range from long-term capital on concessional terms to short-term balance of payments credit. An expansion of the Fund's credit facilities has been achieved this year by the entry into force of the supplementary financing facility. Another achievement is the recent improvement and expansion of the compensatory financing facility. These, it is hoped, will soon be followed by the implementation of the seventh quota increase. I sincerely hope that the financial base of the Bank, too, will be increased in a short time, and I should like to stress again the necessity of completing the vote of the Governors in favor of the Bank's capital increase. Recent information, as contained in yesterday's speech of Mr. McNamara, on the U.S. contributions to IDA brings this institution into a critical situation. I sincerely hope that a solution can be found that is in conformity with the multilateral character of the institution and permits the continuation of the lending programs.

The negotiations on the Sixth Replenishment of IDA funds must be completed without further delay. I want to urge those important donor countries which have still not decided on their contribution to do so before the end of this year in order to enable IDA to continue without interruption its extremely valuable assistance to our poorest member countries. The Netherlands Government is strongly in favor of a new replenishment of $12-13 billion.

In addition to what has been achieved in the past year, proposals which deserve our full attention are under discussion in both institutions. Of particular interest is an improved utilization of the substantial credit capacity already available. A lengthening of the maturity of loans under the extended Fund facility deserves serious consideration, although it is doubtful whether these maturities can be considered as temporary balance of payments financing. More study of this subject is required with due emphasis on closer collaboration between the Fund and the Bank. Here I am referring to the greater part which the Bank could play in the financing of adjustment programs extending over a rather long period. A combination of program and sector loans from the Bank with credits from the Fund has proved to be an instrument of great value in specific situations in the past. More generally, I would urge the greater involvement of the Bank in the structural adjustment process through the granting of more sector loans, thereby making greater use of the Bank's specific know-how.

An optimal transfer of funds may be enhanced by interest subsidies. The Bank could make an effort here by earmarking funds from its growing net income for such subsidies. This is to benefit those low-income countries for which the Bank's interest rate is a heavy burden. On the other hand, we must realize that a number of higher-income countries is still far away from economic independence and needs continued financial and technical assistance from the World Bank. In order to obtain a balanced package for all developing countries, the Bank will have to conduct a cautious policy with regard to criteria for Bank lending, the so-called graduation problem. . . .

PAKISTAN: GHULAN ISHAQ KHAN

Governor of the Bank

I would like to join the distinguished Governors who have preceded me in expressing our deep gratitude to the Government of the Socialist Federal Republic of Yugoslavia for its warm welcome and generous hospitality. We have also been greatly touched by the inspiring address of President Tito.

The Annual Reports of the World Bank and the International Monetary Fund offer a remarkably frank and objective assessment of the main trends during fiscal 1979 in the economic, monetary and development fields. The initiatives taken and the contributions made by the two organizations constitute solid achievements. It is gratifying to note that the World Bank Group has continued to play a significant role in helping the developing countries to meet their growing capital requirements. The true measure of these efforts has, however, to be judged by their impact on current economic trends and by their contribution to the alleviation of mass poverty which in the ultimate analysis is all that the debate concerning the developing countries is about.

The 1978 World Development Report had projected that by the end of the century the number of people living in absolute poverty would be as high as 600 million. President McNamara in his address last year had described this as a shocking result. Much more shocking are the findings of the 1979 World Development Report which projects that the number of people living in absolute poverty will increase to 700 million by the year 2000. It also draws the dismal conclusion that under the most optimistic assumptions "average income per person in the countries would be less than a twelfth of that in the industrialized countries and in the case of low-income countries the proportion would be less than a fortieth."

The question needs to be answered as to what accounts for this outcome after decades of efforts for the development of the economies of these countries with the advice and active participation of the international financing institutions. Quite obviously the fault does not lie in the stars of these countries, in that, lacking in natural resource endowments they are destined to stay poor. Indeed, a substantial proportion of the world natural wealth is concentrated in these countries, and the glittering affluence of today that we see elsewhere in the world can directly be traced to have been built on the ruthless and unjust exploitation in the past of this very wealth. Some of these countries may have been politically mismanaged for a while, but in the economic field they have been largely following the strategy and policies designed with the assistance of international financing institutions and the bilateral donors as part of the conditionality of the aid availability. Can it then be that the real fault lies, firstly, with the international economic environment in which the low-income countries are compelled to pursue their development effort and, secondly, in the policies and procedures that we have devised for the functioning of the international financing institutions?

As to the New International Economic Order, year after year it becomes distressingly obvious that despite the eloquent concern expressed at the various international forums, and there has been no dearth of them in recent years, the already yawning gap between the rich and the poor inexorably widens and the pleas made for mitigating global economic inequalities and eradicating mass poverty in poor lands of the world evoke by and large indifference if not an altogether negative response. Positive and effective action is much more in evidence whenever the privileges of the rich appear to be threatened, when uncertainties arise about maintaining "super affluence" for the fortunate few but seldom and less so with the same degree of effectiveness when it comes to dealing with the reality of macabre poverty and the consequential degradation of the vast majority of mankind.

It is not the uncertainties, low growth and persistent high inflation in the industrialized countries so elaborately documented in the Bank and the Fund reports which are the root cause of the current crisis. These are only the symptoms of a much deeper malaise, namely, the malfunctioning of the international economic order. It is a crisis of structures, of institutions, of attitudes and of political will. It is a crisis of perception and inertia in international action. The crisis can only be resolved through an enlightened policy of international cooperation based not only on the recognition of interdependence of nations but on a vision of the long-term converging interest that will transcend the interplay of immediate interests.

Such a vision is no doubt widely subscribed to but what has been the practical response of the industrialized countries to it?

First, the industrialized countries have taken increased recourse to protectionism, which has emerged as the single most disrupting element in international economic relations in recent years, notwithstanding the gospel of free trade that has been preached for years and the fact, as various studies including the findings of the World Development Reports have shown, that the number of jobs lost as a result of export penetration is very small compared to those lost because of technological changes and other factors. All conceivable measures from "multilateral arrangements," "import quotas," "voluntary export restraints," "orderly marketing arrangements," "price floors" and "countervailing duties" to administrative obstacles to exports and subsidies to domestic industries have been adopted to shut out the exports of developing countries, whose fate we ritually bemoan at these annual meetings.

Second, the outcome of multilateral trade negotiations has been similarly disappointing for the developing countries. They have failed to provide "the special treatment" or "additional benefit" to developing countries or to lay the groundwork for a substantial increase in foreign exchange earnings or the acceleration of the rate of growth of their trade or again a substantial improvement in conditions of access to markets for their products, which were among the professed objectives of these negotiations. The greatest disappointment has been their complete failure to deal with the existing quantitative restrictions, including in particular the highly restrictive and discriminatory regime of trade in textiles, and the vast area of other non-tariff barriers against exports of developing countries.

Third, the overall situation in regard to international resources transfers has worsened. In respect of Official Development Assistance, developments have been particularly disappointing; not only are there no prospects any longer that the ODA target of 0.7 per cent established by the international development strategy would be met by the end of the decade but there has been a decline in the ratio of ODA to GNP since 1971 when it stood at 0.34 per cent. In addition, the future of the largest multilateral channel for ODA to the poor countries, IDA, is currently being threatened by conditionality of contribution which goes against the spirit and principle of multilateral assistance. And this at a time when substantial increases in ODA over present levels are required if the internationally accepted goals for the growth of the developing countries are to be achieved. The only redeeming feature in this otherwise gloomy picture is the encouraging contribution of OPEC countries which have made available 1.5 per cent of their GNP on concessional terms despite the fact that their present affluence is based on a depleting and finite resource.

Fourth, although an agreement on retroactive adjustment of official debts of the poorer developing countries, which could serve as the most effective instrument for net resource transfer, was reached in March 1978 under the auspices of UNCTAD, some of the major creditor countries, and this a matter of serious concern, have either failed so far to fulfill their commitments under the agreement or have taken decisions which fall far short of the scope and intent of that agreement. In fact the actual debt relief given under this agreement so far is only one third of the total amount which was eligible for rescheduling.

Last, the basic tasks of international monetary reform which, considering the objectives with which the exercise was first undertaken, would have helped accelerate the development of developing countries have yet to be accomplished.

In short, at the global level the international community, whatever its professions, has in practice not only failed to achieve any of the goals in the fields of money, trade and transfer of real resources to the developing countries that it had set for itself at the beginning of the decade. What is more disconcerting, policies have been adopted which if not reversed will seriously impede the development effort of the developing countries and may even possibly negate the meager progress they have made so far. The Group of 77 has already suggested a comprehensive package of immediate and long-term action programs in these areas of international concern. It needs to be emphasized that unless these issues are tackled in real earnest and with a sense of urgency, the world economy will continue to find itself trapped in a vicious circle of slow growth, unemployment, protectionism and instability in the monetary and financial fields with particularly disastrous consequences for the well-being and progress of developing countries.

Multilateral financial institutions have acquired a special and prominent position in the quest for development, and one would wish to see their role enhanced. Just as a change in the international economic environment is essential to remove mass poverty, a goal that we cherish in common, so also there is a pressing need for a shift in the policies and procedures of these institutions. Along with the need for a marked improvement in ODA flows, a change in quality and forms of assistance is also urgently called for. When aid is tied, as it so often is, to purchases from specific countries, to foreign exchange components of outlays or to specific projects, developing countries pay a heavy price not only in higher costs but in a loss of flexibility and freedom of action.

In recent years, an increasing tendency has emerged to render assistance in the form of project rather than program aid. At a time when the need of developing countries for flexible and quickly disbursable assistance has grown sharply, the share of program loans in the total lending by the Bank Group has fallen well below the 10 per cent level that the World Bank set itself in 1971. This type of lending can also help to alleviate the short-term and medium-term balance of payments problems which otherwise would result in inappropriate adjustments in the long-term development policy of a country. We are, therefore, gratified to note that the Development Committee has endorsed a substantial increase in this type of lending by the World Bank Group.

Another area which needs greater attention relates to local cost financing. There is a great and continuing need for local cost financing of projects in the fields of agriculture, rural development, population planning and small-scale industries in developing member countries. The lack of domestic funds is often a very real constraint to the timely and balanced implementation of development programs in these crucial areas. The Bank Group's bold and laudable initiatives in recent years for a substantial step up in assistance for projects and programs designed to meet essential human needs are likely to encounter significant impediments in many low-income member countries unless a more liberal policy is adopted for financing local costs. . . .

Let me conclude by expressing the hope that the international community in general, and those in it with large influence in particular, will not shy away from the bold initiatives that are required over a wide front so that the growing millions living in abject poverty do not lose faith in the human community and human destiny.

PAPUA NEW GUINEA: BARRY HOLLOWAY

Governor of the Fund

Other Governors have commented on the very congenial setting for this year's meetings. This is my first visit to Belgrade, and I wish to express my appreciation to the Yugoslav authorities for their efforts to make us all feel welcome. These efforts have undoubtedly contributed to a very worthwhile meeting.

It is however a sobering fact that, notwithstanding the new and interesting environment for these meetings, the issues and concerns which face us are all too familiar. To the extent that this reflects a lack of progress in dealing with the fundamental problems of the world economy, this must surely be a matter of concern for all of us.

For my own part, this attitude of concern can be balanced to some extent by the fact that the year which has passed has been another year of progress and consolidation for the Papua New Guinea economy. But this sense of satisfaction is substantially clouded by the knowledge that, as a small developing country, Papua New Guinea is susceptible to external shocks which are almost entirely beyond its control, and which could at any time create serious impediments to further progress.

It is a common technique for finance ministers to blame events beyond their control if things do not turn out as planned. But for many of us, this is a continual threat. We have to shape our budgets, our development planning and our growth and development aspirations according to our perceptions of such factors as the degree of stability which will prevail in the world economy, the likely movements in commodity prices, the degree of inflation we will be forced to import and the likely constraints on export diversification resulting from the trading policies of others.

Yet, for the smaller countries, there is usually little we can do to adequately anticipate such developments. In the language of politics, we are largely disenfranchised members of the international economic community. One constructive role we can play is to lend our support to the efforts of the major countries to develop positive approaches to the problems of economic, and monetary instability. There is nothing altruistic about this—it is an exercise in self-interest. We recognize that the more successful these efforts are, the more we will benefit. The smaller countries have just as much interest in a stable international economy as the major countries. Indeed, perhaps they have a greater interest because of this limited ability to insulate themselves against the consequences of instability and uncertainty.

What we would ask in return is that the major countries continue to be mindful of our interests as they explore possible strategies and as they consider policies which might appear appropriate to their own circumstances. In saying this, I do not mean to absolve countries like my own from the responsibility of developing and implementing sound and realistic policies. Indeed, Papua New Guinea's record in this respect is quite clear. What I would suggest, however, is that there be some understanding that against a background of uncertainty and with limited policy options it can be extremely difficult to behave responsibly and to give the appearance of behaving responsibly. Finance ministers have perhaps a better appreciation of this problem than our other ministerial colleagues whose preoccupations are with other aspects of government. We need to understand the growing economic interdependence in the world community and recognize the positive contribution that international cooperation makes to stability. It has never been demonstrated that individual countries can better withstand difficult external economic circumstances by retreating into themselves. All the evidence—and it is formidable evidence—is to the contrary.

In this context, the particular responsibility of developing countries is to ensure that their economic and financial policies are consistent with the inescapable constraints with the state of the world economy: flexible to respond to changes in circumstances and geared to produce domestic stability. And it follows necessarily from this that no country—be it developed or developing—can expect others to do for it what it can do for itself. That would not be a correct or proper view of the role of international economic cooperation.

If the events of recent years and the prospects for the period ahead can be taken as a guide, there is at least one clear conclusion which we can take from these meetings. That conclusion is that we have a long way to go in solving the problems of inflation, recession and unemployment. That is not intended as a facetious comment—none of us find anything humorous or trivial in these issues. For many countries a situation of fundamental disequilibrium persists, the effects of which are widespread and debilitating. The path to adjustment is protracted and painful.

Many countries—and not just developing countries—are struggling with fiscal and balance of payments deficits and at the same time are endeavoring to cope with seemingly intractable inflation and burgeoning unemployment. There seems to be a very real danger that we are losing our capacity to live within our means. If this is so, it is time to reaffirm our commitment to economic responsibility. The so-called soft options are not options at all.

In Papua New Guinea, we have consciously pursued policies designed to bring stability to an economy traditionally dominated by the vagaries of commodity prices. We have become acutely aware that these fluctuations do not allow us to establish the framework needed for sustained growth—they produce a situation of uncertainty and instability which mitigates against forward planning and which cuts across the framework which the Government requires to be established to sustain the momentum of development.

For this reason, we are pursuing policies designed to bring a degree of stability which we could not reasonably expect to occur naturally. We have established funds to stabilize primary product incomes. We have similarly established a mechanism to stabilize highly volatile sources of funds flowing to the Government budget. And we have been forceful in our pursuit of a sound currency strategy to stabilize incomes and prices and to avoid distortions between economic sectors.

There is nothing remarkable about these policies in themselves. The concepts are basic and the mechanisms are simple. But our experience so far is that firmly pursued policies can and do work.

The emphasis on stabilization is particularly pertinent. Domestic stabilization is fundamentally important because it is an indispensable prerequisite for progress. Economic development can proceed along an orderly path only when policy makers are not required to stop and start in rapid succession as the economy is bounced around by the current of events.

Greater stability has, for example, enabled us to proceed with more effective forward planning. We are now better able to bring government spending into line with the priorities established by the Government rather than have these priorities determined for us by the crisis of the moment. Our planning mechanisms would not be meaningful if we were constantly having to adjust our patterns of expenditures against a background of externally generated instability. The ability to plan more effectively has also reinforced for us the important principle of living within our means.

But if I may return to my earlier point, the specter of adverse external developments which could overwhelm our efforts is a very unsatisfactory framework for planning a sensible and comprehensive strategy for sustainable growth over the longer term.

The particular issue which seems likely to precipitate such detrimental developments is the matter of energy. The present oil and energy situation poses acute problems for the developing countries, both through its direct impact on their economies and also indirectly through its more general global impact. We are all faced with prospects of reduced growth potential, exacerbation of price pressures and consequent employment and balance of payments pressures. For those of us from developing countries, these problems would be difficult enough to deal with if we could continue to rely on the traditional levels of support from the richer countries.

But I fear the situation is more gloomy than this. It seems to me that the developed countries will find it increasingly difficult to sustain their levels of assistance to developing countries in the face of a deterioration in their own economic situations. Their capacity to assist is likely to be impacted adversely by the present global energy situation.

This is a most unhappy prospect. Those of us in developing countries have been pressing for greater, not lesser, assistance; for more open world markets, not increasing protectionism; and for a greater political will to work toward reducing the income gap between rich and poor. The present backdrop of international events does not give great encouragement that these objectives can be achieved, nor even that we will move in the desired direction.

It is from this perspective that we approach these meetings, and in particular evaluate the role and performance of the Bank and the Fund. Clearly, the way in which the Bank approaches its responsibilities of providing finance for development will need a certain flexibility. As circumstances change, and as the need and aspirations of developing countries change, so the Bank must be able to respond in appropriate and relevant ways.

But this flexibility in approach must have its genesis in the genuine requirements of developing countries. It must not be a matter of shifts in philosophy within the Bank itself, or motivated by some intellectual curiosity about new approaches. The success of the Bank in meeting its objectives can be judged in only one way: that is in terms of its results in improving the lives of people in the recipient countries. That is easily stated, but not so easily achieved in practice, and I would therefore like to say a little more about this matter of how we assess results.

This is a question we have been asking ourselves in Papua New Guinea as we review the achievements of our own National Public Expenditure Plan. On close inspection it has become apparent that our own planning efforts are not fully achieving the desired results. To the extent that this is due to inexperience in the various areas of Government with the planning processes, the passage of time will improve matters. But my feeling is that this is only part of the answer. It has become clear to us that to achieve certain objectives over the longer term, it may be necessary in the short term to devote more resources to aspects of Government which, in the broad scope of things, have lesser priority; because without these we cannot mount the higher priority projects and activities.

The implications of this so far as the Bank is concerned are that there is a need to look beyond the *apparent* impact of any given project. A project may not always produce the expected results, either because the project itself in some way misses the mark, *or because the preconditions for its success have not been met*. It is probably true that the more complex the project, the greater this risk. Regrettably, it also seems to be true that specifically rural development projects are highly susceptible to failure for this reason. Take the case of an integrated rural development project. There is no doubt that this type of project is highly desirable, but we are becoming increasingly aware of its difficulties of implementation. Indeed, *in many cases it may be necessary to do other less apparently desirable things first to establish the basic infrastructure for a successful integrated rural development project.*

Of course, each country's experience will be different, and the Bank must take account of the particular circumstances and views of the country concerned. The Bank must respect the country's judgments about what is possible as well as desirable.

These comments raise difficult operational considerations for the Bank. But at the same time, I would stress that the only valid test of the Bank's success in meeting its objectives is in terms of what is being accomplished through Bank-financed projects and activities. One important element in this will be the extent to which the Bank is supporting and complementing the efforts of the various borrowing countries.

I am aware that there is a certain circularity in my remarks. In summary, what I have said is that the domestic policies of individual countries and the policies of relevant international institutions have inescapable effects for the international community generally, and for the various members of that community. As I see it, however, the point is that stability and sustainable growth will depend on each of us getting our policies right, so that we provide for mutual support. For some countries this may require greater realism as to what can and should be done—others may need encouragement to view policies from a different perspective. For international institutions such as the Bank and the Fund, I am content to repeat my concluding remarks from last year.

"These institutions are uniquely placed to offer valuable insights into the state of the world economy and the prospects for the future. They can identify the international implications of national policies, and they can highlight the issues that demand attention. They have our support to perform these tasks, and we hope they can have the assurance that their counsel will continue to be sought and heard in the international community."

PARAGUAY: CESAR ROMEO ACOSTA
Governor of the Bank

We come to these 34th Annual Meetings with the conviction that during the fiscal year now ending we have accomplished, with more energy than ever before, the noble objectives of our institutions, thanks to the new strategy of increased support for the poorest population groups in the developing countries.

Paraguay, as an active member of both the Bank and the Fund, is pleased to report on its efforts to implement principles and recommendations, the projects it has carried out and its advances in the economic and financial spheres. The gratifying result of these activities is that our position is a favorable one; we achieved further economic and social progress in 1978, finishing with a 10.3 per cent increase in GDP against the average of 4.7 per cent posted by the developing countries of Latin America and the Caribbean.

This continuing growth, sustained as it has been over the last several years, has not proved easy for a landlocked developing country; given the existence of so many adverse factors beyond our control, it would have been difficult merely to maintain growth had we been without the firm support of the international financial institutions.

During the last fiscal year Paraguay was obliged to cope with one of the worst and most destructive floods of the century. Besides the major damage done to the agricultural and livestock sectors, it was necessary to evacuate entire towns where the waters of the Paraguay River and its numerous tributaries rose. Only the rapid action of Government agencies and the ready cooperation of the entire country made it possible to alleviate the effects of such a situation. Up till now it has not been possible to return those evacuated to their homes and places of work, a state of affairs that affects the central and northern areas of our Eastern Region most particularly.

The rise in the price of oil, which has had profound repercussions on the monetary stability and balance of payments situations of the non-oil developing countries, has also reduced the impact of international financial assistance on the efforts of the developing countries, which have again been forced to resort to high-cost private and supplier credits, overburdening their external debt-servicing capacity and diminishing their ability to make development investments.

The great effort made by the World Bank Group to expand investments with a potential direct effect on the welfare of the great masses of the poor in the developing world by increasing their productivity and transforming them into active participants in the development process, is, in the view of Paraguay, a momentous step toward reducing both debt and payments problems appreciably.

Perhaps the next opportune and important step, given the notable rise in developed country income levels, would be to raise the maximum developing country income levels marking the limits of eligibility for financial assistance on concessional terms, originally set at a time when average income levels were lower.

The possibility of introducing other practical measures should not be dismissed lightly, in our view. I refer to such measures as the utilization of mixed financing or the adoption of loan guarantee mechanisms for small agricultural, manufacturing and crafts entrepreneurs. Paraguay would like to call attention to its own experience in these areas, given its success with programs of financial assistance for micro-enterprises and agroindustrial firms that assist small farmers. Provided World Bank support continues to be forthcoming, these supervised credit systems could be reinforced and possibly used as models for a majority of the developing countries in their campaign against poverty.

We are gratified to be able to inform these Meetings that two loan agreements for the construction of the great Yacyretá dam will be signed next month on Yacyretá Island at the border between Argentina and Paraguay. The lending agencies are the World Bank and the Inter-American Development Bank. The ceremony, to be attended by officials of both countries and the Presidents of IBRD and IDB, Messrs. Robert McNamara and Antonio Ortiz Mena, will mark a momentous stage in the construction of another immense hydroelectric project being carried out jointly by the two countries with the financial cooperation of these two international financing institutions. The 30 turbines planned for will have a total installed capacity of 4.05 million kW and an average annual generating capacity of 18 billion kWh. Our expectation is that start-up of the first turbines in late 1985 will have a particularly telling impact on the development of the landlocked areas of South America, the home of large numbers of low-income people.

We are also glad to inform these Meetings that Itaipú, the Paraguayan-Brazilian hydroelectric project with an installed capacity of 12.6 million kW, is on schedule and that the first turbines should go into service in mid-1983. Since the diversion of the Paraná River last October, construction of the dam has proceeded with the movement of thousands of workmen and machines and thousands of tons of cement, steel and sand. This is a project comparable in scale only to mankind's greatest works.

Paraguay is a predominantly agricultural country, and that economic sector was faced in 1978 with one of the longest droughts of the last decade. Its effects are to be seen in the yields of such products as soybeans, cotton, tobacco, rice and maize, which brought growth in agricultural output down to 6.4 per cent as compared with the 13 percent achieved in 1977. Industrial production, too, had a lower growth rate than the 18.4 per cent recorded in 1977. Construction, however, expanded by 32 per cent, basic services by 14.4 per cent and general services by 15 per cent, 1977 levels being exceeded in each case. The final result was that GDP rose by 10.3 per cent, as against 11.8 per cent in 1977.

The 1978 consumer price index showed an average increase of 10.6 per cent; the blue-collar wage index rose by 14 per cent; the Treasury had a record surplus of G6,117 million; and the issue of currency and the money supply increased by 47 and 53 per cent respectively, owing mainly to external factors. Demand and savings deposits and foreign currency holdings also rose by 39, 22 and 18 per cent respectively.

The trade balance for 1978 was US$60.7 million in deficit for the reasons given earlier, although there was a balance of payments surplus of US$169 million. This meant an increase of US$179.3 million in international monetary reserves, thus strengthening the country's external payments position, which totaled US$439 million at December 31, 1978. On that date the outstanding external debt was US$668.7 million, an increase of 29 per cent in comparison with the previous year. This summary indicates that the economy of Paraguay, despite the difficulties of the country's landlocked location, the long drought suffered and the reverses in external trade, was able to maintain an acceptable rate of development.

No unusual events marked the first half of 1979, which was similar to the same period of last year. In the second quarter, however, the rise in the price of oil had an adverse impact on domestic costs and prices, substantially reducing commercial transactions. The same period saw a fall in the supply of beef cattle, the country's main source of food, leading to higher prices for many food products. This, combined with increases in the prices of imported articles and the lower output of certain products because of flooding and drought, with the consequent decreases in income, led to a reduction in internal demand and slower growth of the economy. This general situation was somewhat alleviated by the increasing flow of tourists from neighboring countries.

Bearing these details in mind, we estimate that a GDP increase of about 9 per cent can be expected for 1979, given the effects of a smaller cotton crop and other factors such as the export-related reduction in beef cattle supply.

Because industry depends mainly on the agricultural products referred to and was affected by the floods, which closed a number of important plants, that sector also experienced a downturn.

As regards the construction industry, the dynamism of the last several years, added to investment in the sector and the vitality of the housing savings and loan system, helped maintain normal growth in its already high annual rate of expansion, causing some overheating.

The first half of 1979 saw an increase of 14.8 per cent in blue-collar consumer prices, most of which occurred in the last month of the period following the rise in oil prices, domestic prices and import costs.

In view of the pressure of such increases on family expenditure, and the fact that nominal wages had risen by 11.6 per cent in the first half of the year against 13.7 per cent in the same period of 1978, the Government authorized a 15 per cent wage increase effective July 1, 1979.

In the area of public finance, both government revenue and public expenditure were greater than in the corresponding period of 1978. Budgetary performance in the first six months of 1979 showed a greater surplus than the favorable balance of the first half of last year. Thus, Government deposits in the Central Bank rose by G4,230 million (34.8 per cent), compared to G4,021 for the same period of 1978. The rise in Government deposits, minus the increase in loans, resulted in a net monetary contraction of G2,929 million for the public sector, against net contraction of G3,870 million in the first six months of 1978.

As for the monetary situation, the first half of this year showed a 25.3 per cent increase in the money supply, which totaled G65,157 at June 30. This was 35.4 per cent greater than the total at June 30, 1978.

In order to curtail this monetary expansion the Central Bank has introduced such new regulatory measures as a limitation on the amount of bank acceptances to 40 per cent of the minimum capital of each bank; setting of the legal reserve at 100 per cent of excess official deposits held in the banks; an increase to G600 million (100 per cent) in the minimum capital of banks; and a request for broader legal powers to take other parallel measures.

Issues of new money rose by G12,442 million (21.6 per cent) in the first half of the year, less than the G13,623 million (34.8 per cent) in the first half of 1978. This was due to a slowing of the rise in international monetary reserves and to the impact of monetary control measures.

Bank deposits increased by 9.6 per cent in the first half of this year, substantially less than the 22.6 per cent increase for the first six months of 1978. The public showed a greater preference for holding money balances in demand deposits than in savings deposits. The former increased by G4,843 million (24 per cent), compared to a G4,000 million rise (27 per cent) in the first half of 1978. At the same time, savings deposits in banks rose by only G736 million (2 per cent), against an increase of G4,648 million (18 per cent) for the first six months of 1978. Likewise, the increase of G537 million (4 per cent) in savings deposits in building and loan associations was less than the increase of G2,069 million (28 per cent) for the first half of last year.

As for the country's foreign exchange quotations, both the official market and the fluctuating free market were steady. The official exchange rate has remained at G126 to the dollar since 1960; the fluctuating free market rate ranged from G137 to G143 to the dollar in the first half of 1979, a spread of 4.4 per cent, compared to 1.5 per cent in the first six months of 1978.

Paraguay's foreign trade balance showed a deficit of US$2.8 million for the first half of this year, indicating a more favorable situation than in the first half of 1978 when the deficit was US$26.4 million. Some of the most important export commodities are soybean seed, cotton fibers, sawn lumber, vegetable oils, expellers, leather and livestock products. The leading imports were fuels and lubricants; machinery, appliances and motors; transportation equipment and accessories; and others.

The balance of payments for the six months under review showed a favorable balance of US$108.4 million, less than the US$117.6 million posted for the same period of 1978. The surplus was due primarily to the increase in exports and inflows of foreign capital.

Central Bank international monetary reserves totaled US$527.7 million at June 30, 1979, 20.6 per cent more than at the end of the preceding fiscal year. This increase was less than the 47.6 per cent registered in the same period of the previous year. It should be noted that 96.3 per cent of net international reserves at last June 30 were net reserves of the Central Bank itself, and 3.7 per cent were holdings in the International Monetary Fund.

Paraguay's foreign debt balance totaled US$689.6 million at June 30, 1979, an increase of 3.2 per cent for the period, against an 11.6 per cent increase for the same period of last year. The public sector accounted for 79 per cent of the loans contracted, and the private sector for 21 per cent. Loans were obtained for construction of the international airport terminal, agricultural development, imports of capital goods with deferred payment, and financing for the technical-economic study of the Trans-Chaco highway. Two loans have been obtained from the World Bank this year, one of US$25 million for agriculture and rural development and the other of US$39 million for highways.

This has been the performance of the economy and finances of Paraguay during the first half of 1979, despite the flooding that afflicted extensive regions of the country, the adverse impact of the rise in oil prices, the deceleration in the country's industrial growth and the foreign trade deficit. We have been able to mitigate these reverses with our own efforts, but at the cost of a slowing of our rate of development.

The major efforts of the Government and people of Paraguay are directed basically toward integration of the national economy, the improvement of education, public health, the maintenance of peace as a factor of general progress, and increased production in the sectors of agriculture, industry and hydroelectric energy.

During the present fiscal year Paraguay has joined in supporting the campaign against poverty recommended by World Bank President Robert McNamara, emphasizing credit assistance for small-scale farmers, manufacturers and craftsmen lacking resources and guarantees, through their incorporation in the system of institutional credit. We are thereby helping them to improve their work methods, increase their output and raise their income levels and living standards, for themselves as well as their families.

In order to consolidate its initial takeoff, Paraguay continues to require the support of our financing institutions, chiefly to repair the damage suffered and to restore the economic and social infrastructure affected by flooding; to improve its physical infrastructure of highways, access roads, communications, and river, maritime, railway and air transportation in order to alleviate its problems as a landlocked nation; to channel the Paraguay River and its tributaries; to make the large and uncultivated land areas of the Western Region suitable for agricultural development through the utilization of underground water and the construction of diversion works; to provide towns in the interior with potable water supply and electricity; to develop agriculture and industry requiring electric power; to give strong support to small-scale industry and crafts, tourism development, etc.

Finally, we note with satisfaction that the World Bank Group is fulfilling its objective of granting loans for productive purposes and economic growth. Furthermore, in addition to its traditional cooperation in the financing of infrastructure works such as highways, railways and telecommunications, the Bank Group is implementing a new development strategy with emphasis on investments that directly affect the welfare of the masses in the developing countries, increasing their productivity and incorporating them in the development process. This effort, together with the struggle against world inflation and the diminution of trade protectionism in the developed countries, are in our opinion the greatest successes that we could achieve to advance the welfare of all member countries.

Paraguay thanks and congratulates the World Bank, through its President, Mr. Robert McNamara, for the treatment we have received at all times. We also note our satisfaction with the Annual Report of the Bank, and offer our best wishes for the continued strengthening of its efforts on behalf of all peoples of the world.

PORTUGAL: ANTONIO de SOUSA FRANCO

Governor of the Bank

It is my great pleasure to participate in these Annual Sessions of the Board of Governors of the World Bank Group and the IMF. I wish to join my fellow Governors in extending our warmest thanks to the people and Government of Yugoslavia for the kind hospitality shown to us. We are delighted that these meetings bring us into further contact with the people and culture of Yugoslavia.

I must also thank Chairman Muldoon for his enlightening speech reviewing the tangible progress already made by the IMF and the World Bank Group and reminding us of the magnitude of the tasks to be accomplished.

The year since we last met has been marked by important accomplishments in the field of international economic cooperation: the successful conclusion of the Tokyo Round, the close consultation among leading industrial countries, and the UNCTAD V, where some progress was made toward a convergence of views on several issues of interest to both developing and developed countries. The Fund and the World Bank have made important additions to the stock of means available to them, and therefore strengthened their ability to assist members in solving their payments and development problems.

Yet recent and prospective economic developments are a cause for serious concern. Unemployment continues unabated in many countries, and the high rates of inflation seem in some cases to accelerate. We are already witnessing some slowing down of the rate of economic growth in the industrial countries and forecasts for the near future are still more disquieting. The rate of growth of non-oil developing countries has shown a relatively better performance. This however has been possible only at the cost of higher rates of inflation and increasing external debt.

One positive development in 1979 is the better distribution of external surpluses among the large industrial countries. But the current account imbalance between these countries and the developing countries is expected to widen further, owing to insufficient growth in world trade, rising protectionism, and declining terms of trade.

In Portugal, like in many other countries, this adverse international climate added to the difficulties of domestic origin. Following the stabilization program adopted since last year, GDP growth is expected to slow down from 3.2 per cent in 1978 to 2.5 per cent in 1979. Because of weak domestic demand prospects and tight credit conditions, fixed investment was almost stagnant. The sluggish rate of activity in 1979 made impossible any progress in the employment situation and the prospects for inflation appear worse than in 1978. Real wages may decline for the third consecutive year.

On the bright side, the contribution of the foreign balance to economic growth remains at a high level. In 1978 Portugal entered into a stand-by arrangement with the Fund and the measures taken on the lines of that arrangement to achieve a better payments position have led to the desired results. The current deficit was reduced by more than 50 per cent in 1978, and the overall balance of payments showed a surplus for the first time in several years. The improvement of the external position continued in 1979 and the deficit on current account will fall below the $500 million level, representing only 2 per cent of GDP. At the same time, due to the surplus on the overall balance and the increase in the price of gold, our reserves are now 1.5 per cent higher than our total external debt and cover about 18 months of imports. This was possible without Portugal's having introduced any payments restrictions. Merchandise exports in volume went up by 13 per cent, while imports stagnated. Following that remarkable performance, exports in 1979 are expected to proceed at a brisk pace given the good competitive position of Portuguese goods brought about by the crawling escudo devaluation. However, a negative element conditioning the growth of Portuguese trade is the existence of quotas on some of my country's most important exports.

The growing wave of protectionism is one of the main causes of concern in present days. This is mainly the case in sectors particularly sensitive to the developing countries, such as textiles, footwear, shipbuilding. It is, thus, very necessary that the industrial countries endeavor to maintain a liberal attitude toward world trade. There is no justification for the new barriers that have been imposed in recent years by several industrial countries on imports of manufactures from developing countries. The obligations of liberalization of payments for current transactions, as provided by the Articles of Agreement of the Fund, will lose much of their meaning if countries impose restrictions on trade transactions. Industrial countries should allow that those changes entail the structural adjustments in their economies which are made necessary by the emergence of new producers in good competitive positions.

I should now like to refer to the activities of the Fund and the Bank and express our views on them. . . .

I will now turn to the problems that fall in the domain of the World Bank Group.

First, I would like to stress the important role played by the three institutions in their attack on the problems of development, about which the published World Development Reports give a very clear picture. I am quite pleased to take this opportunity to congratulate the management of the Bank for the remarkable quality of these reports. The Group's contribution to the solution of the problems of development covers now all the areas involved. In the activity of these organizations an increased attention is being devoted to projects of a social nature such as those in the fields of rural development, basic sanitation, education, and urban development. This significant change in the lending policy of the Bank and the Association, the most recent development of which is the decision to have separate projects for health, is essentially due to the persevering efforts of the President of the institutions, which we fully support as a way to meet the specific needs of each country and different cultural and social patterns.

To be able to enlarge its assistance to developing countries, the World Bank Group needs to have available a volume of funds greatly in excess of those coming from the reimbursement of loans granted and from its own borrowing, which in turn is limited by the total amount of the capital of the two institutions that can have access to borrowed funds—the Bank and the Corporation. That is why it is important for the IBRD to have a substantial capital increase. I am happy to inform you that, on behalf of the Republic of Portugal, I have just conveyed my vote in favor of the two resolutions submitted by the Executive Directors of the Bank to the Governors concerning the capital increase.

The activity of IDA in favor of the less developed countries is hopefully also to be expanded in the coming years, thanks to the replenishment of its funds now in its final stage of discussion among the prospective participants. It is a privilege for me to announce that my Government has just decided to submit to the Parliament, in due course, the necessary legislation authorizing Portugal to become a member of the Association and to contribute—although with a modest amount—to the replenishment under consideration.

In this way, the Portuguese authorities wish to respond to the call the World Bank Group has been addressing to the middle-income member countries to participate, according to their possibilities, in the international effort of assistance to the least developed nations. It supplements the assistance Portugal has been extending directly to some low-income countries to which we are closely linked.

The improvement of the role to be played by the World Bank institutions requires not only the provision of increasing financial means by their member countries. It also involves a constant amelioration of the ways through which the resources they use are put at the disposal of the borrowers. In this context it is worthwhile mentioning the decision taken during the past fiscal year to adopt a currency pooling system designed to put the borrowers in the same position as to foreign exchange rate variations associated with the funds received from the Group.

A development in the Bank's activity in recent years that should be stressed is the expansion of cofinancing. This is allowing the organization to extend its action to a larger number of projects with the same application of funds. Cofinancing has the additional advantage of facilitating the access of borrowers to the international capital markets. The policy to increase cofinancing is, therefore, to be welcomed.

The continued improvements in the functioning of these institutions are certainly to be praised. They may have to face, however, in the near future, new problems, arising from the need to adapt their activities to a changing world in which economic crisis is part of a deep cultural and social change, and the building of a new economic order represents the only chance for more wealth, development, and justice.

As the Governor for a country undergoing profound economic and social changes, the pace of which largely depends on the international environment, I put much hope in the success of the World Bank Group and the IMF in meeting their challenges.

ROMANIA: PAUL NICULESCU-MIZIL

Governor of the Bank and Fund

I should like to briefly present Romania's observations on the international financial and monetary situation.

The analysis of the state of the international economy contained in the reports that have been presented to us points out, along with some gains, the constant presence and the worsening of certain adverse factors in the economic, financial and monetary spheres. In many countries—including the developed nations—slow rates of economic growth and even some contraction have continued to be experienced, together with high unemployment, unsatisfactory development of international trade, and an increase in protectionism. The steady rise in inflation is having an especially harmful impact, as are the abnormal and unjustified increases in world prices, particularly that of oil, severe disequilibria in balances of payments, and the extreme instability of exchange rates.

Present instability and disequilibria in the monetary and financial spheres are a reflection of certain, deeper economic and social phenomena—mainly the manifestations of economic crisis, the energy and raw materials crisis, changes in the balance of power, accentuated divergences in the interests of different countries and different groups of States, intensification of the struggle to divide the world into new zones and spheres of influence and domination, and not only the persistence but also the widening of the gaps between developed and developing, rich and poor countries.

The burden of these phenomena weighs heaviest on the non-oil developing countries, whose economic growth rates, export revenues and exchange reserves have diminished at the same time their current account deficits and external debt have risen. In varying degrees, these same phenomena also affect the developed countries, and indeed all nations of the world; they fuel the sources of tension and conflict and represent a serious threat to global peace and security.

In such circumstances, we regard with all the more satisfaction the increasingly firm determination of the different peoples to be masters of their own national resources and their own destiny, to follow a new policy of cooperation among States and to introduce a new international economic order founded on absolute equality of rights, respect for national independence and sovereignty, non-interference in the internal affairs of others and reciprocity of advantage.

The principal conclusion to be drawn from analysis of the serious problems affecting international economic development is that of the need for wide-based collaboration and economic cooperation among all States, whatever their size, economic power or type of social system, so that the combined force of all may be brought to bear on present-day adverse phenomena. Given the nature of the existing state of world affairs, it is the view of Romania that efforts should be directed toward:

1. *Sustained growth in national economies,* the creation of new production capacities in the developing countries, the full utilization of existing capacities in the developed countries and the utilization of all means for

the effective increase of export and import activities within a framework of equitable international economic relations.

2. A concerted effort by all countries—developed or developing—to establish a *rational long-term policy in the energy sphere,* based primarily on the elimination of fuel wastage, particularly hydrocarbons, on the increased utilization of substitute energy sources, and on the development of new types of energy—nuclear, wind, geothermal and bioenergy.

3. As far as priorities are concerned, a frontline place should be allotted to *halting the inflationary spiral* and to the implementation of an equitable policy on the prices of oil, raw materials and industrial products—a policy designed to stimulate the efforts of all countries, and especially the developing nations, to ensure their economic progress, improve the exploitation of their national resources and respond to the need to strengthen international economic stability.

4. Steps must be taken as early as possible to eliminate *protectionist policies,* artificial barriers and discriminations of the sort which, far from facilitating the solution of present problems, only reduce that free exchange and cooperation among nations which is based on equality. What is of greatest importance is increased access for developing country exports—particularly of manufactured products—to the markets of the developed nations.

5. It is necessary that member countries take steps to promote *greater exchange rate stability,* especially for the currencies most utilized in international payments, to reduce current account deficits and to make use of available capital market liquidity for economic, but not speculative, ends. As has already been stated in this forum, it is the view of Romania that the international monetary system must be set on new and equitable foundations, and that this is an integral part of the new international economic order.

6. An imperative, indeed absolute, necessity at this time, is *the elimination of underdevelopment.*

In the opinion of Romania, the decisive factors in development are clearly the work of each people, the focusing of all human energy and all material and financial resources toward the rapid increase of production forces, the expansion of economic exchanges with the exterior, the extension of means of communication and the formation of national skilled staff. This obviously requires, among other essentials, the allocation of a substantial proportion of national revenue to development.

At the same time, Romania wishes to emphasize that the individual effort of each country should have the broad support of a program of international actions. The most important element would be increased economic aid from the developed countries.

While expanding its collaboration and cooperation with the developing countries, Romania continues to encourage the introduction of the type of practical measure that will allow implementation of the programs formulated at the meetings of UNCTAD and the Group of 77 as a means of ensuring more rapid closing of the gaps between developed and developing countries. In this regard, President Nicolae Ceausescu put forward a series of constructive proposals in his address to the Fifth United Nations Conference on Trade and Development in Manila.

We wish to see a common development fund set up as soon as possible, with the participation of the industrial countries and with the savings effected by all States, which would reduce their military expenditure by some 10 to 15 per cent and allocate half of such reduction as aid to developing countries, in particular to those whose per capita national income is lower and to those who themselves allocate a significant percentage of their national income to their own development and do not spend excessive amounts on armaments.

We are also in favor of specific measures leading to acceleration of the development of the less advanced countries, through the financing on favorable terms of investments in industry, agriculture and other economic sectors, with a view to increasing economic efficiency and access to modern technology.

I am particularly pleased to inform this meeting that, thanks to the sustained work of its people, thanks to its socialist organization, Romania has all these years steadfastly pursued its march toward economic and social progress; and that it has achieved remarkable success in developing the forces of production, in the area of industry and agriculture, and in all other sectors, insofar as raising the standard of living is concerned. The high rates of growth of the national economy, reflected in the course of the first four years of the current Five-Year Plan by an annual average of 9 per cent for national income and 11 per cent for industrial production, are first and foremost the result of our own national efforts, for we allocate more than one third of our national income to development. However, Romania still has much to do to ensure its own economic development and to match the developed countries in per capita national income, labor productivity, proportion of the population employed in non-agricultural sectors, as well as in other fields. While struggling to avoid the adverse impact of the phenomena now upsetting international economic and financial life, we must also combat our own weaknesses in order to maintain the rate of economic growth, balance of payments equilibrium, the stability of our currency, and ensure the country's progress and prosperity.

That is why the efforts of the Romanian people continue to focus on intensive development and the creation of a modern, competitive economy capable of high technical and economic performance and able to guarantee ongoing growth in the country's material and spiritual welfare. It was with this in mind that the directives on economic and social development for the five-year period 1981-85 were formulated and published, as well as the country's guidelines for the period up to 1990, its long-term energy program of measures designed to make Romania self-sufficient in energy in the course of the next decade, its long-term program for scientific research and technological development, and its program for raising the standard of living.

The Romanian Government views collaboration with the International Monetary Fund and the World Bank as positive, and hopes it will continue with equally satisfactory results in the years to come.

Romania has always taken a stand in favor of more active steps and measures by these institutions, as specialized UN organizations to restructure international exchange relations, ensure financial and monetary stability, enlarge and improve the sources of financing for the development of less advanced countries, and balance current accounts.

Romania, which firmly supports the process of democratization of international relations, pronounces itself in favor of the participation of all countries in solving financial and monetary problems, and of enlarging the role of developing countries in directing international financial and exchange organizations, that is to say in consultation, negotiation, and decision-making procedures.

In conclusion I should like to thank our hosts—our Yugoslav neighbors and friends—for the excellent setting they have provided for this meeting and for the hospitality accorded us.

I also wish to thank the Managing Director of the International Monetary Fund, Mr. Jacques de Larosière, and the President of the World Bank, Mr. Robert McNamara, as well as the Executive Directors and staff of these two organizations, for the dedicated work that is being done.

At the same time I should like to welcome the Republics of Cape Verde, Dominica and Djibouti, as new member countries.

SAUDI ARABIA: SHEIKH MOHAMED ABALKHAIL

Governor of the Bank

The recent performance of the international economy has been far from satisfactory. This is a matter of concern to all of us. It is, however, the aggravation—now taking place—of the already difficult position of the developing countries that requires our most urgent attention. . . .

The industrial countries have historically experienced cyclical difficulties. However, in recent years these difficulties have taken on a certain permanency. Full recovery from recession never seems to be achieved. More disturbing is the decline in investment and productivity growth.

The difficulties of the majority of developing countries are at first glance most vividly reflected in the aggravation of their current account deficits. This, however, is only a symptom of deeper problems. It is largely due to slower growth rates and higher inflation in the industrial countries—thus affecting exports adversely and resulting in declining terms of trade.

These interrelated difficulties of industrial and developing countries are deep-rooted. Yet, in some quarters, blame has been directed toward oil pricing. Adequate consideration has not been given to the fundamental problems regarding the performance of the industrial economies—nor to the requirements for a satisfactory international energy policy.

The international oil market, in recent years, has been characterized by increasing demand with little or no net additions to supply. It is clear that higher oil prices were necessary to balance the market.

From 1974 through 1978 the real price of oil declined by more than 30 per cent. The price adjustment in 1979 has brought about a real increase of about 5 per cent since 1974. The current level of oil prices is a necessary minimum to bring new sources of oil and other energy sources on line.

The long-term solution for the energy problem must be based on conservation and more realistic pricing policies in certain industrial countries, together with the development of other sources of energy. If this fact is not fully appreciated, future difficulties will be even more pronounced than anything we have seen to date.

The world's energy problem requires a coordinated approach. It is important that a worldwide understanding be reached concerning the use and valuation of oil. Such an understanding can be based on the simple fact that the use of oil is the use of an exhaustible resource. Thus, long-term considerations should guide our decisions concerning the use of oil. It is to the common interest of all that the period of transition to non-oil energy sources be extended as far as possible, and that this period be effectively utilized to develop these sources of energy.

Saudi Arabia has an overriding interest in the development of a satisfactory international energy policy. We are fully prepared to participate in a dialogue between producing and consuming countries. This dialogue should be aimed at strengthening the functioning of the market mechanism and promoting conservation of oil resources. From the viewpoint of the oil-exporting countries, our legitimate interests in this dialogue should also include the transfer of technology.

We are concerned about the problems of developing countries, but we cannot agree that these difficulties are due primarily to the price of oil. Our attention must be, instead, directed to the more fundamental difficulties of developing countries. The objectives must be the more effective working of the adjustment process for the interests of the developing countries, a much larger flow of development financing, and a reduction of protectionism by the industrial countries.

The contributions of Saudi Arabia to the adjustment process are well known. In 1974, Saudi Arabia expanded its own development effort in a broad and deliberate fashion. As a result, our current account surplus including transfers has been reduced from a peak of US$24 billion in 1974 to a deficit of close to US$1 billion in 1978. Although the surplus will emerge again in 1979, it is expected to be absorbed rapidly. The maintenance of a large surplus position in our international payments is not an objective in itself and is inconsistent with our economic expectations.

Saudi Arabia has heavily contributed to various programs of concessional development assistance. As an overall indicator, we have, on average, committed annually since 1974 about 10 per cent of our GDP on a highly concessional basis and in the form of outright grants. Such resources have been disbursed both on a bilateral basis and through many international and regional institutions. In particular, through the Fund, we have been the largest contributor to the oil facility, the supplementary financing facility, and to the Subsidy Account. Through the Bank, we have contributed to cofinancing and to IDA and will continue our support. In fact, since 1974, we have disbursed concessional resources far in excess of our proceeds from sale of oil at higher prices to developing countries. Some other OPEC countries have also made similar contributions to concessional development assistance.

The adjustment policies of the industrial countries, on the other hand, have been directed mainly at reducing imbalance among themselves. They have been, however, unable to achieve a reduction in the level of excess capacity and in the rate of inflation. Admittedly, these are difficult problems. But it is important to recognize the significance of their solution to the developing countries. As an example of this, from 1976 to 1978, while the trade deficit of non-oil developing countries with OPEC remained at a constant level, the overall trade deficit of these countries increased from US$28 billion to US$47 billion.

In the area of development assistance, the contribution of the OECD countries has in fact declined in real terms from earlier years. To achieve an adequate flow of development assistance, substantial increase in the contributions of the OECD countries is clearly required.

To be fully effective, flows of development financing must be supplemented by a reversal of protectionism and a recognition of the need for structural changes in international trade. Industrial countries have been reluctant to accept the entrance of developing countries into manufacturing areas where they now have a comparative advantage. Industrial countries should not resist the needed changes, but should instead adopt a deliberate policy to accommodate emerging changes in patterns of trade . . .

We believe that the World Bank has an increasingly important role to play, not only as a channel for development financing, but also because of its broad commitment to fostering all aspects of the development process. While the Bank should become a more important channel for concessional financing, it is also essential to assure that the expansion in the scope of its financing on market terms is also maintained.

Finally, we have watched with growing concern the renewed instability in exchange markets. We urge the authorities of these countries to take all feasible and necessary measures to restore stability to exchange markets and to support the longer-term reform of the international monetary system. It would be naive to pretend that a continuous erosion of our financial resources, through inflation and exchange depreciation, could not evoke reactions. We have undertaken to provide a larger supply of oil. We have done this to maintain more orderly conditions in the oil market and to promote a higher level of sustained growth of the world economy. Saudi Arabia has always formulated its policies with a high priority attached to international needs and requirements. But we are finding it increasingly difficult to continue our policies under prevailing instabilities in exchange markets coupled with high levels of inflation in industrial countries.

SOLOMON ISLANDS: BENEDICT KINIKA

Governor of the Bank and Fund

It will be a bitter irony if the developed countries lose their nerve, and their understanding of the world economy, just when these two great institutions, the Fund and the Bank, have been brought to new levels of potential technical effectiveness. But that is what I believe may be happening.

From behind protectionist doors comes the stale smell of industrial decay, the fumes of inflationary fires, and the ragged but noisy chorus of voices deriding international economic cooperation and assistance to the poorer nations. Yet the fate of the industrialized countries is going to be decided just as much by what happens in the undeveloped nations as by any incestuous reshuffling of the pieces in the developed economies.

I speak here for all developing countries, and especially the tropical, ex-colonial primary producing countries, with poor or nonexistent public health, education and administrative services, little or no opportunity for hundreds of millions of people to make a decent living, and political systems which themselves are subject to violent change.

We have been told repeatedly here, and last week in Malta, that we must not look for increased aid from the developed countries. They are intent, we are told, on putting their own house in order.

I am delighted to hear it. Decades of excessive consumption and misallocated investment, made possible by the low prices they paid for fuel, minerals and agricultural products, have led to inflation, unmanageable and inward-looking economic structures, and work forces with unrealistic welfare expectations.

I entirely agree with those distinguished ministers from developed countries who have said, over and over again, that they face the need for substantial and painful restructuring of their own economies. They are no longer in a position to exploit the rest of the world so completely to their own advantage, and the historic weaknesses in their economies can no longer be papered over so easily by political or economic imperialism.

However, this new-found self-awareness of the developed countries has brought into the open a new danger. The initial and unobjectionable proposition that a country must get its domestic economic affairs sorted out, if it is to be able to act effectively in the world, is being turned into the quite different and totally false thesis that in order to put its domestic economic affairs in order a country must reduce the real level, and in some cases even the nominal level, of its assistance to the developing world.

This is obviously nonsense. Most developed countries allocate less than half of one per cent of their income to official development assistance. The nature of the domestic, economic and political problems they are facing, and which they keep telling us about, will be affected not one little bit by tinkering around with levels of aid to developing countries. I suspect that the new concern for "putting one's own house in order" is being used as a cover for an attack on the whole concept of a steadily increasing transfer of real resources to the developing countries.

The arguments for increased official development assistance have been fully and cogently argued by the Bank and the Fund and I will not go into detail here. Without a sustained, across-the board, well-orchestrated and *increased* transfer of real resources, the bitter and tragic saga of the poor people of the Third World will continue to unfold on a vaster and more inhuman scale. I sometimes wonder how well this reality is understood by the people who gather here at our Annual Meetings and who populate the international and national bureaucracies.

I do not believe, and the Solomon Islands does not believe, that the levels of assistance being sought by the Third World countries are in any way impractical or unreasonable when seen against the industrial, technological and financial wealth of the developed world. The amount of assistance given to the poorer countries will *have* to be increased through bilateral and multilateral channels. The quality and nature of assistance will *have* to be improved on the lines we have so often analyzed and spelled out. And because what is sauce for the goose is sauce for the gander we ourselves must face up to our own difficult domestic policy choices, the need for honesty and hard work, and the forgoing of many of the imagined delights of high income living in low income countries.

We do not accept the proposition that reducing real levels of aid to the developing world will in any way whatsoever improve the chances of the developed countries getting their own economies on to the growth track they say they want to get on. The truth is the exact opposite. Talk of lack of political will is a smoke screen. Ministers of Finance are well placed to create political will. Simply to decry its absence is to deny responsibility.

To us in the Third World "interdependence" is not just a new piece of jargon. It is the way our society is and the way the world is going to be. In the long run we will realize and fulfill the destiny of mankind. In the process untold numbers of our people will have died from neglect, warfare, cruelty and absolute inadequacy of the means to sustain life. The question we want our developed brethren to wake up to is this—will we make the inevitable changes sooner and with less waste of lives and agony of readjustment? Or will we, as the so-called decision makers of the world, close our eyes to the long-run results of comparative economic advantage and sheer weight of human resources, until matters are taken out of our hands by forces not under our control?

From the speeches I have heard this week I think the ostrich habit is spreading, and the anti-aid lobbies have moved closer to the seats of power in the developed countries. I say to my friends in developed countries, do not be so blind and foolish. You need us now just as much as we need you. We are used to hardship, unemployment, people dying for lack of the services you take for granted. You are not used to it. You have forgotten what these things are like. But do not imagine that it cannot happen to you again.

There is no need for mankind to suffer endlessly this degradation and misery. If you are brave and generous and consistent you can substantially improve the chances of all of us, in all countries of the shrinking globe, coming through the next few decades with dignity and self-respect.

SOUTH AFRICA: OWEN P. F. HORWOOD

Governor of the Fund

I wish to begin by congratulating Mr. McNamara, Mr. de Larosière, and the Executive Directors of the World Bank Group and the Fund on their outstanding achievements during the past year and on their excellent Annual Reports.

The World Bank Report this year rightly places considerable emphasis on the external debt burden of developing countries and the energy problem. Obviously, these two related issues combine to make the task of the World Bank Group both more difficult and more urgent than before.

In maintaining a large current payments surplus during the past two years, my own country has been able to move against the general trend for both developing and so-called more developed primary producing countries and has, in fact, *reduced* its external public debt through large loan repayments. Moreover, as a percentage of exports of goods and services, the gross interest payments on South Africa's total foreign debt have declined from 6.4 per cent in 1976 to 4.7 per cent in 1978, and this process has continued further in 1979.

In the field of energy, South Africa is fortunate in being dependent upon liquid fuel for only 22 per cent of its energy consumption, by comparison with 44 per cent for the world as a whole. Considerable progress has also been made during the past year with the further expansion of South Africa's successful oil-from-coal project—SASOL—an undertaking which will have involved capital outlays of nearly US$8 billion by the time it is completed.

In recognition of the continuing importance of the role played by the World Bank Group, South Africa has agreed to contribute to the next IDA Replenishment. In addition, South Africa continues to provide substantial economic and technical assistance to other countries on a bilateral basis, particularly to a number of African countries . . . .

As we meet in Belgrade this year to search for answers to seemingly intractable problems, it is encouraging to note that there have been certain favorable developments during the past year. These include the improvements in the pattern of current account balances for the major industrial countries in 1979. Unfortunately, these gains have been offset by rising inflation, continued high unemployment, and a sharp resurgence of the combined current account deficit of the non-oil developing countries—problems which have been greatly aggravated by the recent oil price increases.

What makes the picture more disconcerting is that on several fronts the world economy now appears to be moving in the wrong direction. Inflation rates are accelerating virtually everywhere, most major industrial countries appear set to enter a new phase of recession and higher unemployment, and the expected increase during the next year of about US$75 billion in the oil import bill of countries other than the major oil exporters seems certain to cause serious payments problems for many oil importing countries.

Part of the explanation for the world's present economic predicament clearly lies in the substantial increases in the oil price during the 1970s. But that is not the whole story. *Long before these increases occurred,* the problems of inflation, unemployment and payments imbalances had already reared their ugly heads and had led to the collapse of the Bretton Woods system and the subsequent inability of the Committee of Twenty to reach agreement on international monetary reform.

Increasingly the evidence suggests that the underlying cause of these unfavorable developments was a lack of national and international financial discipline. Our present problems can to a large extent be traced back to the demand inflation of earlier years, which was aided and abetted by the excessive increase in world dollar holdings. It was on this expanded liquidity base that an inordinate amount of domestic bank credit came to be created in many countries, leading, in turn, to an excessive increase in the money supply. Cost-push influences, of course, also came to play a major part in many countries and at present the cost-raising effects of the higher fuel prices constitute a crucial part of the inflationary process. But in searching for answers to our present difficulties, we should keep in mind that monetary permissiveness was one of the root causes of the unfortunate economic events of the past decade . . . .

SPAIN: JAIME GARCIA ANOVEROS

Governor of the Bank

These Annual Meetings are being held at a moment of grave difficulty and increasingly worrying prospects for the world economy. As the year draws to its end, growth rate estimates are being revised downward for all groups of countries, while inflationary tensions, which at the beginning of the summer were expected to ease slightly, have again tightened noticeably. In addition, the recent increases in oil prices have further compounded the problem of balance of payments disequilibria and have exacerbated their distribution among the groups of countries. In particular, as is the case with Spain, the low- and medium-income countries are going to see their external position deteriorate considerably.

Growth rates in 1980 will continue to be very low, lower even than the unsatisfactory rates noted for 1977 and 1978. This can only aggravate the unemployment problem and the underutilization of production capacity. The economic, social, and political cost of this state of affairs is clear to all of us, both as regards the welfare of each country represented here and the likelihood of harmonious and fruitful international economic relations.

What we face is nothing short of a fundamental challenge to the welfare and progress of the peoples of the world. Many of them have not yet overcome the most adverse consequences of the crisis they have been forced to deal with since 1973-74; others are in a delicate period of convalescence; and only very few show any reasonable degree of recovery from the series of economic problems of recent years. This diversity of situation and opportunity makes it abundantly clear that the present grave circumstances must be faced in a spirit of greater international understanding. Without a broad-based and concerted effort for cooperation in the monetary, trade, and financial areas, and without an attitude of understanding and solidarity, it will be difficult to get the better of such a serious and complex set of difficulties. It is with this in mind that world dialogue must be extended to cover such fields as energy and to include the need for sectoral adjustments which the great majority of countries find themselves forced to make and which, for lack of adequate coordination, lead to increasingly rigid protectionist attitudes.

The excellent reports put out by the International Monetary Fund and the World Bank have examined the problems I refer to with realism and sobriety. The international community expects and needs much from institutions like the Fund and the Bank in moments such as these. We cannot stop at a mere identification of our problems, but must confront their challenge with all our resources and potential. . . .

As far as the World Bank is concerned, Spain, which has supported the principle of a substantial capital increase from the outset, takes a very favorable view of the Executive Directors' decision to aim for an increase of $40 billion. This expansion of resources should enable the Bank to leave its interest rates unchanged or at least to raise them only minimally. We would also very much like to see loan disbursement rates accelerated. With regard to the specific matter of sectoral operations, Spain attaches great importance to the channeling of Bank funding toward such sectors as energy and health, and therefore supports the initiatives now launched in these spheres. We are equally gratified at the Development Committee's recommendation for a substantial increase in program lending.

Spain is confident that a rapid decision will be reached on the size and distribution of the Sixth Replenishment of the International Development Association. There can be no doubt of the extreme importance that the negotiations now in progress have for the poorest countries, which are those most in need of aid on concessional terms. Mindful of that importance, the Spanish Government determined recently to increase its relative quota of participation in the Association's financial structure and is pleased to announce that its contribution will amount to approximately $50 million. This decision calls for a considerable effort on our part, since we are also increasing our bilateral aid to certain of the neediest countries.

Spain's efforts to adjust its economy to the demands of the international economic situation have also been considerable, especially since 1977, when its full achievement of a democratic system enabled it to institute a program of economic reform. The results of that effort have proved fairly satisfactory in the external sector, as is indicated in the IMF Annual Report, since our deficits of over $4 billion in 1976 and over $2.5 billion in 1977 were converted into a surplus of $1.5 billion in 1978. Despite the new increases in oil prices, which are having a profound effect on economies like that of Spain, poor as it is in energy resources, we will still show a modest current account surplus in 1979 and are confident that our deficit next year will be an eminently manageable one. It must be emphasized that Spain has achieved this radical ordering of its external accounts without recourse to competitive devaluations or increases in its trade protection system. On the contrary, the country, in the last year and a half, has reduced its trade barriers considerably, introducting notable measures for liberalization in the spheres of services and capital movements, and accepting an appreciable revaluation of the peseta on the exchange markets.

Important results were also achieved in the sphere of prices. The inflation rate, which had risen to 26 per cent in 1977, fell to 16.5 per cent in 1978 and will show a further reduction for the current year, despite the new inflationary pressures affecting the world economy. In fact, Spain's inflation differential with respect to the average inflation rate for the industrial countries has dropped substantially this year.

My Government has decided to pursue its rationalization and reform of the national economy, and in this regard has just won parliamentary approval for a program which allows increased liberalization and streamlining of the economy and restructuring of the industrial sectors at present in crisis, and gives a clear mandate to deal with the tensions associated with unemployment, which is our gravest problem at the present time and is the subject of special attention in the form of an additional budgetary effort. We are confident that our program will enable the Spanish economy in the coming year to grow at a rate slightly higher than the average projected for the industrial countries. We hope to achieve these objectives despite an adverse international environment and the fact that the Government proposes to avoid any artificial monetary stimulus and to limit the expansion of current public expenditures.

All this will involve significant national effort and sacrifice which should receive the support of more dynamic external demand than that foreseeable today. It is to be hoped it will not be hindered by protectionist movements on the part of the industrial countries. In the present-day world, the interdependence of national economies is so marked that it is futile to claim that problems can be dealt with from a strictly national viewpoint. Spain places such importance on the value of these meetings in the hope that they will lead to that increased will to cooperate which the grave problems now affecting the world economy demand from all of us.

I would not wish to close this address without expressing our appreciation of President Tito's appearance here today and our thanks for the welcome extended to use by the Government and people of Yugoslavia, which has made possible the agreeable and efficient conduct of these meetings.

SRI LANKA: RONNIE DE MEL

Governor of the Bank and Fund

Yugoslavia has been in the forefront of the nonaligned movement. It has given leadership to the Third World. It is, therefore, befitting that the premier financial and monetary meeting should take place in Belgrade, the capital city of Yugoslavia. We from Sri Lanka are privileged to be here, and we thank the people and the Government of the Socialist Federal Republic of Yugoslavia for the warmth of their hospitality and the meticulous efficiency of their arrangements for this conference.

We have already discussed at some length the current world economic situation and outlook in the meetings of the Development and Interim Committees. The economic outlook for 1980 is characterized by a slowdown in economic growth in the individual countries, acceleration of inflation almost throughout the world, and a sharp change in the pattern of external balances on current account. The prospects for the future seem to be equally gloomy.

As it happens all too often in this era of interdependence among nations, the impact of unsatisfactory developments in industrial countries will have disastrous consequences for developing countries, especially the non-oil producing countries such as my own country, Sri Lanka. Their combined deficit on current account after increasing from \$21 billion in 1977 to \$32 billion in 1978 is projected to increase to \$45 billion this year and to \$53 billion next year. Given the already heavy debt burden of these countries, their ability to finance a substantial part of this deficit through recourse to banking credits is doubtful. Hence the importance of an adequate response from the Fund and the Bank—a subject to which I will presently return.

It is becoming increasingly clear that unless policies change radically and soon enough, we would be overcome by another set of events. The world economy will find itself trapped in a vicious circle of slow growth, unemployment, inflation and instability in monetary and financial fields. In particular, developing countries will find themselves unable to sustain even the inadequate growth levels of recent years with the possibility of stagnation in real per capita growth. The international community must therefore accept the need for structural adjustments in both developed and developing tries.

The deteriorating world economic situation has had serious consequences for Sri Lanka. In my statements to this distinguished gathering during the previous two years, I gave an insight into the radical new measures adopted by Sri Lanka to rehabilitate our run-down economy and place it on a path of self-sustaining growth. Through drastic action on consumer subsidies dating back to the 1940s and aggressive monetary policies, a substantial volume of domestic savings was mobilized for investment and development. Effective demand management policies, realistic prices and appropriate incentives were adopted to strengthen the balance of payments. As a result, our growth rate last year leaped to 8.2 per cent—over double the average for the previous five years. Investment as a percentage of GNP rose from 15 per cent in 1977 to 20 per cent in 1978 and domestic savings reached 15 per cent.

I need not dwell on the difficulties caused in our effort to pull ourselves up by the boot straps. No government in Sri Lanka has had the political courage to take these bold decisions. We took them. But having taken them we are helpless spectators to recent international developments which will reduce our savings ratio by half, with all its implications for our balance of payments, our domestic investment and our growth. It is frustrating to feel one's efforts negated in this fashion by world events completely outside our control. The difficulties for countries like Sri Lanka are therefore immense, but whatever our difficulties, we in Sri Lanka strongly believe in cooperation rather than confrontation in an interdependent world—a pragmatic and practical approach to world economic problems. The road may be long and arduous, but we feel we are on the correct road. . . .

I also note with satisfaction the willingness of the Bank to consider increasing substantially the relative importance of program lending in its overall operations. Even though a limit of 10 per cent was set as far back as 1971, the volume of program lending has fallen far short of this. The size of the balance of payments problems and the erosion of domestic savings would warrant that we revise the target to at least 25 per cent. More important, the funds should be committed. Once the overall priorities are known, the quick disbursing character of program loans should also help to step up the overall rate of disbursements.

Simultaneously, the Bank should look afresh at its record in local cost financing. Today external developments outside our control have seriously jeopardized our efforts at mobilizing domestic resources. Together with the shift in lending to projects aimed at the poorest segments of the population where the local cost content is high, the need exists for a larger local cost component to be financed by the bank to supplement internal resources.

With respect to cofinancing undertaken by the Bank, two points are topical. The Bank should continue each program without reducing allocations to countries merely because they had succeeded in obtaining other support in the form of cofinancing. Secondly, cofinancing is a burden-sharing operation, and if cost overruns and other liabilities were incurred in a project the Bank should not leave the additional financing entirely to the country concerned and the other cofinanciers. Over and above all this, however, the Bank should seek support for cofinancing from capital surplus countries on a substantially wider scale. It scarcely needs emphasis that these new arrangements should be additional to the normal flow of bilateral and multilateral assistance.

These matters that I mentioned are of course extensions of facilities and arrangements already accepted and adopted. But as most adjustments require structural changes, new facilities should be conceived within the Bank and Fund. In this connection, attention should be given to a long-term facility for financing purchases of capital goods by the poorest developing countries. This facility could promote high levels of activity in the industrial countries and thus assist the international adjustment process by stimulating the external demand for their capital goods.

Notwithstanding the financial facilities of the Fund and support from the Bank Group, it is inconceivable that deficits of $53 billion for non-oil developing countries can last for any length of time, without compensating movements of long-term capital. The situation will surely lead to tremendous financial burdens. Lasting solutions will require a redirection of capital movements rather than mere refinancing.

The current level of ODA assistance of 0.3 per cent of GNP is clearly insufficient. While the countries that have reached or exceeded the target of 0.7 per cent should be congratulated, there is an urgent need for those falling behind to establish their assistance program on a firm basis and make binding commitments for at least the next three years. This is particularly necessary in the current international situation.

On the role of long-term capital, I have heard with much interest the stress placed on the need for developing countries to follow appropriate policies to encourage private foreign investment. We in Sri Lanka have already done so with fairly good results. At the same time, however, let us also place in perspective the realities of the situation from the point of view of a small economy at a low level of development. We have left behind the era where a pool of private savings seeks a profitable investment outlet overseas. Today, investible savings are concentrated in corporate hands. These funds are available for investment elsewhere only in lines of activity similar to those in which they are already engaged. Not all the incentives in the world would move them into a high priority area of a developing country if their interests do not coincide. This is by no means to detract from the catalytic role direct investment has played in the economic development of many a nation, rather, to draw attention to its limitations in particular though not infrequent situations.

To return to Bank matters, the Sixth Replenishment of IDA should be effected without delay. Any disruption of IDA lending will be a disaster to the poorest of the developing countries, as Mr. McNamara very rightly pointed out. We hope better counsel will prevail. Reflecting the recent shift of wealth among the regions of the world, I feel that contributions to IDA should also come from a wider group of countries. Let me stress the point, however, that the additional contribution from new donors should not prejudice the increase in real terms of the contributions of the traditional donors.

At a time when noneconomic factors stand in the way of increased bilateral assistance, multilateral institutions can fill the void to some extent. In this context, and at a time when some certainty is necessary with respect to aid flows, it is unfortunate that the increase of the Bank's capital has been delayed. Political support was pledged two years ago. It is urged that member countries speedily approve and accept the capital increase.

I also wish to draw the attention of this meeting to the Program of Immediate Action outlined by the Group of 24 and endorsed by the Group of 77. That document provides a wide spectrum of action of many fronts designed to arrest the deteriorating world economic situation and assist the efforts of developing countries to provide for their people a satisfactory quality of life. We commend to the Fund and Bank immediate consideration and early action on these lines.

Mr. McNamara in his illuminating address posed a particular question. Can we afford to go on temporizing on these issues? The answer is certainly No. We need action and quick action, not mere words and studies and committees. Economic development and growth—increase in GNP—is important. Social welfare and social justice and the quality of life of our people are equally important. How to achieve both within the context of our scarce resources? This is the dilemma of all developing countries like Sri Lanka. We are happy that the Bank and the Fund have been alive to the changing situation in the world economy and have played a full part in accordance with our new needs and new aspirations. Our thanks go to the President of the Bank, Mr. McNamara, and the Managing Director of the Fund, Mr. de Larosière, and to their staff.

We are entering a new decade in 1980. Let this decade be the Decade of Interdependence when we, the developed and the developing, will better understand and appreciate our mutual needs and mutual aspirations and when we will have the political courage and political will to take the correct decisions in a growing interdependent world.

THAILAND: CHANCHAI LEETAVORN
Governor of the Bank

It is a great pleasure and honor for me to join fellow Governors in expressing our sincere appreciation for the warm welcome and hospitality accorded to us by the Government and the people of Yugoslavia during our memorable stay in beautiful Belgrade. I would also like to congratulate the Chairman of the Annual Meetings and his staff for the efficient and successful conduct of the meetings.

This year's Annual Meetings mark a crucial turning point for the world economy and the international monetary system. The Second Development Decade which draws to a close has fallen short of expectations. Future prospects for the world economy appear bleak and uncertain. While we are heartened that short-term prospects are somewhat more favorable than the post-1973 period, there is ample room for concern that the process of economic recovery could be delayed and the hard-earned fruits of development could suffer a serious setback. The international community is faced with the difficult task of sustaining world production and trade at a satisfactory level while at the same time containing and reducing inflationary pressures. My delegation fully subscribes to the Program of Immediate Action presented by the Group of 77, particularly the urgency of reversing the growing protectionist trend, strengthening the machinery for coordinating adjustment and growth policies during the next Development Decade, and providing adequate medium-term financing facilities to ease the adjustment burden of non-oil developing nations . . . .

. . . The World Bank's expressed readiness to increase program lending should also go a long way toward easing the adjustment burden which falls most heavily on non-oil LDCs. Procedures and criteria for such lending should be as flexible as possible.

My delegation fully supports the World Bank President's analysis that delayed and inadequate international action to facilitate the adjustment process, to sustain adequate growth rates, and to improve the quality of life of the large number of people living under conditions of absolute poverty will be costly in terms of economic, social and political stability. Thailand's present development policies coincide closely with the strategy proposed in the World Development Report, namely, accelerated agricultural and export growth, increased mobilization of domestic savings and structural changes necessary to increase productivity, eliminate rural and urban poverty, and provide for basic needs. The World Bank and Fund are therefore urged to program their financial and technical support to meet the specific needs of our economy. Formulation of adjustment programs and performance criteria related to use of Fund and Bank resources should make adequate allowance for special problems and needs generated by the oil crisis as well as other external and unforeseen factors.

Turning to the World Bank's operational policies, my delegation supports the decision to review the lending rate policy. We emphasise that the Bank's lending rate should be just and fair and should relate closely to the Bank's actual costs of borrowings for disbursed currencies.

While welcoming the progress of negotiations on IDA Sixth Replenishment, we regret to learn that the U.S. Congress has attached conditions of a political nature to the U.S. contribution of the IDA replenishment which makes it impossible for IDA to utilize such funds. This development is particularly unfortunate as it is the poorest developing countries—the IDA recipients—who are adversely affected at a time when developing countries are finding it increasingly difficult to finance their development programs, as resources are being diverted to finance rapidly rising oil imports.

The task that faces us during these difficult times is indeed arduous. However, armed with the valuable lessons of the past and a clear perspective of the direction and objectives of future development strategy, we must start now to act jointly and with determination to overcome the challenges which lie ahead. Under the able leadership of the World Bank and Fund, I am confident of our success.

TRINIDAD AND TOBAGO: MERVYN DE SOUZA

Governor of the Bank and Fund

Mr. Chairman, it is my pleasure to endorse the many statements of confidence and satisfaction on your election to the Chairmanship of this important meeting. I, too, on behalf of my delegation, offer our congratulations. I would also wish through you, Sir, to thank the Government and people of Yugoslavia for hosting what is by any standard a very large meeting in so competent and efficient a fashion. We are meeting in a structure which is not only functional, but also aesthetically pleasing. It serves as a magnificent testimony to the courage and resourcefulness of the people of this country.

I would like to take this opportunity to welcome the new members, one of which, Dominica, is a member with us of the Caribbean Integration Movement.

It has been correctly said that before solutions can be advanced, one must be fully aware of the nature, extent and structure of the problems. I do not believe that anyone in this assembly is unaware of the critical problems that confront the international economy as we stand poised on the threshold of the decade of the 1980s. The well-prepared documents circulated by the World Bank, the International Monetary Fund and other international institutions all project a picture of pessimism and gloom. Indeed this assessment has been reinforced by both the President of the World Bank and the Managing Director of the International Monetary

Fund in their eloquent and comprehensive statements at the opening session of this meeting.

The difficulties confronting us relate more to agreement and the attainment of meaningful consensus on solutions to these problems, which, as I have already stated, have been clearly articulated. It is the view of my delegation—and we claim no originality for this—that the approach to solutions is two-pronged. First, there is the institutional approach through the World Bank, the International Monetary Fund and other international organizations. Secondly, and of fundamental importance, are the economic policy decisions and strategies of both the developed and the developing countries working in concert with these institutions—institutions which we ourselves have created, and which we support both financially and otherwise.

Let me begin with the World Bank. My delegation notes with great satisfaction that agreement has been reached on a General Capital Increase of US$40 billion. In the light of the many expressions of pessimism and the gloomy prognostications about the transfer of real resources, this disclosure is particularly welcome. But, alas, it is possible that the developing member countries may be deprived of the full benefits of this capital injection because of the prospect that a certain developed member country may attach conditions to its contribution. This would be a disastrous development, for not only would it truncate the World Bank's lending capabilities, but it would literally reduce IDA to the status of a nonfunctional entity and thus exacerbate the already parlous financial condition of most of the developing countries. My delegation supports the view that all necessary steps be taken to make this increase effective as early as possible if the Bank is to function as a meaningful catalytic agent of development.

Over the years there have been numerous requests for the Bank to relax the strictures it placed on program and sector loans. The Bank has hitherto been reluctant. But my delegation notes with interest and great satisfaction that it is now willing to be more flexible and to give greater consideration to a re-evaluation of the criteria which govern such disbursements. This is a welcome development and it would be especially beneficial to small island economies and the least developed of the developing countries, both of which are adversely affected by some of the lending criteria.

A great deal has been said about energy and the impact of the recent oil price increases on the international economy. It would appear that the developed countries are better placed on this occasion than they were in 1973-74 to make the necessary adjustments. However, for the developing countries, the situation cannot be viewed with such optimism. The oil facility, for example, which proved so valuable as an insulator in the earlier period, no longer exists. Consequently, the World Bank will have of necessity to bear this and other factors in mind when conducting loan negotiations with these countries. In this connection, Trinidad and Tobago welcomes the determination of the President of the Bank to increase the component of program lending in the total activities of the Bank.

We are also pleased that the Bank has decided to give special attention to lending for the development of energy resources in its overall program lending activities. As a small country with limited oil reserves, Trinidad and Tobago welcomes this initiative by the Bank, especially as the assistance provided will encompass all stages of petroleum development.

My delegation wishes to register its support for the proposal relating to the establishment of a long-term facility in the Bank to finance the purchase of capital goods. This proposal is contained in the "Outline of a Program of Action on International Monetary Reform" which was unanimously endorsed by the Group of 77. In a period of inflation, developing countries seeking to expand their industrial base are often confronted with rapid escalation in the prices of capital goods. Very often this situation is exacerbated by factors outside their control—for example, long delivery dates—all of which result in substantial cost overruns. A facility such as the one referred to could serve to reduce the impact of such price increases and thus ease the path to the creation of viable industrial sectors . . . .

But the Fund and the Bank, important as they are, can only be effective if the policies pursued by their member countries are supportive of the action which I have already detailed. There was an element of reassurance in the strong statements made at the Interim Committee by a number of the representatives of the industrialized countries on the critical questions of inflation and protectionism. We sincerely hope that they are not flattering to deceive. There has been a great deal of emphasis on structural change and adjustment, and the impression has been created—except in a few isolated cases—that the political will exists, and that the necessary action will be taken with regard to these issues.

Nevertheless, protectionism and protectionist tendencies are being intensified. In the words of the Director General of the General Agreement on Tariffs and Trade, these sentiments are still "insistent, obstinate and virulent." This is bad news for the developing countries, many of whose representatives expressed disappointment at the recently concluded Multilateral Trade Negotiations. It remains to be seen, therefore, whether in furtherance of the declarations at the inauguration of the Tokyo Round in 1973, the developed countries will implement the MTN Agreements from January 1, 1980, when they are to come into effect; and if they will, in the interest of trade expansion, resist the protectionist tendencies in their countries which have been described in such a poignant manner at so many international forums.

The analysis of future prospects for developing countries suggests an increasing reliance on the transfer of real resources from developed to developing countries. For the middle-income developing countries, an important source of these transfers has been the private international capital market. But increasing concern is being expressed about the ability or willingness of the market to perform the recycling function in the future on the same scale as was done in the past, due either to the experiences of some commercial banks, or to the introduction of official measures to control the market. For the low-income developing countries, ODA flows have been especially important and have permitted these countries to finance their developmental efforts. In this connection, the secular decline in real terms of these resource transfers is particularly disturbing.

It is refreshing to note that with regard to ODA, some of the industrialized countries and the OPEC countries, in particular, have exceeded the UN target. We sincerely hope that this example will be emulated by other developed countries. The Government of Trinidad and Tobago has not been oblivious to the problems created for developing countries by the developments in the international economy. For instance, Trinidad and Tobago provided resources for the oil facility. It has permitted regional institutions such as the Caribbean Development Bank and the Inter-American Development Bank to borrow on its domestic capital market for on-lending to regional countries. Recently, the Government has established an aid mechanism designed to provide assistance to Caribbean countries, the main thrust of which is the widening and deepening of the regional integration movement.

In addition, because of my Government's concern for the impact of the increase in oil prices on the development efforts of the member countries of the Caribbean community, Trinidad and Tobago is in the process of streamlining its aid mechanism to help members of the community meet the increased costs of petroleum, fertilizer, and asphalt imported from Trinidad and Tobago. It is our objective that purchases in a calendar year would be converted into loans on concessionary terms.

The 1970s have been a period of turbulence resulting in some disillusionment with the existing international monetary system. Indeed, not since the Second World War has the international community been confronted with such a plethora of protracted economic problems. We are satisfied that the Bank and the Fund, within the context of their existing charters and policies, have been instrumental in alleviating the effects of these problems on the international community. But all institutions must ensure that their policies are adapted to a constantly changing environment. In this regard, we are confident that the Fund and the Bank will live up to our expectations.

TURKEY: ZIYA MUEZZINOGLU

Governor of the Bank

First, I would like to express my gratitude and sincere thanks to the people of Yugoslavia for the warm hospitality they have extended to us, as well as to the Government of Yugoslavia for the excellent arrangements they have made.

The Annual Meetings gave us all an opportunity to observe once again the great achievements the Yugoslav people have been making in economic and social development. The past as well as the present rate of progress in Yugoslavia is visibly striking and impressive. I bring the best wishes of the Turkish people for the continuing welfare of the Yugoslav people.

The Annual Meetings should give us an opportunity to review and coordinate the efforts of member countries as well as those of international organizations with the principal objective of shaping a better world. The excellent World Development Report prepared by the World Bank, as well as the Managing Director's and President's illuminating speeches, has underlined so well where we are in terms of problems and the prospects of the world community as a whole.

Getting down to the essentials of international cooperation, each member state and government of our institutions has a clear responsibility to adjust its economy to the changing world economic conditions. This is our individually declared responsibility to our people as well as to the rest of our member governments. This is also, in essence, what our great institutions advocate daily to our member governments. This is the sum total of their present nonfinancial role.

We shall continue to accept the need for such a role as long as two essential prerequisites are continuously met by the Bretton Woods institutions themselves:

First, these institutions should try to adapt themselves to the changing world economic conditions by taking great care in avoiding to ask the impossible from any particular group of member countries. What is being advocated by the institutions should, at all times, be economically feasible.

Secondly, the IMF and the IBRD have a clear responsibility to make underlying conditions feasible to adjust to and reasonably equitable for all countries. The recognition of this responsibility would, at the present, require forcefully advocating and spearheading policy changes in industrial countries as well as in developing countries.

If these preconditions are not met at all times then, as now, advocating not enough in industrial countries would result in asking for the impossible in developing countries. This is the essence of the world's current economic dilemma . . . .

Now I address myself to the membership and the management of both our institutions.

Let us all think for a moment about the nature of the conditions to which the non-oil developing countries are presently being asked to adjust. The oil price increases of 1979 alone represent a 60 per cent jump over 1978 effective oil price levels. Oil import bills of the developing countries rose, as a result, by $12 billion. These countries are also being asked to assume a large part of the increase in the oil import bill of the industrial countries by paying more for those countries' exports, while the current recession and rising protectionism make it harder for any significant expansion of their own exports. In the meantime, these countries are urged to finance the greater part of their current account deficits through private channels of finance, which in turn requires an extraordinary export performance that is now being made impossible by protectionism. Some may be successful in borrowing for a while, but eventually debt-servicing bottlenecks show up. To sum up, protectionism limits the developing countries' capacity to increase exports, thereby limiting their ability to borrow, while import prices that they pay are ever increasing due to the price war between the other two groups of countries. These are the external conditions to which the IMF and the IBRD are constantly asking the developing countries to adjust. This is why, as President Tito has so eloquently put it, we face now the prospect of calling developing countries stagnating, or even worse, the regressing countries.

Turkey, as a middle-income and non-oil developing country, represents an interesting example to which these conditions now apply. During the 1974-78 period, petroleum and other import price increases as well as stagnating workers' remittances resulting from the recession, cost Turkey $15 billion. Despite a remarkable export performance in 1978 in excess of 30 per cent and the maintenance of that performance this year, the need for further adjustment still remains.

During the adjustment process, the reluctance of governments to agree to the IMF's formula is often regarded by the IMF as being due merely to the domestic and political constraints as conceived by the so-called ambitious governments themselves. As the Minister of Finance of one deficit country, whose government has recently agreed to enter into a stand-by arrangement, I strongly suggest that, with import price increases and rising protectionism, it is not the political, but the economic viability of the IMF's standard formula that must be seriously questioned now.

How long do we think that developing countries could be reasonably expected to continue in trying to adjust to these conditions? We are willing to accept any argument that underlines the justification for any price increase, provided that others accept that their combined implications are simply intolerable for the non-oil developing countries. If they are part of today's reality, then also is the $40 billion current account deficit of the non-oil developing countries.

We are also willing to listen to any argument that advocates new forms of self-help, be it on population issues or on the futility of the arms race. We also welcome any condemnation of protectionism. I thank Mr. McNamara and Mr. de Larosière for their advocacy of these issues. Above all, however, we would like to see both of our institutions really make a greater effort to change the world economic conditions into a more reasonable and tolerable mix for the non-oil developing countries.

It is high time for the IMF, IBRD and IFC to effectively impress upon the industrial countries that

— more aid is, above all, good business for the industrial countries;
— protectionism may be good for domestic politics in the short run, but only at the expense of greater and long-term gains; and
— not only the survival of the rich, but also peace on earth, depends on the accommodation of the rich with the poor.

In other words, they should now really start advocating to industrial countries the counterparts of the arguments that they have been advocating to the developing countries for so long.

Of course, stressing what more needs to be done by our institutions does not mean at all that we do not appreciate what has been done so far. We are pleased to note that the Board of Governors has agreed to increase the Bank's capital by $40 billion, and that energy and program lending will be given increasing emphasis. We are also very much satisfied with the Seventh Quota Review exercise, the coming into force of the supplementary financing facility and the improvements in the compensatory financing facility. Last, but not the least, the IMF's most recent approach to conditionality, in which due regard is now being paid to the social, economic and political priorities and circumstances of the member countries, has also our full support.

The gist of my message today, however, is that the present international economic order and the underlying conditions impose upon many countries an almost impossible task. There is now a structural disequilibrium that cannot continue. Sacrifices are needed, not by few, but by all countries. The Bretton Woods institutions should now realize that the economic background of Bretton Woods disappeared a long time ago, and that they are no longer fulfilling adequately their roles. They should recognize that long before the positive results of the adjustment measures taken are realized, further burdens of adjustment arise. How can the governments of the developing countries explain to their people in such conditions that their sacrifices were not in vain?

We should accept the inevitability of gradualness, but not the inevitability of the postponement of these critical issues to an uncertain future. If we do, then the extremist tendencies in our societies will surely rise with dire consequences for all.

UNITED KINGDOM: GEOFFREY HOWE
Governor of the Fund

I join my fellow Governors in thanking the Federal Government and people of Yugoslavia for their invitation to hold our Annual Meetings in their country—and in expressing my grateful and genuine admiration for the arrangements they have made. I join too in offering greetings to the new members of our institutions.

It is the purpose of our presence and endeavors here to promote the welfare of our peoples. As a new Chancellor of the Exchequer of a recently elected Government, addressing my first IBRD/IMF meeting, I hope I may begin with a word or two about my cautiously restrained approach to that ambition. Very briefly it is this. Whether I am seeking principles to guide our international relations or looking for ways of improving my own country's economic performance, I am predisposed to favor what has been called the libertarian approach. By this I mean the philosophy which allows the maximum freedom to develop economic potential, within the necessary framework of order. This concept of freedom within the law can, I believe, provide as sound a foundation for economic policy as it does for human and social relations. It is the basis of policy by which our new Government intends to set the British economy on to a better path.

The necessary framework of order has to include, as almost its highest priority, the provision of a currency that is a reliable store of value. A sound and stable medium of exchange is a prerequisite of economic order. For this reason, I welcome most warmly the plain statement by the Fund's Managing Director that "the most troublesome aspect of the economic situation in the great majority of member countries is the persistence or worsening of inflation." If we are to have any firm prospect of resuming steady, sustainable growth this fundamental problem needs to be tackled with the firmest possible resolve. High inflationary expectations are now dangerously entrenched. We need both to reduce inflation significantly from current levels, and to convince people that such a reduction will be sustained. In the words of the GATT report for 1978/79, "any policy which does not have price stability as its primary objective is fraught with fearful risks."

During the post-war years, in Britain as in many other countries, much emphasis has been placed on "demand management" as making the major contribution to steady, sustained growth. Whatever success may have been attributed to demand management in times of low or moderate inflation, it has been seen to be a less and less appropriate response in situations of low growth but high inflation. In the conditions of earlier periods, there may or may not have been a case for emphasis on demand policies. The need today is that we should all concentrate much more on the fight against inflation and on improving the performance of the supply side of our economy. I suspect that if Keynes himself were still alive, he would long since have reached that view.

In retrospect we can see that the 70s were the years in which inflation really established its malign grip upon our system. We all know that inflation was moving sharply upwards even before the 1973/74 oil price increases. It was moving upwards again before the oil price increases this year. For a time, it looked as though some of the most severe apprehensions about developments after the oil price quadrupled in 1973/74 were not justified. The financial system did at least survive. But the situation called for adjustment to a long-term worsening in the terms of trade of many industrial countries. Sometimes there was too much financing of deficits and not enough adjustment. That weakened the impulse to adjust domestic costs, and so helped to accommodate inflation. This must not be allowed to happen again. We must sever the link between oil and inflation. Individuals must accept that energy price increases have to be met by cutting spending on other things and not by demanding ever higher incomes . . . .

Nowhere is the work of the international financial institutions more important than in adjusting economic relationships between the industrialized and the less developed countries. At no time has that task been more important than it is today.

The word "interdependence" is often used. It serves to emphasize on the one hand the extent to which the industrialized countries can and should contribute to the economic vitality of the developing world—and, on the other hand, to underline the way in which economic growth in the Third World adds to prosperity in the industrial world. In that sense interdependence is clearly a two-way street.

But it is not just a two-way street. It is a two-way bet as well. For there can be no doubt that better economic performance in the industrialized countries is a precondition for the significant improvement of living standards in the Third World. As the World Development Report recognizes, low growth in the industrialized countries will add to the risk of poverty in the Third World. The *creation* of wealth is not a process in which the gains of one country or individual are at the expense of others. This is not just an economic matter. It is a matter of political importance as well. It has been said many times at this conference that the ability to increase aid programs is "a matter of political will." That is no doubt true. But that will is not easily mobilized, even in favorable economic circumstances. It is, I should judge, impossible of achievement, even in advanced economies where prosperity is itself in doubt.

That is why I have emphasized the responsibility of each developed country to do what it can to promote its own prosperity—among other things by an appropriate response to the effects of oil price increases. Obviously these sharp price adjustments have caused great difficulties for the poorer countries of the world as well. Meanwhile the ability of the industrialized countries to help the poorer countries has been, at least for the time being, diminished . . . .

The U.K. Government warmly welcomes the agreement recently reached for a $40 billion General Capital Increase. We hope that ratification of this agreement by a convincing majority of the Bank's Governors will follow without further problems, so that the Bank will not lack the resources to continue with an expanding lending program in the years ahead. I also welcome the Bank's intention to undertake an examination of its lending policies. The Bank must ensure that its methods of channelling funds to developing countries is fully appropriate to today's changing needs.

Borrowing from the World Bank (or from private sources of finance) has not, of course, been the main support for the low-income developing countries—which contain nearly 40 per cent of the population of all Fund members. Of much more significance to these countries is the scale of operation of the International Development Association. My Government reaffirms its support for a Sixth Replenishment of IDA on a scale which will permit continued expansion in IDA lending to the poorest countries . . . .

Meantime we must all hope that flows from the private sector to many LDCs will continue to grow. These should include not only lending for development through the private banking system—but also a much wider range of private investment from the industrial countries. I have the impression that several of the most successful LDCs have benefited most from encouraging investment of this kind. The United Kingdom has recently made a further contribution in this direction by the relaxation of exchange controls on direct investment overseas.

Any policy changes which the developing countries may have to make in the difficult period ahead should not be more severe than is absolutely necessary. I hope that they will use to the full the facilities available to them, in the Fund in particular. Taking together official bilateral aid, the resources of the international organizations, and the money available through the intermediation of the private banking system, I believe that the need can be met in large measure.

But we shall need to get the mix right. After the first oil price increases at the end of 1973, the commercial banking system, as we all know, played a major, and indeed an invaluable role. But there was perhaps too little coordination between flows of funds raised in the private markets, and those from the official institutions. Money from private sources may sometimes become available almost too readily, and in some cases the domestic policies of recipient countries were not changed when they should have been. The later problems of adjustment thus became much more serious.

In the months and years ahead the commercial banking system may well be more cautious because of the existing burden of indebtedness from the earlier round of lending. Even so the role of the private sector will continue to be essential. I believe that in the interests of developing countries both the Bank and the Fund should be looking for more ways of cooperating with the commercial banks and of facilitating responsible lending by them.

But I end as I began. The resources which the industrialized countries can provide for development aid are conditioned by their economic strength and capacity to pay. As long as the world is rightly putting the fight against inflation first, the less developed countries will suffer not just because the markets for their products are depressed, but also because the strength of the donor countries is growing more slowly. The less developed countries, like the rest of the world, need the resumption of sustained economic growth. The prerequisite for this is that the inflation constraint which is holding us all back should be removed.

My insistence on the need to give first priority to fighting inflation does not for one moment mean that we are turning our backs on the LDCs, or on the deeply serious problem of unemployment in our own countries. It simply means as the Managing Director has said, that we see no alternative way of getting back to sustainable growth. Monetary "stimuli" simply will not work in the world in which we now live. Inflation produces more inflation and more unemployment, not more growth.

So this is the best course in the interests of developing and developed countries alike. I do not underestimate the political difficulties. It is a course which calls for patience, and for politicians patience is the scarcest resource of all. But there is no other way.

It would be wrong to end on too grim a note. The world prospect is disappointing, the difficulties great. But there are still reserves of strength and resilience in the world economy. This has been demonstrated in the face of oil shocks and vast payments imbalances. There is great strength in the forces sustaining activity in many of our economies. The market place has shown its resilience. There is great strength too, demonstrated in the disturbed decade now ending, in the international institutions whose Annual Meetings we are now attending and in the contribution they make to world economic order. In the framework of order which they help to provide let us do our utmost to liberate and so mobilize the talents of our people.

UNITED STATES: G. WILLIAM MILLER

Governor of the Bank and Fund

On behalf of the United States, I want to express our appreciation to the Government of Yugoslavia for inviting us here. Yugoslavia's energetic and independent spirit has long attracted the world's admiration and respect. And Yugoslavia's full participation in the work of the IMF and the World Bank has shown how nations with different economic and political systems can cooperate to mutual advantage. We join the other participants in thanking the Government of Yugoslavia for its warm hospitality to us here in Belgrade.

My remarks today are addressed to one central theme. Restoring balanced growth to the world economy will require purposeful domestic adjustment on the part of all nations—large and small. The two international institutions whose work we are reviewing at this meeting can help us make these adjustments in effective and mutually reinforcing ways. We must make sure they are in a position to do so. We must make sure they have our support to do so. In the last analysis, however, the responsibility rests with each of us. My country, as the largest economy in the system, is determined to carry out that responsibility in full. Only when balance is regained, will it be possible to resume the steady economic advance we all desire.

This is the final Annual Meeting of the Bank and Fund during the decade of the 1970s. It has been a decade marked by troublesome strains in the world economy. The will and ability of nations to cooperate internationally have been severely tested. The underlying strains might easily have led individual countries to the pursuit of inward-looking policies—to self-defeating efforts to protect their own limited interests at the expense of the broader interests of the community of nations. That this did not occur is convincing testimony to the vision of the architects of the Bretton Woods institutions, and to the maturity and wisdom of their successors—the representatives of the governments gathered here today.

The difficulties of the 1970s are all too familiar. The gains that have been achieved despite those difficulties are less widely appreciated. In the face of unprecedented payments imbalances, severe inflation, and high and persistent unemployment, international cooperation has been strengthened in important ways:

— Agreement was reached on far-reaching trade liberalization;

— Flows of official development resources continued to expand;

— Private financial markets successfully channeled huge flows of funds from surplus to deficit countries, and developing countries gained access to these private capital markets on a substantial scale;

— Intergovernmental cooperation in exchange markets became stronger and closer;

— The IMF Articles underwent comprehensive revision, laying the basis for orderly evolution of the international monetary system.

This progress was not accidental. Nations might have responded to the problems of the 1970s by imposing trade and capital controls, by cutting back aid, and by aggressive competition in exchange rate policies. If that had happened, the world would have suffered staggering economic losses. Instead, we chose deliberately to seek cooperative solutions, recognizing that the pervasive links among our economies made cooperation essential to our individual as well as our collective well-being.

We must not forget that lesson. Once again the world economy has been destabilized by a large oil price shock, almost equal in dollar amount to that of 1973-74. On an annual basis, the jump in oil prices will increase the import bill of the developed countries by almost $75 billion and of the developing countries by $15 billion. This action is disrupting international payments balances and adding greatly to the problems of containing inflation and reducing unemployment. Furthermore, uncertainty about the availability and price of energy seems likely to persist. Inflationary pressures, building up over a period of years, have become so virulent as clearly to require resolute, sustained countermeasures. In this uncertain international economic environment, the prospects for world economic progress are less promising. And that is a particularly harsh prospect for the one fifth of the world's population facing absolute poverty.

These problems are worldwide. They are shared in common, to varying degrees, by all our societies. They can be successfully overcome only through persistent national action, augmented by intensified international collaboration. And that means relinquishing a degree of autonomy in national action.

It is in this context that we must examine the present and future work of the IMF and the World Bank Group. These two institutions provide the infrastructure for world cooperation in economic policy, in finance, and in development. The degree to which we support them represents the central measure of our willingness to support more effective global economic management.

Intensified collaboration is the course we must choose for the 1980s. It is therefore essential that the IMF and the World Bank Group be strong enough to do the job—strong enough in authority, operations effectiveness, and resources. I propose, therefore, to outline my views on the future direction of policy in these two institutions and on the tools they will need to do the job.

World Bank

The successful contribution by the Fund to the smooth operation of the world economy will help the World Bank to encourage longer-term economic improvement in the developing world. Over the past ten years we have called for a steady expansion in the scope of the Bank's activities, and it has never failed to respond effectively. The Bank is now the largest single source of external finance and technical assistance for economic development and the primary exemplification of international cooperation to achieve social and economic advance.

It must continue to be so. As President McNamara pointedly reminded us, the goals we set and the choices we make today in this difficult area of economic policy will have a critical bearing on whether conditions in the world will be tolerable a generation from now. This is a weighty responsibility; it is one we cannot avoid addressing.

The size of the problem is graphically described in the second World Development Report, for which I offer my appreciation and congratulations. Over the next two decades, 750 million new job opportunities will have to be created in the developing world. The extent of success in this endeavor will determine how many people in the world are able to enjoy economic well-being, and any shortfall will determine how many are left to face conditions of absolute poverty at the beginning of the twenty first century.

In this situation, capital will always be extremely scarce in relation to needs. It will be essential, therefore, that Bank loans, IDA credits, and IFC investments should stimulate, to the maximum degree, mobilization of domestic savings in the developing countries and the flow of private capital from abroad.

Specifically this means:

— Greater emphasis on creating productive job opportunities in the rural areas, where poverty and underemployment are pervasive. Without more progress here, the food problem could become worse, population pressure will become more severe, and the flow of people to cities could become overwhelming.

— New approaches to job creation in the cities and the provision of low-cost basic services to the urban poor.

— Investments in human capital through programs in education, health and family planning.

— In all areas, a conscious and more effective program to reduce capital investment per job created, and to ensure that in a fundamental economic sense investments pay for themselves. Only then will capital used today be recovered tomorrow to be invested for the benefit of others.

— New initiatives to encourage cofinancing.

— More ambitious efforts to expand production of energy fuels, including new applications for renewable energy technology. The quantum jump in the price of oil is exerting a sharply constraining effect on economic growth everywhere, with particularly harsh effects in the oil importing developing countries. An increase in the availability of domestic energy supplies is necessary to increase the productivity of domestic labor and capital.

To move in this direction requires that the Bank be able to expand the scope of its activities. We believe that the capital of the Bank must be increased substantially, and for this reason, supported the resolution of the Executive Directors to that effect. We also support a Sixth Replenishment of IDA, and look to the completion of the negotiations before the end of this year. In accordance with our legislative procedures, our action in both respects will involve the close cooperation of the United States Congress.

Private Financial Markets

Strengthening the capacity and effectiveness of the IMF and the World Bank is also necessary to enable private markets to function smoothly and effectively. The latest increase in oil prices will place new demands on these markets to move funds from surplus to deficit countries. The actions of the two Bretton Woods institutions serve to strengthen the adjustment process, economic prospects and credit positions of borrowing countries—all of which is a necessary foundation on which private lending can take place on a sustainable basis. This process also emphasizes how the work of the two institutions reinforce each other.

More generally, a strengthened cooperative approach, looking toward a more orderly management of the world economy, provides a framework within which each nation can address common problems in a mutually supportive way. The United States recognizes its role in this system and will continue to act to carry out its national and international responsibilities.

United States Progress and Policies

Economic growth in the United States during the past four years has been strong, and has made a major contribution to world economic recovery. Output has increased by 22 per cent in real terms. Thirteen million new jobs have been created. At the same time, our rapidly growing market has provided a major economic stimulus for other countries recovering from world recession. Most notably, this has benefited the developing countries, which have increased their exports of manufactured goods to the United States much more rapidly than to other countries.

The United States is well aware of the important role of the dollar in the international monetary system. We are determined to maintain reasonable balance in our external accounts and to assure that the dollar is sound and stable. We have acted vigorously to meet that obligation, with policies to strengthen underlying economic conditions, and with forceful exchange market operations to counter market disruption.

The U.S. balance of payments has improved markedly. Our current account deficit will be reduced from $14 billion in 1978 to a few billion in 1979, despite an increase of $16 billion in the cost of oil imports. Next year, 1980, we expect a substantial current account surplus. Continued strong export performance, a rising surplus on services, slower import growth, and U.S. determination to respond forcefully to unwarranted exchange market pressures, all provide a firm basis for dollar stability and strength in the period ahead.

We have already achieved important progress in strengthening the dollar exchange rate. The dollar has declined in terms of some currencies, moved higher in terms of others and remained stable relative to most. Measured against the average of OECD currencies, the dollar is now about 5 per cent above levels prevailing last Fall. From the viewpoint of the OPEC nations, in relation to the other currencies they use to purchase their imports, the dollar has increased about 8 per cent on average from a year ago.

Notwithstanding the favorable changes in the value of the dollar measured in terms of these averages, the United States is determined to maintain exchange market stability for the dollar in terms of individual major currencies, such as the deutsche mark.

The United States also recognizes the necessity of solving its energy problem. We are making substantial progress. Since 1973 the amount of energy required to produce a unit of real output in the United States has dropped by 7½ per cent, and in the industrial sector, it has dropped by 20 per cent. The ratio of the increase in energy consumption to the increase in GNP has fallen by one third since 1973. That performance compares favorably with other industrial countries. Household energy consumption has leveled off. Our transportation fleet is rapidly becoming more fuel efficient—the average miles per gallon for new cars rose from 13 in 1973 to 19 in 1979, and will rise to 27.5 by 1985.

More must, and will, be done. President Carter has announced a series of measures, both administrative and legislative, which will sharply improve the overall U.S. energy position. Phased decontrol of domestic crude oil prices by September 30, 1981 will reduce oil imports by an estimated 1.5 million barrels per day by 1990. In addition, immediate decontrol of heavy crude oil prices will stimulate increases in production estimated at 0.5 million barrels per day. Creation of an Energy Security Corporation will provide the resources to help finance private sector development of synthetic fuel. Major emphasis is also being placed on developing renewable sources of energy. When fully in place, our energy program will cut oil import requirements by 4 to 5 million barrels per day.

At the recent Tokyo Summit, the United States agreed that from now through 1985, we would import no more than 8.5 million barrels per day of oil, the level that prevailed in 1977. The President established a lower goal, 8.2 million barrels per day, for 1979. We are firmly committed to meeting the import targets.

Inflation continues to be our country's most serious problem. It threatens our ability to achieve full employment, it impedes investment, and it impairs productivity. We are determined to bring inflation under control and regain price stability.

Our recent record is not satisfactory to us. Food and energy prices have temporarily driven U.S. price indices into the double digit range. Energy alone accounted for more than one half the total rise in finished goods prices at the producer level in the latest three-month period. In coming months this pressure will recede as the effects of recent OPEC price actions work their way fully through the economy. Food prices have moderated in the wake of good harvests.

Special factors aside, the inflation rate is still much too high and must be brought under control. This cannot be done quickly or easily. It can only be accomplished by a firm application of sound policies which deal with the economic fundamentals.

All major instruments of U.S. economic policy are being directed toward this task. Fiscal policy is directed toward restraint. We have arrested the increase in government outlays in real terms and tax receipts are rising. The Federal deficit has been reduced from 3 per cent to 1 per cent of GNP. The Federal Reserve is exercising monetary discipline and will continue to keep firm limits on the growth of money supply. Despite rapid increases in recent months, the increase in Ml over the past year was held to 4.9 per cent—less than half the increase in consumer prices. The Federal Reserve is committed to meeting its targets for limiting the rate of growth of money and credit.

These fiscal and monetary policies are supported by price and pay policies that will help moderate inflationary forces. On September 28, President Carter announced a National Accord with U.S. trade union leadership that provides for labor's involvement and cooperation on important national issues. The National Accord confirms that top priority will be given to the war against inflation. It recognizes that the discipline essential to wring out inflation will mean a period of national austerity. As part of the Accord, labor leadership agreed to participate in the voluntary program of wage and price restraint. The involvement and cooperation of labor—and of management—in developing and implementing policies to control inflation is critical for success, and this cooperation has now been strengthened. The National Accord will add momentum to our comprehensive attack on inflation.

The United States intends to reinforce the foundation on which to achieve sustained economic growth with price stability. We are headed in the right direction and are determined to stay the course. We are also determined to work with the nations gathered here to strengthen the international economic system, both through our own actions and through support of the IMF and the World Bank.

Let me add a personal postscript. The curtain will soon fall on the decade of the 1970s. It has been a turbulent period for the world's economy. Progress has fallen far short of our great hopes.

Facing, as we do, another period of major adjustment, we have heard few words of encouragement at these sessions. It is right that we should be realistic about our difficulties. It is right that we should not delude ourselves with false expectations.

It is possible, however, as we begin to prepare the agenda for the 1980s, to see some cause for hope.

In particular, we have not given in to the temptation to become self-centered. The institutions for international economic cooperation are alive and well. The IMF and World Bank are proving their resilience, rising to meet the challenges.

For its part, the United States is unequivocally dedicated to dealing effectively with its own inflation and energy problems. This is the single most important contribution we can make to our own economic health and that of the world community.

I assure you that we have the will, determination, and perseverance to succeed in this endeavor. You can count on it.

VIET NAM: LE HOANG

Alternate Governor of the Bank

In the present world situation, there are some international economic meetings where, in the evaluation of the current world situation and the formulation of measures necessary to redress it, one notes a reduction of points of convergence and greater disparity in positions adopted.

We fervently hope that from this year's Meetings a broad consensus will emerge, leading to concrete actions which meet the present needs of all member countries. To this end, among the many problems before us, it is necessary that the growing difficulties the developing countries face in the current economic and monetary context be tackled head on and adequate solutions found in good time.

We would recall first of all that last year, upon assuming the high office of Managing Director of the Fund, Mr. de Larosière gave a telling analysis of the situation of the developing countries and stressed the need to assist in strengthening their economies.

The Bank, for its part, has for a number of years included among its primary objectives that of making a real contribution to the struggle against world poverty. It has shown constant concern that IDA, whose funds are intended to render effective assistance in the poor countries' development effort, be provided with adequate resources.

Unfortunately, we must note that the situation is far from encouraging, if not worse than before.

The gap between the average per capita income of the industrial and developing countries has widened. In many of the latter, the food problem still exists, sometimes aggravated by the forces of nature. The present disturbing fluctuations in prices and exchange rates entail increasingly harmful consequences for the weak economies. The terms of trade are still deteriorating. The transfer of resources to developing countries is decreasing in real terms, while balance of payments disequilibria are growing. But I hardly need to take more time here to depict a situation well known to all.

The point is to remedy the situation as quickly as possible. It is Viet Nam's view that, in light of the basic objectives the Fund and the Bank have set themselves, the two institutions can and must make an effective contribution to that effort. We are speaking of interdependence in the world economy; measures that effectively help to strengthen the economies and trade potential of the developing countries are bound to have a positive effect on the overall economic situation. . . .

In this same uncertain and inflationary environment, the low-income developing countries have watched the difficulties inherent in their weak economies become progressively worse. Growth in production and exports is achieved only with longer and more laborious effort; investments are more costly, and their profitability is increasingly subject to the uncertainties of price fluctuations. In these circumstances, the effectiveness of Fund assistance in the traditional forms, and of the assistance provided by IDA—favorable though its terms are—might well be diminished.

In any case, would it not be desirable also to consider a new approach to the problem in this forum? If the basic objectives of the Fund and the Bank are to be attained in a situation marked by wholly new factors, their criteria, rules and conditions, procedures and methods should be resolutely overhauled, and consideration given to measures more in keeping with current circumstances. . . .

The Bank, through IDA, could make broader use of program loans, which are more adaptable to the economic context of the recipient country and hence more certain to be effective.

In short, we feel that greater flexibility is necessary and would be useful.

In studying such measures, as in the operations carried on within the framework of the Fund and the Bank, it is necessary to refrain from discriminatory measures or pressure contrary to the spirit of our institutions and particularly harmful to any developing country. May I be allowed to stress this need? Viet Nam is living in a period of economic uncertainty, an uncertainty which, incidentally, some would wish to try to aggravate artificially. There are those, for example, who by their aggression and provocations have caused and are still causing immense material, human, and social damage to our country, and are engaged—together with certain others, who more or less follow their lead—in a campaign of slander and pressure against us. We do not think it necessary to say more on the subject in this forum. We wish to reiterate that the rehabilitation and building-up of our economy are a basic goal we have set ourselves; to attain it, we advocate open, just, and fruitful international cooperation. In this connection, we wish to express our appreciation of the understanding cooperation of the Fund, the Bank, and their staffs. We trust that this will always be so.

WESTERN SAMOA: VAOVASAMANAIA R. P. PHILLIPS
Governor of the Bank and Fund

I wish to express my appreciation to the Government of Yugoslavia for hosting this meeting in the beautiful and historic city of Belgrade and for all the generous facilities and courtesies extended. I also wish to join other Governors in extending a welcome to the Governors of Djibouti, Dominica and Cape Verde, whose countries have joined since the last Annual Meetings.

We are reaching the end of the 1970s on a discouraging note, with lack of significant progress toward a new world economic order. One area of positive progress has been the agreement to establish the Common Fund, but the timetable for its implementation is vague. In other vital areas of concern to the developing world, such as trade liberalization and increased aid flows, we are actually losing ground.

What is so difficult for Third World countries to understand, is why, when it is really only political will that is needed on behalf of the developed countries in order to make considerable progress toward a more equitable international economic order, that will should be so fleeting.

It is particularly frustrating to hear many industrialized countries paying lip service to the concepts of trade liberalization and increased aid flows to developing countries, only to find that in actual practice, their individual trade policies continue to promote protectionism and internal commitments, and economic problems are cited as the rationale for inability to increase aid flows.

The specter of international inflation is again looming large, eroding, in real terms, much of the progress made by developing countries. The Fund's Managing Director's observations on this point are most apt. Third World countries have of necessity to effect discipline in their own internal wage and price movements. I consider that some of the same discipline shown by developed countries in controlling internal wages and prices would greatly assist in moderating international inflationary tendencies.

The quest for new renewable sources of energy has become a major problem for all countries. The sharing of experiences in our search for new forms of energy offers great opportunities. We trust that the Fund and Bank will play an important role in helping member countries share experiences in this field and place appropriate emphasis on financing development efforts to explore, adapt and provide new energy sources. . . .

As for the World Bank Group, I would urge an early agreement to the proposed IBRD General Capital Increase of US$40 billion.

Western Samoa also sees an urgent need to finalize IDA VI negotiations within the next few months in order to avoid difficulties following the full commitment of IDA V by mid-1980.

It is important that the Bank consider measures to make it more responsive to the particular financial needs of smaller economies. In particular, we are concerned that the Bank reduce the weightage given to the concept of per capita lending as a loan criterion for smaller countries.

It will greatly assist smaller countries to have a significant increase in the Bank's program lending activities over the next few years. We would suggest a target figure of 10 per cent of the Bank's total annual commitments to be reached within the next three years.

I consider that a loan from the World Bank to a small member country is not merely the lending of a sum of money but it also involves the transferring of technical expertise, and this latter aspect of a Bank loan is certainly most vital to Western Samoa. It is most important for smaller countries to have a separate and additional source of finance from the Bank, as their contacts with the Bank also provide opportunities for obtaining high caliber technical advice in many areas. The continuance of the Bank's present direct lending association with these countries is therefore most desirable.

I would suggest that there is a need for the Bank to consider the introduction of a special export financing facility for developing member countries. It is felt essential for the developing countries to have access to such a facility, not only for their manufactured goods, but also for agricultural commodities.

Appreciating the opening remarks of the President of the World Bank, I would urge in all Bank lending decisions the continued use of solely non-political economic criteria. The Bank is a financial organization whose objective is to assist the development efforts of its member countries, and the non-political approach so far maintained by the Bank in its lending activity is therefore highly commended.

Over the years Western Samoa has already enjoyed considerable benefits from membership of both the Fund and the Bank. These organizations have a most positive international role to play, but to do this effectively, their operations must be flexible in order to meet the requirements of a rapidly changing world social and economic order.

There is ample evidence that the management of both the Fund and the Bank are responsive to the dynamics of the situation. I would urge that this awareness be fully reflected in all their operations, especially in regard to their dealings in meeting the pressing requirements of small developing nations.

I wish the management and staff of both the Fund and the Bank well in their efforts to ensure that their organizations are responsive to the challenges of the 1980s.

YUGOSLAVIA: PETAR KOSTIC

Governor of the Bank

It is a great pleasure and honor for me to welcome you on behalf of the Yugoslav Government and myself, to wish you a pleasant stay in Yugoslavia, and to express the hope that your work here will be fruitful.

I hope that our deliberations will indicate the measures required to enable the Bank and Fund to contribute adequately and effectively to international monetary and financial cooperation and to the goals of development.

On this occasion I should like to welcome Cape Verde, which has become a member of the Bank and Fund, and Djibouti and Dominica, which have become Fund members and Bank applicants.

I would also like to take this opportunity to extend gratitude, on behalf of the Yugoslav Government, to the management of the Bank and Fund for their successful cooperation during the preparations for the Annual Meetings.

The President of the Socialist Federal Republic of Yugoslavia in his speech at the opening of the Annual Meetings indicated the seriousness of the problem we face today, and the consequences that could result if acute problems in international economic relations, especially the dramatic position of developing countries, are not solved in a more rapid and effective manner. It is evident that in the course of the last twelve months, the already unfavorable world economic situation became even worse. The growth of developing countries was slower than anticipated by modest forecasts. The sluggish growth in the developed countries and their protectionist measures are seriously affecting the export growth of developing countries. The position of the least developed countries is particularly difficult.

Attempts to seek a way out of this critical situation in the framework of coordinating the demand and exchange rate policies among developed countries, without a real reform of the system of relations, have not resulted in a satisfactory outcome.

This further strengthens our conviction that the establishment of the New International Economic Order is the only sound way to overcome the acute development problem and critical situation of the world economy.

The Sixth Summit Conference of Nonaligned Countries, held recently in Havana, set forth the request for faster progress toward the establishment of the New International Economic Order, and adopted the Economic Declaration containing the specific proposals and solutions in the interest of the whole world, and not only of one group of countries. We consider this to be an unavoidable process. The capacity of our institutions to play an important role in tomorrow's order depends on the readiness of the Governors representing the member countries to change their policicies and rules in accordance with these requests.

On the basis of the proposal worked out by the Group of 24, the Group of 77 at its first meeting of Finance Ministers which took place in Belgrade on September 29, endorsed a "Program of Action on International Monetary Reform."

In my capacity as Chairman of the Group of 77 meeting, I was requested to convey the Program to the Chairman of the Annual Meetings, the President of the Bank, and the Managing Director of the Fund. It represents the position of member countries of the Group of 77 on many important issues on the agenda of our institutions and in other fora of the United Nations organizations. The document clearly shows that our efforts are directed toward progress in the reform of the monetary system which —as we strongly believe—will be in the interest of both developing and developed countries.

The principles of this system, as we all remember, were accepted by a large number of developed countries during the 1973-74 negotiations within the Committee of Twenty. The developing countries state with deep regret and disappointment that, among other things, the crucial problems of principle in the adjustment process, including the exchange rate policies, remain unsolved. Furthermore, there are no arrangements to ensure that the creation and distribution of international liquidity are not unjustifiably affected by the balance of payments situation of any one country or group of countries. The arrangements for promoting the transfer of resources to developing countries, which were meant to be the integral part of an effective system, have not been implemented. Developing countries are still unable to play an adequate role within the Bank or Fund in the process of decision making on monetary and financial issues.

All this indicates that the pace of activity in the elaboration of the new system is quite unsatisfactory. It is for this reason that the Group of 77 is calling on developed countries to agree that the IMF should contribute new and fresh initiatives, and carry out further work with the objective of enabling a broadly based reform of the international monetary system to be negotiated at a political level.

We cannot accept the forecasts that the growth of Official Development Assistance will be slow. It is urgent that the concessional flows be accelerated. We therefore call upon major donor countries, particularly those lagging considerably behind the internationally agreed target of 0.7 per cent of GNP, to substantially increase ODA disbursements in real terms during the next three years, whereby the ODA volume for the least-developed countries would double. During the preparations for the Third Development Decade a strategy should, in our view, be agreed by which faster, more stable and predictable growth and quality improvement of ODA would be ensured during the next decade. . . .

I note with concern that the proposals for immediate additional measures in the IMF/IBRD for financing the balance of payments deficits, or for promoting the transfer of resources to developing countries, are grossly disproportionate to the size of acute problems and to the necessity for urgent international action. It was rightly pointed out in the communiqué of the Development Committee that there is "a clear need for broad international effort, including the increased role of the Bank and the Fund, in order to assist the developing countries to overcome the new difficult situation." Particular measures, however, are limited to actions, the nature and dimensions of which were determined on the basis of regular needs. The Yugoslav Government supports and will contribute to the early completion of various recurrent actions: implementation of the Seventh Review of Quotas of the Fund, the effectiveness of the General Capital Increase of the Bank, and an expeditious completion of the Sixth Replenishment of IDA resources, which would enable its lending to increase significantly in real terms. . . .

Both developed and developing countries are aware of the need for urgent structural adjustments to their economies. Progress is hampered by the very slow growth of demand in developed countries and by the lack of resources in developing countries. It is evident that a scheme for a substantial increase in the volume of long-term financing of developing countries would broaden the possibilities on both sides. Even after the capital increase, World Bank funds will not be sufficient and adequate to the needs. The development of cofinancings should not be the only way for mobilizing additional funds. For that reason, I cannot accept the recommendation that our consideration be limited to possibilities of utilizing the present capacities of our institutions. I consider it necessary to mobilize additional funds, and that this can be achieved by new arrangements which the existing institutions can administer. I therefore propose that a report be prepared for the next meeting of the Development Committee, recommending a mechanism for considerable additional mobilization of long-term capital for development.

It is with particular satisfaction that we note another very successful year in the activities of the World Bank. The Annual Report shows a further increase in the total volume of loans and credits, and an improved level of disbursements. If, in the course of the next few months, the action regarding the effectiveness of the capital increase is successfully completed, we can state that during the past few years the World Bank succeeded in implementing several important economic objectives contained in the Program adopted at the seventh session of the United Nations General Assembly in 1975.

The member countries are now facing the great responsibility of carrying out a legislative procedure referring to the capital subscription. We express the hope that the Governors who so far have not been able to do this will in the shortest possible time give their positive vote in favor of the agreed capital increase of the World Bank. On the other hand, if delay is extended in formal approval of the capital increase, the role of the Bank could be limited, seriously affecting the development of developing countries.

Negotiations on the Sixth Replenishment of IDA have been going on for quite some time. We hope that it will be possible to agree soon on a substantial increase of the Association's funds. It is regrettable that some individual decisions on the new replenishment are being postponed, threatening to affect continuity in the activities of the Association. Therefore, my country strongly urges a prompt decision on the replenishment of IDA funds, and has already announced its contribution.

This year, for the second time, the World Bank staff prepared the World Development Report. We consider regular publication of such a study to be very useful. It helps to keep public opinion informed and aware on development problems. The report provides a useful background for the process of formulating national policies of developing countries, thus assisting member countries. We expect that the authors of this study will in future make an adequate selection of issues to be analyzed. In addition to analytical work and diagnosis, we would like to see various ideas and suggestions leading to the improvement of the international sense of direction toward a broader participation of the world community on a longer-term basis. This would represent a significant contribution to broader international efforts in overcoming the development problems.

In the course of last year during the discussions in the World Bank Executive Board, my country rendered its support, and will continue to do so, for an increase in the share of program and sectoral loans as well as the increase of domestic cost financing.

We also support the expansion of different forms of parallel and cofinancing, as well as other schemes which would attract additional funds from private sources on a long-term basis. We would welcome further progress on any of these issues.

I would like to emphasize that my country will, as it has done so far, extend in the future its strong support to the initiatives of the dynamic President of the World Bank, Mr. Robert McNamara, aiming for a greater and expanded role which the Bank, IDA and IFC should play in financing the growing needs of developing countries.

I note with satisfaction a further extension of activities of the International Finance Corporation, and its initiatives in the developing countries of Africa. We consider that the Corporation should continue to receive the broadest support for extension of its very useful role of catalyst in the transfer of capital and technology to developing countries, especially for sectors and projects contributing to greater employment.

I consider the composition of the nationality of the staff of our institutions should reflect more adequately their international character, while maintaining high professional standards. In my opinion, we cannot be satisfied with the results achieved so far. For this reason, I welcome new initiatives to elaborate an adequate long-term program which should be considered by the Executive Boards of the Bank and Fund.

In summing up, this Annual Meeting precedes the Special Session of the United Nations General Assembly, as well as intensive work on preparation of the third Development Decade. Our financial institutions are an integral part of the system of world organizations. That is why the obligations of these institutions with respect to objectives of development are very important and quite specific. Assessment of our future performance will depend on our response to the challenge posed by the Third Development Decade. Today's world is characterized by the growing economic interdependence of interests of developed and developing countries, and by the urgent development needs of the undeveloped world. One hopes that the efforts toward cooperation without confrontation will be justified, and strengthened and encouraged by positive results. Therefore, we, the Governors representing member countries of our institutions, have a great responsibility—both national and international—in directing and deciding the future role of these institutions.

CONCLUDING REMARKS BY MR. McNAMARA

During our deliberations this week I have been struck by the broad consensus that has emerged on a number of key issues.

Governors have been unanimous in their support of the Bank's General Capital Increase, and more than 80 Governors have already voted their approval. To assure that funds will be available for the maintenance of our current lending program for fiscal year 1980, and for the years beyond, I urge the Governors who have not yet voted to do so promptly. The voting ought to be completed at the very latest by November 15th. Without this prompt action there is a danger that the Bank may not be able to proceed with its expanded program of lending, and may indeed have to cut back severely from its present levels.

There has been strong support of the donor nations for an early completion of the negotiations for the Sixth Replenishment of the International Development Association which will allow for a substantial increase, in real terms, of IDA resources in order that we can help meet the pressing development needs of our poorest member countries. The early completion of the negotiations is essential if the necessary legislative action is to take place before IDA's resources are exhausted June 30 of next year.

We most particularly welcome the support of those developing countries—Argentina, Brazil, Greece, Korea, Malaysia, Mexico, Portugal, Romania, Saudi Arabia, Spain, the United Arab Emirates, and Yugoslavia—which have already agreed to participate in the Sixth Replenishment of IDA.

I think it is clear to all of us that the economic situation facing the developing countries today is an extraordinarily difficult one. The recent increases in oil prices, the continuing high levels of international inflation, and the longer-than-anticipated low rates of growth of the OECD nations have resulted in severe strains on the balance of payments position of most of our developing member countries. Current account deficits of the oil-importing developing countries in 1980 are now expected to be double the level of 1978. The developing countries face many difficult issues and capital alone cannot assure their resolution. But it is clear that without an adequate supply of external capital progress cannot be made: investment programs will not be carried out; the productivity of low-income groups will not be raised; and economic growth objectives will not be achieved.

The severity of this matter calls for new policies and additional resources, and we have considered what actions the Bank might take to help alleviate the situation.

First, we propose to increase program lending to assist countries in severe balance of payments difficulties so as to minimize the disruptive effects on their development programs.

And second, we propose to initiate program lending to assist countries to undertake the structural adjustments necessary to avoid future balance of payments crises, and thus to pursue an orderly and sustained development effort.

Governors have broadly supported the view that the Bank should provide such assistance to those countries which are willing to undertake the necessary action to deal effectively with their financial problems.

Such adjustments are not going to be easy, and often will conflict with the objectives of particular interest groups. Nevertheless, they are essential. Developing countries, in their own interest must adjust to new international price relationships, to new competitive pressures, and to higher costs of energy. The Bank can and will assist countries in that adjustment process, but its resources cannot substitute for their action in the long term.

Ladies and Gentlemen, our meetings over these intensive days have been fruitful and, Mr. Chairman, we are grateful to you for the care and patience with which you have presided over them.

Finally, I want again to express the gratitude of us all in the Bank to our generous and gracious hosts here in Yugoslavia who have done so much to make our stay an enjoyable one. To President Tito, to Governor Kostic, to their colleagues in government, and to all the charming and cordial people of Belgrade we are deeply grateful for the warmth of their hospitality. It has been a memorable week.

Ladies and Gentlemen, I look forward to seeing you at next year's meeting in Washington, and I wish you all Godspeed and a safe and pleasant journey home.

CONCLUDING REMARKS BY THE CHAIRMAN R. D. MULDOON

My fellow Governors, Ladies and Gentlemen:

We have come together here in Belgrade by the confluence of the Sava and Danube rivers to find that our thoughts, also, flow very much together.

From Tuesday's opening speeches, several themes have run consistently through our Meetings: a recognition of interdependence and the need for cooperation between countries and groups of countries; the need to rigorously resist inflationary and protectionist pressures, and the need to join together in seeking as much international economic growth as possible.

In this context there has been a recognition, perhaps stronger than ever before, of the role the Bank and Fund must play as a focal point of a cooperative effort to achieve stability, growth, and development. I could not agree more with my colleague, the Governor from the United States, in his description of these two institutions as "the infrastructure for world cooperation." . . .

As to the Bank, Mr. McNamara's call to turn ourselves now toward a new international development strategy—a development agenda for the 1980s—has been welcomed and supported by many Governors. We have, I think, a consensus that the coming Third United Nations Development Decade must be shorter than the last on the rhetoric of development, and much stronger in providing the resources and carefully targeted policy instruments needed to create jobs, production, and trade in the developing countries.

That the Bank and the International Development Association will need adequate new resources to carry out this assignment represents more than a consensus—it is a point on which we are firmly agreed. In this light, I would recall the warning of our African member countries, as expressed by the Governor for Liberia, against member governments "flirting" with parliamentary measures that could jeopardize the IDA's ability to commit future resources—or even those already contributed to it. This is a time for statesmanship in the U.S. Congress and I am sure it will be forthcoming.

Some have termed our discussions here this week "gloomy." I feel we have been too bathed in warm Yugoslav hospitality and the clear autumn sunlight of Belgrade for this characterization to hold true. As to our tone, I think we have, together, sent a clear and positive message that we still feel that we can change the course of events by our own efforts, and that our dedication to making those efforts with the greater strength of cooperation and togetherness is stronger than ever before. That we more fully recognize the challenges ahead is a positive statement, not a negative one.

In closing these Annual Meetings this morning, many of us will be saying goodbye until we reconvene again in Washington. For two of our number, however, these will be their last Annual Meetings.

Purviz Damry, as Vice President and Secretary of the Bank and Secretary to the Bank Board of Governors since our meeting in Nairobi, has provided wise counsel to a succession of Chairmen; I, myself, have found his help most valuable. Dana Brantley has played a key role as Deputy

Secretary for these Annual Meetings since the mid-1960s, assuring that their logistics have moved with almost invisible smoothness. Together, Mr. Damry and Mr. Brantley have provided much of the infrastructure for our deliberations here, in Washington, and in other cities around the world. I think it only fitting that we extend to them our special thanks, and our wishes for continued success in the future.

Thank you.

REMARKS BY E. I. M. MTEI

Governor of the Bank and Fund for Tanzania

Tanzania accepts with pride the Chairmanship for the coming year of the Boards of Governors of the World Bank Group and the International Monetary Fund as an honor to our people, our region, and to me personally. I should like to sincerely thank all Governors for selecting me for this high office.

The meetings for 1979 are nearly concluded. Partly because of the excellent manner in which they have been prepared and organized by our hosts, the Yugoslav authorities, and by the Bank and Fund staff, they have served well to accentuate the world's problems and to provide a clear direction for cooperation toward progress in development and in further improving the operation of the international monetary system. It is my hope that between now and the next Annual Meetings a genuine effort will be made by all member countries to help our institutions to put into effect the declarations and resolutions which have been reached here over the last week. I also hope that the 1980 Annual Meetings will initiate a new decade of efforts toward cooperation. As my country's representative and in recognition of the importance of the Bank and Fund to the welfare of their members, I shall strive to carry out my new task with the same efficiency and sense of purpose that has been displayed in his capacity as Chairman by Mr. Muldoon, Prime Minister and Minister of Finance of New Zealand. In doing so, I shall, of course, count on the cooperation of all Governors, the Executive Directors, management, and staff of both these institutions.

I should like to congratulate Mr. McNamara and Mr. de Larosière, the Executive Directors, and the staff of both institutions for their efforts in helping to advance the solution of the difficult problems which face us. I look forward to working with them in the coming year and to meeting with Governors of the Bank and the Fund at our 1980 Annual Meetings in Washington.

DOCUMENTS OF THE BOARDS OF GOVERNORS

SCHEDULE OF MEETINGS[1]

Sunday		
September 30	10:00 a.m.	—Joint Development Committee
	3:00 p.m.	—Joint Development Committee
Monday		
October 1	6:00 p.m.	—Joint Procedures Committee
Tuesday		
October 2	9:30 a.m.	—Opening Ceremonies Address from the Chair Annual Address by President, IBRD, IFC and IDA
	2:30 p.m.	—Annual Discussion
Wednesday		
October 3	9:00 a.m.	—Annual Discussion
	2:30 p.m.	—Annual Discussion
Thursday		
October 4	9:00 a.m.	—Annual Discussion
	2:30 p.m.	—ICSID Administrative Council[2]
Friday		
October 5	9:00 a.m.	—Joint Procedures Committee
	12:35 p.m.	—Joint Procedures Committee Reports Comments by Heads of the Organizations Adjournment

[1] *All sessions were joint sessions with the Board of Governors of the International Monetary Fund.*
[2] *The summary of proceedings of ICSID are published separately.*

PROVISIONS RELATING TO THE CONDUCT OF THE MEETINGS[1]

ADMISSIONS

1. Sessions of the Boards of Governors of the Bank, IFC and IDA and the Fund will be joint and shall be open to accredited observers, the press, guests and staff.
2. Meetings of the Joint Procedures Committee shall be open only to Governors who are members of the Committee and their advisers, Executive Directors, and such staff as may be necessary.

PROCEDURE AND RECORDS

3. The Chairman of the Boards of Governors will establish the order of speaking at each session. Governors signifying a desire to speak will generally be recognized in the order in which they ask to speak.
4. With the consent of the Chairman, a Governor may extend his statement in the record following advance submission of the text to the Secretaries.
5. The Secretaries will have verbatim transcripts prepared of the proceedings of the Boards of Governors and the Joint Procedures Committee. The transcripts of proceedings of the Joint Procedures Committee will be confidential and available only to the Chairman, the President of the Bank and its Affiliates, the Managing Director of the Fund and the Secretaries.
6. Reports of the Joint Procedures Committee shall be signed by the Committee Chairman and the Reporting Members.

PUBLIC INFORMATION

7. The Chairman of the Boards of Governors, the President of the Bank and its Affiliates and the Managing Director of the Fund will communicate to the press such information concerning the proceedings of the Annual Meetings as they may deem suitable.

[1]*Approved on April 18, 1979 pursuant to the By-Laws, IBRD Section 6(d), IFC Section 4(d) and IDA Section 1(a).*

BANK AGENDA[1]

1. 1978/79 Annual Report
2. Financial Statements and Annual Audit
3. Allocation of Net Income
4. Administrative Budget
5. Membership of the Republic of Seychelles
6. Membership of the Republic of Djibouti
7. Membership of Dominica
8. Executive Directors' Administrative Arrangements
9. Joint Development Committee
10. Officers and Procedures Committee for 1979/80

IFC AGENDA[1]

1. 1978/79 Annual Report
2. Financial Statements and Annual Audit
3. Administrative Budget
4. Membership of the Republic of Djibouti
5. Membership of Dominica

IDA AGENDA[1]

1. 1978/79 Annual Report
2. Financial Statements and Annual Audit
3. Administrative Budget
4. Membership of Solomon Islands
5. Membership of the Republic of Djibouti
6. Membership of Dominica

[1] *Approved on August 10, 1979 pursuant to the By-Laws, IBRD Section 6(a), IFC Section 4(a) and IDA Section 1(a).*

JOINT PROCEDURES COMMITTEE

Chairman .... New Zealand
Vice Chairmen .... Belgium
Nigeria
Reporting Member .... Sri Lanka

Other Members

Algeria[1]	Mali
France	Peru
Gabon	Philippines
Germany	Qatar[1 2]
Greece	Sweden
Guatemala	United Kingdom
India	United States
Japan	Uruguay[2]
Jordan	

First Meeting, October 1, 1979

In concluding the meeting, the Chairman of the Joint Procedures Committee issued the following statement:

Statement by the Chairman of the Joint Procedures Committee

The Joint Procedures Committee met on October 1, 1979 to consider the questions raised by the letter from the Chairman of the meeting of the Group of Seventy-Seven and the accompanying resolution supporting the application of the Palestine Liberation Organization for observer status at the Annual Meetings.[3] The Committee concluded that the Chairman should establish an informal working party of Governors to consider all aspects of the matter.[4] The working party would report to the Chairman for next year's Annual Meetings in approximately three months time. The Chairman would then make his decision taking into account this report and in accordance with the By-Laws.

[1]*Not a member of IFC.*
[2]*Not a member of IDA.*
[3]*See Annex I, page 215.*
[4]*See Annex II, page 216.*

ANNEX I

September 29, 1979

Rt. Hon. R. D. Muldoon, C.H.
Chairman of the Annual Meetings

Dear Mr. Muldoon:

A meeting of the ministers of finance and/or economy of the Group of 77 was held today in Belgrade. I had the honor of chairing that Meeting.

The Meeting unanimously approved the enclosed Resolution supporting the application of the Palestinian Liberation Organization for observer status in the International Monetary Fund and the World Bank.

In my capacity as Chairman of the ministerial meeting of the Group of 77, I am bringing to your attention the enclosed Resolution with a request to communicate it to all the Governors of the International Monetary Fund and the World Bank.

Thanking you in advance for your kind cooperation, I remain,

With kindest regards,

/s/
Ing Petar Kostic
Chairman of the Meeting of the Ministers of Finance and/or Economy of the Group of 77

Encl.

RESOLUTION

The Group of 77 resolves that:

1. The Group of 77 supports the application of the Palestinian Liberation Organization for observer status in the International Monetary Fund and the World Bank.
2. The Chairman of the Group of 77 communicates the support of this Group to:
   - (a) The Chairman of the Bank and Fund Annual Meeting, His Excellency the Right Honorable R. D. Muldoon,
   - (b) The President of the World Bank, and
   - (c) The Managing Director of the International Monetary Fund.

Beograd, September 29, 1979

Working Party of Governors

The Chairman of the Boards of Governors of the Bank and the Fund, in pursuance of the statement made by him in concluding the meeting of the Joint Procedures Committee on Monday, October 1, 1979,[1] has appointed the following Governors to be members of an informal working party:

The Governor for Belgium
The Governor for France
The Governor for Germany
The Governor for Indonesia
The Governor for New Zealand
The Governor for Nigeria
The Governor for Pakistan
The Governor for Yugoslavia

The Chairman has appointed the Governor for New Zealand as Chairman of the working party.

The terms of reference of the working party have been outlined in the . . . statement of the Chairman.[1]

The working party will be expected to report in approximately three months' time to the then Chairman of the Boards of Governors.

The procedures for the working party will be decided by the Chairman of the working party. The party will be provided with secretariat assistance by the World Bank and the IMF and the staffs of the institutions will be available for service and advice.

Report I

October 5, 1979

At the meeting of the Joint Procedures Committee held on October 5, 1979, the items of business on the agendas of the Boards of Governors of the Bank, IDA and IFC were considered.

A. The Committee submits the following report and recommendations on Bank and IDA business:

1. *1979 Annual Report*

The Committee noted that the 1979 Annual Report and the activities of the Bank and IDA had been discussed at these Annual Meetings.

2. *Financial Statements, Annual Audits and Administrative Budgets*

The Committee considered the Financial Statements, Accountants' Reports and Administrative Budgets contained in the 1979 Bank and IDA Annual Report, together with the Report dated August 20, 1979.

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[1] *See page 214.*

The Committee recommends that the Boards of Governors of the Bank and IDA adopt the draft resolutions . . .[1]

3. *Allocation of Net Income of the Bank*

The Committee considered the Report of the Executive Directors dated August 9, 1979 on the Allocation of Net Income . . .[2]

The Committee recommends that the Board of Governors of the Bank adopt the draft resolution . . .[3]

4. *Membership—Seychelles*

The Committee considered the recommendation of the Executive Directors regarding admission of Seychelles to membership in the Bank.

The Committee recommends that the Board of Governors of the Bank adopt the draft resolution . . .[4]

5. *Membership—Solomon Islands*

The Committee considered the recommendation of the Executive Directors regarding the admission of Solomon Islands to membership in IDA.

The Committee recommends that the Board of Governors of IDA adopt the draft resolution . . .[5]

6. *Membership—Djibouti*

The Committee considered the recommendations of the Executive Directors regarding admission of Djibouti to membership in the Bank and IDA.

The Committee recommends that the Boards of Governors of the Bank and IDA adopt the draft resolutions . . .[6]

7. *Membership—Dominica*

The Committee considered the recommendations of the Executive Directors regarding admission of Dominica to membership in the Bank and IDA.

The Committee recommends that the Boards of Governors of the Bank and IDA adopt the draft resolutions . . .[7]

8. *Report of the Executive Directors on Executive Directors' Administrative Arrangements*

The Committee noted the Report of the Executive Directors dated August 3, 1979 entitled "Executive Directors' Administrative Arrangements" . . .[8]

B. The Committee submits the following Report and Recommendations on IFC business:

1. *1979 Annual Report*

The Committee noted that the 1979 Annual Report and the activities of IFC had been discussed at these Annual Meetings.

2. *Financial Statements, Annual Audit and Administrative Budget*

The Committee considered the Financial Statements and the Account-

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[1] *See pages 225 and 247.*
[2] *See page 255.*
[3] *See page 225.*
[4] *See page 225.*
[5] *See page 247.*
[6] *See pages 228 and 249.*
[7] *See pages 230 and 250.*
[8] *See page 254.*

ants' Report contained in the 1979 Annual Report, and the Administrative Budget attached to the Report dated August 20, 1979.

The Committee recommends that the Board of Governors of the IFC adopt the draft resolution . . .[1]

3. *Membership—Djibouti*

The Committee considered the recommendation of the Board of Directors regarding the admission of Djibouti.

The Committee recommends that the Board of Governors of IFC adopt the draft resolution . . .[2]

4. *Membership—Dominica*

The Committee considered the recommendation of the Board of Directors regarding the admission of Dominica.

The Committee recommends that the Board of Governors of IFC adopt the draft resolution . . .[3]

Approved:

/s/ R. D. Muldoon	/s/ Ronnie de Mel
New Zealand—*Chairman*	Sri Lanka—*Reporting Member*

This report was approved and its recommendations were adopted by the Boards of Governors on October 5, 1979.

[1]*See page 240.*
[2]*See page 240.*
[3]*See page 241.*

Report III[1]

October 5, 1979

The Joint Procedures Committee met on October 5, 1979 and submits the following report:

1. *Development Committee*

The Committee noted that the Annual Report of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee) has been presented to the Boards of Governors of the Bank and the Fund pursuant to paragraph 5 of Resolutions Nos. 294 and 29-9 of the Bank and the Fund, respectively, which was supplemented by the communication dated October 1, 1979 from the Chairman of the Development Committee to the Chairman of the Boards of Governors of the Bank and the Fund and the accompanying draft resolution . . .[2]

The Committee recommends that the Boards of Governors of the Bank and the Fund (i) note the report and thank the Development Committee for its work, and (ii) adopt the draft resolution . . .[3]

2. *Officers and Joint Procedures Committee for 1979/80*

The Committee recommends that the Governor for Tanzania be Chairman, and the Governors for Australia and Brazil be Vice Chairmen, of the Boards of Governors of the Bank and its affiliates and of the Fund to hold office until the close of the next Annual Meetings.

It is further recommended that a Joint Procedures Committee be established to be available, after the termination of these Meetings and until the close of the next Annual Meetings, for consultation at the discretion of the Chairmen normally by correspondence and, if the occasion required, by convening; and that this Committee shall consist of the Governors for the following members: Australia, Brazil, Burma, Cameroon, Ecuador, France, Germany, Italy, Japan, Kuwait, Lesotho, Netherlands, Oman, Saudi Arabia, Singapore, Spain, Tanzania, Thailand, United Kingdom, United States, and Venezuela.

It is recommended that the Chairman of the Joint Procedures Committee shall be the Governor for Tanzania, and the Vice Chairmen shall be the Governors for Australia and Brazil, and that the Governor for the United Kingdom shall serve as Reporting Member.

Approved:

/s/ R. D. Muldoon	/s/ Ronnie de Mel
New Zealand—*Chairman*	Sri Lanka—*Reporting Member*

This report was approved and its recommendations were adopted by the Boards of Governors on October 5, 1979.

[1] *Report II related to the business of the Fund.*
[2] *See Annex C, page 272.*
[3] *See page 232.*

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF THE BANK BETWEEN THE 1978 AND 1979 ANNUAL MEETINGS

Resolution No. 331

Amendment of Section 14(c) of the By-Laws of Bank

RESOLVED:

THAT effective April 1, 1978, the figure \$60,000 in Section 14(c) of the By-Laws of the Bank shall be changed to "\$78,000."

(Adopted December 11, 1978)

Resolution No. 332

Increase in Subscription of France to Capital Stock of Bank

RESOLVED:

THAT, pursuant to Article II, Section 3 (b) of the Articles of Agreement of the Bank, the Board of Governors hereby authorizes the acceptance by the Bank of the subscription of France to an additional 1,900 shares of the capital stock of the Bank, upon the following conditions:

(a) That the subscription price per share shall be par;

(b) That France's subscription shall be received by the Bank on or before September 28, 1979, or such later date as the Executive Directors may determine;

(c) That with respect to the subscription price of one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled on the conditions set forth in Resolution No. 129 as governing subscriptions pursuant to Resolution No. 128 of the Board of Governors; and

(d) That before such subscription shall be accepted by the Bank, the following action shall have been taken:

  (i) France shall have taken all action necessary to authorize such subscription and shall furnish to the Bank such information thereon as the Bank may request;

  (ii) with respect to and on account of the subscription price of one-half of such shares, France shall pay to the Bank gold or United States dollars equal to 2% of such price and an amount in its own currency equal to 18% of such price; and

  (iii) France shall have subscribed to 2,875 shares of the capital stock of the Bank, as authorized by Board of Governors' Resolution No. 314 entitled "Special Increases in Subscriptions to Capital Stock" adopted on February 9, 1977.

(Adopted April 26, 1979)

Resolution No. 333

Increase in Subscription of Japan to Capital Stock of Bank

RESOLVED:

THAT, pursuant to Article II, Section 3 (b) of the Articles of Agreement of the Bank, the Board of Governors hereby authorizes the acceptance by the Bank of the subscription of Japan to an additional 4,000 shares of the capital stock of the Bank, upon the following conditions:

(a) That the subscription price per share shall be par;

(b) That Japan's subscription shall be received by the Bank on or before September 28, 1979, or such later date as the Executive Directors may determine;

(c) That with respect to the subscription price of one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled on the conditions set forth in Resolution No. 129 as governing subscriptions pursuant to Resolution No. 128 of the Board of Governors; and

(d) That before such subscription shall be accepted by the Bank, the following action shall have been taken:

  (i) Japan shall have taken all action necessary to authorize such subscription and shall furnish to the Bank such information thereon as the Bank may request; and

  (ii) with respect to and on account of the subscription price of one-half of such shares, Japan shall pay to the Bank gold or United States dollars equal to 2% of such price and an amount in its own currency equal to 18% of such price.

(Adopted April 26, 1979)

Resolution No. 334

Increase in Subscription of Yugoslavia to Capital Stock of Bank

RESOLVED:

THAT, pursuant to Article II, Section 3 (b) of the Articles of Agreement of the Bank, the Board of Governors hereby authorizes the acceptance by the Bank of the subscription of Yugoslavia to an additional 754 shares of the capital stock of the Bank, upon the following conditions:

(a) That the subscription price per share shall be par;

(b) That Yugoslavia's subscription shall be received by the Bank on or before September 28, 1979, or such later date as the Executive Directors may determine;

(c) That with respect to the subscription price of one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled on the conditions set forth in Resolution No. 129 as governing subscriptions pursuant to Resolution No. 128 of the Board of Governors; and

(d) That before such subscription shall be accepted by the Bank, the following action shall have been taken:

(i) Yugoslavia shall have taken all action necessary to authorize such subscriptions and shall furnish to the Bank such information thereon as the Bank may request;

(ii) with respect to and on account of the subscription price of one-half of such shares, Yugoslavia shall pay to the Bank gold or United States dollars equal to 2% of such price and an amount in its own currency equal to 18% of such price; and

(iii) Yugoslavia shall have subscribed to 331 shares of the capital stock of the Bank, as authorized by Board of Governors' Resolution No. 314 entitled "Special Increases in Subscriptions to Capital Stock" adopted on February 9, 1977.

(Adopted April 26, 1979)

Resolution No. 335

Special Increases in Certain Subscriptions to Capital Stock

WHEREAS the Board of Governors of the International Monetary Fund has approved on December 11, 1978, a resolution entitled "Increases in Quotas of Fund Members—Seventh General Review" which proposes increases in the quotas of members up to certain amounts (hereinafter called the Fund Resolution);

WHEREAS in accordance with past practice, members accepting increases in their quotas, but not including any general increase in quotas, are expected to request corresponding increases (sometimes referred to as special increases) in their capital subscriptions in the Bank;

WHEREAS the Executive Directors of the Bank believe that in calculating such special increases only quota increases under the Fund Resolution in excess of 50% of present quotas should be taken into account;

NOW THEREFORE the Board of Governors hereby

RESOLVES:

THAT, pursuant to Article II, Section 3 (b) of the Articles of Agreement of the Bank, the Bank is hereby authorized to accept additional subscriptions to shares of its capital stock upon the following conditions:

1. Each of the members of the Bank listed below may subscribe from time to time prior to September 28, 1979, (or such later date as the Executive Directors may determine) up to the number of additional shares of stock of the Bank set forth opposite its name:

Member Country	Maximum Number of Shares
Iran	446
Iraq	92
Korea	87
Kuwait	278
Lebanon	63
Libya	111
Oman	28
Qatar	34
Saudi Arabia	763
Singapore	82
United Arab Emirates	123

2. Each subscription authorized pursuant to paragraph 1 above shall be on the following terms and conditions:

(a) the subscription price per share shall be par;

(b) with respect to the subscription price of one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled on the conditions set forth in Resolution No. 129 as governing subscriptions pursuant to Resolution No. 128 of the Board of Governors; and

(c) before any subscription shall be accepted by the Bank, the following action shall have been taken:

(i) the member shall have taken all action necessary to authorize such subscription and shall furnish to the Bank such information thereon as the Bank may request; and

(ii) with respect to and on account of the subscription price of one-half of such shares, the member shall pay to the Bank gold or United States dollars equal to 2% of such price and an amount in its own currency equal to 18% of such price.

(Adopted April 30, 1979)

Resolution No. 336

Direct Remuneration of Executive Directors and their Alternates

RESOLVED:

THAT, effective July 1, 1979, the annual rates of remuneration of Executive Directors of the Bank and their Alternates pursuant to Section 14 (e) of the By-Laws shall be as follows:

(i) As salary, $49,100 per year for Executive Directors and $38,600 per year for their Alternates.

(ii) As supplemental allowance (for expenses, including housing and entertainment expenses, except those specified in Section 14 (f) of the By-Laws), $5,400 per year for Executive Directors and $4,300 per year for their Alternates.

(Adopted July 20, 1979)

Resolution No. 337

Benefits of Executive Directors and their Alternates

RESOLVED:

THAT changes in levels of benefits to reflect actual costs, or other minor modifications to existing benefits that do not change the basic nature of such benefits, may be made available to Executive Directors and their Alternates by the Executive Directors of the Bank, provided that significant changes in existing benefits as well as new benefits be considered by the Joint Committee on the Remuneration of Executive Directors and their Alternates pursuant to Section 14(e) of the By-Laws of the Bank and not be made available to Executive Directors and their Alternates until approved by the Board of Governors.

(Adopted July 20, 1979)

Resolution No. 338

Places of Forthcoming Annual Meetings

RESOLVED:

THAT the invitation of the Government of Canada to hold the Annual Meetings in Toronto in 1982 be accepted, AND THAT the Annual Meetings be held in Washington, D.C., in 1981, 1983, and 1984.

(Adopted July 16, 1979)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF THE BANK AT THE 1979 ANNUAL MEETING

Resolution No. 339

Financial Statements, Accountants' Report and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Bank consider the Financial Statements, Accountants' Report and Administrative Budget, included in the 1978/79 Annual Report, as fulfilling the requirements of Article V, Section 13, of the Articles of Agreement and of Section 19 of the By-Laws of the Bank.

(Adopted October 5, 1979)

Resolution No. 340

Allocation of Net Income

RESOLVED:

1. THAT the Report of the Executive Directors dated August 9, 1979 on "Allocation of Net Income" is hereby approved;
2. THAT the Bank transfer to the International Development Association by way of grant the equivalent of $100 million out of the net income of the Bank for the fiscal year ended June 30, 1979 (of which the Association may use a portion for grants for agricultural research of up to 10% of the agricultural research center 1980 budget requirements approved by the Consultative Group on International Agricultural Research, and for grants for the control of onchocerciasis, of up to the equivalent of $2.0 million), such transfer to be made at the time and in the manner to be decided by the Executive Directors;
3. THAT the allocation of the balance of the net income of the Bank for the fiscal year ended June 30, 1979 to the General Reserve is hereby noted with approval.

(Adopted October 5, 1979)

Resolution No. 341

Membership of the Republic of Seychelles

WHEREAS the Government of the Republic of Seychelles has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank; and

WHEREAS, pursuant to Section 20 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of the Republic of Seychelles, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Seychelles shall be admitted to membership in the Bank shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Bank" means International Bank for Reconstruction and Development.
   (b) "Articles" means the Articles of Agreement of the Bank.
   (c) "Subscription" means the capital stock of the Bank subscribed to by a member.
   (d) "Member means member of the Bank.
   (e) "General Capital Increase Resolution" means the resolution entitled "1979 General Capital Increase" attached as Attachment 2 to the report dated July 3, 1979 of the Executive Directors to the Board of Governors entitled "IBRD General Capital Increase."
   (f) "Additional Capital Increase Resolution" means the resolution entitled "1979 Additional Increase in Authorized Capital Stock and Subscriptions Thereto" attached as Attachment 3 to such report.

2. *Subscription:* By accepting membership in the Bank, the Republic of Seychelles shall subscribe to 11 shares of the capital stock of the Bank at par.

3. *Payment on Subscription:*
   (a) Before accepting membership in the Bank, the Republic of Seychelles shall pay to the Bank on account of the subscription price of one-half of such shares:
      (i) Gold or United States dollars equal to 2% thereof; and
      (ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 18% thereof.
   (b) With respect to the subscription price of the other one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled, as set forth in Resolution No. 129, on the same basis as the 2% and 18% portions of subscriptions made pursuant to Resolution No. 128 of the Board of Governors.

4. *Representation and Information:* Before accepting membership in the Bank, the Republic of Seychelles shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraphs 5(c) and (d) of this resolution and the Republic of Seychelles shall furnish to the Bank such information in respect of such action as the Bank may request.

5. *Acceptance of Membership:* The Republic of Seychelles shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution as of the date when the Republic of Seychelles shall have complied with the following requirements:

(a) made the payments called for by paragraph 3 of this resolution;
(b) furnished the representation, and such information as may have been requested, pursuant to paragraph 4 of this resolution;
(c) deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and
(d) signed the original Articles held in the Archives of the Government of the United States of America.

6. *Limitation on Period for Acceptance of Membership:* The Republic of Seychelles may accept membership in the Bank pursuant to this resolution until June 30, 1980, or such later date as the Executive Directors may determine.

7. *Additional Subscription on Terms and Conditions of General Capital Increase Resolution:*

(a) Subject to the approval of the General Capital Increase Resolution by the Board of Governors of the Bank, the Republic of Seychelles may subscribe up to 10 shares of the capital stock of the Bank, subject to adjustment as provided in paragraph 7(b) of this resolution, on the terms and conditions specified in paragraph 4 of the General Capital Increase Resolution.
(b) In the event that the number of shares authorized to be subscribed by each member under the General Capital Increase Resolution shall be reduced pursuant to paragraph 3 thereof, the amount authorized to be subscribed under paragraph 7(a) of this resolution shall be reduced correspondingly (to the nearest number of shares).
(c) The provisions of paragraph 5 of the General Capital Increase Resolution shall apply to the Republic of Seychelles to the same extent as if the subscription authorized by paragraph 7(a) of this resolution had been authorized under paragraph 2 of the General Capital Increase Resolution.

8. *Additional Subscription on Terms and Conditions of Additional Capital Increase Resolution:*

(a) Subject to the approval by the Board of Governors of the Bank and effectiveness of the Additional Capital Increase Resolution, the Republic of Seychelles may subscribe to 250 shares of the capital stock of the Bank on the terms and conditions specified in paragraphs 2 and 3 of the Additional Capital Increase Resolution.
(b) Subscriptions to capital stock pursuant to paragraph 8(a) of this resolution shall not be taken into account in determining the amount of the unimpaired subscribed capital, reserves and surplus of the Bank for purposes of Article III, Section 3 of the Articles of Agreement of the Bank.

(Adopted October 5, 1979)

Resolution No. 342

Membership of the Republic of Djibouti

WHEREAS the Government of the Republic of Djibouti has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank; and

WHEREAS, pursuant to Section 20 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of the Republic of Djibouti, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Djibouti shall be admitted to membership in the Bank shall be as follows:

1. *Definitions:* As used in this resolution:
   - (a) "Bank" means International Bank for Reconstruction and Development.
   - (b) "Articles" means the Articles of Agreement of the Bank.
   - (c) "Subscription" means the capital stock of the Bank subscribed to by a member.
   - (d) "Member" means member of the Bank.
   - (e) "General Capital Increase Resolution" means the resolution entitled "1979 General Capital Increase" attached as Attachment 2 to the report dated July 3, 1979 of the Executive Directors to the Board of Governors entitled "IBRD General Capital Increase".
   - (f) "Additional Capital Increase Resolution" means the resolution entitled "1979 Additional Increase in Authorized Capital Stock and Subscriptions Thereto" attached as Attachment 3 to such report.

2. *Subscription:* By accepting membership in the Bank, the Republic of Djibouti shall subscribe to 31 shares of the capital stock of the Bank at par.

3. *Payment on Subscription:*
   - (a) Before accepting membership in the Bank, the Republic of Djibouti shall pay to the Bank on account of the subscription price of one-half of such shares:
     - (i) Gold or United States dollars equal to 2% thereof; and
     - (ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 18% thereof.
   - (b) With respect to the subscription price of the other one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled, as set forth in Resolution No. 129,

on the same basis as the 2% and 18% portions of subscriptions made pursuant to Resolution No. 128 of the Board of Governors.

4. *Representation and Information:* Before accepting membership in the Bank, the Republic of Djibouti shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraphs 5(c) and (d) of this resolution and the Republic of Djibouti shall furnish to the Bank such information in respect of such action as the Bank may request.

5. *Acceptance of Membership:* The Republic of Djibouti shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution as of the date when the Republic of Djibouti shall have complied with the following requirements:

(a) made the payments called for by paragraph 3 of this resolution;

(b) furnished the representation, and such information as may have been requested, pursuant to paragraph 4 of this resolution;

(c) deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(d) signed the original Articles held in the Archives of the Government of the United States of America.

6. *Limitation on Period for Acceptance of Membership:* The Republic of Djibouti may accept membership in the Bank pursuant to this resolution until June 30, 1980, or such later date as the Executive Directors may determine.

7. *Additional Subscription on Terms and Conditions of General Capital Increase Resolution:*

(a) Subject to the approval of the General Capital Increase Resolution by the Board of Governors of the Bank, the Republic of Djibouti may subscribe up to 29 shares of the capital stock of the Bank, subject to adjustment as provided in paragraph 7(b) of this resolution, on the terms and conditions specified in paragraph 4 of the General Capital Increase Resolution.

(b) In the event that the number of shares authorized to be subscribed by each member under the General Capital Increase Resolution shall be reduced pursuant to paragraph 3 thereof, the amount authorized to be subscribed under paragraph 7(a) of this resolution shall be reduced correspondingly (to the nearest number of shares).

(c) The provisions of paragraph 5 of the General Capital Increase Resolution shall apply to the Republic of Djibouti to the same extent as if the subscription authorized by paragraph 7(a) of this resolution had been authorized under paragraph 2 of the General Capital Increase Resolution.

8. *Additional Subscription on Terms and Conditions of Additional Capital Increase Resolution:*

(a) Subject to the approval by the Board of Governors of the Bank and effectiveness of the Additional Capital Increase Resolution, the Republic of Djibouti may subscribe to 250 shares of the capital stock of the Bank on the terms and conditions specified in paragraphs 2 and 3 of the Additional Capital Increase Resolution.

(b) Subscriptions to capital stock pursuant to paragraph 8(a) of this resolution shall not be taken into account in determining the amount of the unimpaired subscribed capital, reserves and surplus of the Bank for purposes of Article III, Section 3 of the Articles of Agreement of the Bank.

(Adopted October 5, 1979)

Resolution No. 343

Membership of Dominica

WHEREAS the Government of Dominica has applied for admission to membership in the International Bank for Reconstruction and Development in accordance with Section 1(b) of Article II of the Articles of Agreement of the Bank; and

WHEREAS, pursuant to Section 20 of the By-Laws of the Bank, the Executive Directors, after consultation with representatives of the Government of Dominica, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which Dominica shall be admitted membership in the Bank shall be as follows:

1. *Definitions:* As used in this resolution:

(a) "Bank" means International Bank for Reconstruction and Development.

(b) "Articles" means the Articles of Agreement of the Bank.

(c) "Subscription" means the capital stock of the Bank subscribed to by a member.

(d) "Member" means member of the Bank.

(e) "General Capital Increase Resolution" means the resolution entitled "1979 General Capital Increase" attached as Attactment 2 to the report dated July 3, 1979 of the Executive Directors to the Board of Governors entitled "IBRD General Capital Increase".

(f) "Additional Capital Increase Resolution" means the resolution entitled "1979 Additional Increase in Authorized Capital Stock and Subscriptions Thereto" attached as Attactment 3 to such report.

2. *Subscription:* By accepting membership in the Bank, Dominica shall subscribe to 16 shares of the capital stock of the Bank at par.

3. *Payment on Subscription:*

   (a) Before accepting membership in the Bank, Dominica shall pay to the Bank on account of the subscription price of one-half of such shares:

      (i) Gold or United States dollars equal to 2% thereof; and

      (ii) An amount in its own currency which, at the appropriate prevailing exchange rate, shall be equal to 18% thereof.

   (b) With respect to the subscription price of the other one-half of such shares, the 2% portion payable in gold or United States dollars and the 18% portion payable in the currency of the member shall be left uncalled, as set forth in Resolution No. 129, on the same basis as the 2% and 18% portions of subscriptions made pursuant to Resolution No. 128 of the Board of Governors.

4. *Representation and Information:* Before accepting membership in the Bank, Dominica shall represent to the Bank that it has taken all action necessary to sign and deposit the instrument of acceptance and sign the Articles as contemplated by paragraphs 5(c) and (d) of this resolution and Dominica shall furnish to the Bank such information in respect of such action as the Bank may request.

5. *Acceptance of Membership:* Dominica shall become a member of the Bank with a subscription as set forth in paragraph 2 of this resolution as of the date when Dominica shall have complied with the following requirements:

   (a) made the payments called for by paragraph 3 of this resolution;

   (b) furnished the representation, and such information as may have been requested, pursuant to paragraph 4 of this resolution;

   (c) deposited with the Government of the United States of America an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

   (d) signed the original Articles held in the Archives of the Government of the United States of America.

6. *Limitation on Period for Acceptance of Membership:* Dominica may accept membership in the Bank pursuant to this resolution until June 30, 1980, or such later date as the Executive Directors may determine.

7. *Additional Subscription on Terms and Conditions of General Capital Increase Resolution:*

   (a) Subject to the approval of the General Capital Increase Resolution by the Board of Governors of the Bank, Dominica may subscribe up to 15 shares of the capital stock of the Bank, subject to adjustment as provided in paragraph 7(b) of this resolution, on the terms and conditions specified in paragraph 4 of the General Capital Increase Resolution.

(b) In the event that the number of shares authorized to be subscribed by each member under the General Capital Increase Resolution shall be reduced pursuant to paragraph 3 thereof, the amount authorized to be subscribed under paragraph 7(a) of this resolution shall be reduced correspondingly (to the nearest number of shares).

(c) The provisions of paragraph 5 of the General Capital Increase Resolution shall apply to Dominica to the same extent as if the subscription authorized by paragraph 7(a) of this resolution had been authorized under paragraph 2 of the General Capital Increase Resolution.

8. *Additional Subscription on Terms and Conditions of Additional Capital Increase Resolution:*

(a) Subject to the approval by the Board of Governors of the Bank and effectiveness of the Additional Capital Increase Resolution, Dominica may subscribe to 250 shares of the capital stock of the Bank on the terms and conditions specified in paragraphs 2 and 3 of the Additional Capital Increase Resolution.

(b) Subscriptions to capital stock pursuant to paragraph 8(a) of this resolution shall not be taken into account in determining the amount of the unimpaired subscribed capital, reserves and surplus of the Bank for purposes of Article III, Section 3 of the Articles of Agreement of the Bank.

(Adopted October 5, 1979)

Resolution No. 344

Review of Performance of the Development Committee

WHEREAS the Board of Governors at its 1978 Annual Meeting adopted Resolution No. 327 entitled "Review of the Performance of the Development Committee", which provides that at the end of two years the Boards of Governors of the Bank and the Fund shall review the performance of the Committee, after receiving the views and recommendations of the Executive Boards of the Bank and the Fund and of the Committee; and

WHEREAS the Development Committee has recommended that this review be made by the Boards of Governors at the Annual Meetings to be held in 1981,

NOW, THEREFORE, *the Board of Governors hereby resolves:*

That paragraph (b) of Board of Governors Resolution No. 327 be replaced by the following:

"(b) That at the Annual Meetings of the Bank and the Fund to be held in 1981, the Boards of Governors of the Bank and the Fund shall again review the performance of the Committee and shall take such action as they deem appropriate, taking into account (i) the views and recommendations of the Executive Boards of the Bank and the Fund, expressed at an appropriate time but not later than June 30, 1981, and (ii) the views and recommendations of the Development Committee;"

(Adopted October 5, 1979)

Resolution No. 345

Resolution of Appreciation

RESOLVED:

That the Governors of the International Bank for Reconstruction and Development, the Bank's affiliates, and the International Monetary Fund express their deep appreciation to President Tito of Yugoslavia, to the Yugoslav Government, and to the people of Yugoslavia and of Belgrade for their gracious reception and hospitality;

That they express their warm congratulations and appreciation for the exceptional facilities of the Sava Centar complex;

And that they express particular appreciation to the Governors and Alternate Governors for Yugoslavia and to their associates for the creative effort and imagination which they contributed toward ensuring the success of the 1979 Annual Meetings.

(Adopted October 5, 1979)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IFC BETWEEN THE 1978 AND 1979 ANNUAL MEETINGS

Resolution No. 104

Membership of the Republic of Niger

WHEREAS the Government of the Republic of Niger has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of the Republic of Niger, has made recommendations to the Board of Governors regarding the application of said Government;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Niger shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Corporation" means International Finance Corporation.
   (b) "Articles" means the Articles of Agreement of the Corporation.
   (c) "Dollars" or "$" means United States dollars.
   (d) "Subscription" means the Capital Stock of the Corporation subscribed by a member.
   (e) "Member" means member of the Corporation.

2. *Subscription:* By accepting membership in the Corporation, the Republic of Niger shall subscribe to 67 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. *Payment of Subscription:* Before accepting membership in the Corporation, the Republic of Niger shall pay $67,000 to the Corporation in full payment of the capital stock subscribed.

4. *Information:* Before accepting membership in the Corporation, the Republic of Niger shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. *Acceptance of Membership:* The Republic of Niger shall become a member of the Corporation with a subscription as set forth in paragraph 2 of this resolution, as of the date when the Republic of Niger shall have complied with the following requirements:
   (a) made the payment called for by paragraph 3 of this resolution;
   (b) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;
   (c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without

reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(d) signed the original Articles held by the International Bank for Reconstruction and Development.

6. *Limitation on Period for Acceptance of Membership:* The Republic of Niger may accept membership in the Corporation pursuant to this resolution until June 29, 1979, or such later date as the Board of Directors may determine.

(Adopted February 7, 1979)

Resolution No. 105

Membership of Fiji

WHEREAS the Government of Fiji has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of Fiji, has made recommendations to the Board of Governors regarding the application of said Government;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which Fiji shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Corporation" means International Finance Corporation.
   (b) "Articles" means the Articles of Agreement of the Corporation.
   (c) "Dollars" or "$" means United States dollars.
   (d) "Subscription" means the Capital Stock of the Corporation subscribed by a member.
   (e) "Member" means member of the Corporation.

2. *Subscription:* By accepting membership in the Corporation, Fiji shall subscribe to 74 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. *Payment of Subscription:* Before accepting membership in the Corporation, Fiji shall pay $74,000 to the Corporation in full payment of the capital stock subscribed.

4. *Information:* Before accepting membership in the Corporation, Fiji shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. *Acceptance of Membership:* Fiji shall become a member of the Cor-

poration with a subscription as set forth in paragraph 2 of this resolution, as of the date when Fiji shall have complied with the following requirements:

(a) made the payment called for by paragraph 3 of this resolution;
(b) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;
(c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and
(d) signed the original Articles held by the International Bank for Reconstruction and Development.

6. *Limitation on Period for Acceptance of Membership:* Fiji may accept membership in the Corporation pursuant to this resolution until June 29, 1979, or such later date as the Board of Directors may determine.

(Adopted February 12, 1979)

Resolution No. 106

Membership of the Republic of Botswana

WHEREAS the Government of the Republic of Botswana has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of the Republic of Botswana, has made recommendations to the Board of Governors regarding the application of said Government;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Botswana shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this resolution:
(a) "Corporation" means International Finance Corporation.
(b) "Articles" means the Articles of Agreement of the Corporation.
(c) "Dollars" or "$" means United States dollars.
(d) "Subscription" means the Capital Stock of the Corporation subscribed by a member.
(e) "Member" means member of the Corporation.

2. *Subscription:* By accepting membership in the Corporation, the Republic of Botswana shall subscribe to 29 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. *Payment of Subscription:* Before accepting membership in the Corporation, the Republic of Botswana shall pay $29,000 to the Corporation in full payment of the capital stock subscribed.

4. *Information:* Before accepting membership in the Corporation, the Republic of Botswana shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. *Acceptance of Membership:* The Republic of Botswana shall become a member of the Corporation with a subscription as set forth in paragraph 2 of this resolution, as of the date when the Republic of Botswana shall have complied with the following requirements:

(a) made the payment called for by paragraph 3 of this resolution;

(b) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;

(c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(d) signed the original Articles held by the International Bank for Reconstruction and Development.

6. *Limitation on Period for Acceptance of Membership:* The Republic of Botswana may accept membership in the Corporation pursuant to this resolution until June 29, 1979, or such later date as the Board of Directors may determine.

(Adopted February 26, 1979)

Resolution No. 107

Membership of the People's Republic of the Congo

WHEREAS the Government of the People's Republic of the Congo has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of the People's Republic of the Congo, has made recommendations to the Board of Governors regarding the application of said Government;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the People's Republic of the Congo shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Corporation" means International Finance Corporation.
   (b) "Articles" means the Articles of Agreement of the Corporation.
   (c) "Dollars" or "$" means United States dollars.
   (d) "Subscription" means the Capital Stock of the Corporation subscribed by a member.
   (e) "Member" means member of the Corporation.

2. *Subscription:* By accepting membership in the Corporation, the People's Republic of the Congo shall subscribe to 67 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. *Payment of Subscription:* Before accepting membership in the Corporation, the People's Republic of the Congo shall pay $67,000 to the Corporation in full payment of the capital stock subscribed.

4. *Information:* Before accepting membership in the Corporation, the People's Republic of the Congo shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. *Acceptance of Membership:* The People's Republic of the Congo shall become a member of the Corporation with a subscription as set forth in paragraph 2 of this resolution, as of the date when the People's Republic of the Congo shall have complied with the following requirements:
   (a) made the payment called for by paragraph 3 of this resolution;
   (b) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;
   (c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and
   (d) signed the orginal Articles held by the International Bank for Reconstruction and Development.

6. *Limitation on Period for Acceptance of Membership:* The People's Republic of the Congo may accept membership in the Corporation pursuant to this resolution until June 29, 1979, or such later date as the Board of Directors may determine.

(Adopted March 8, 1979)

Resolution No. 108

Membership of the Republic of Burundi

WHEREAS the Government of the Republic of Burundi has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of the Republic of Burundi, has made recommendations to the Board of Governors regarding the application of said Government;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Burundi shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Corporation" means International Finance Corporation.
   (b) "Articles" means the Articles of Agreement of the Corporation.
   (c) "Dollars" or "$" means United States dollars.
   (d) "Subscription" means the Capital Stock of the Corporation subscribed by a member.
   (e) "Member" means member of the Corporation.

2. *Subscription:* By accepting membership in the Corporation, the Republic of Burundi shall subscribe to 100 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. *Payment of Subscription:* Before accepting membership in the Corporation, the Republic of Burundi shall pay $100,000 to the Corporation in full payment of the capital stock subscribed.

4. *Information:* Before accepting membership in the Corporation, the Republic of Burundi shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. *Acceptance of Membership:* The Republic of Burundi shall become a member of the Corporation with a subscription as set forth in paragraph 2 of this resolution, as of the date when the Republic of Burundi shall have complied with the following requirements:
   (a) made the payment called for by paragraph 3 of this resolution;
   (b) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;
   (c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and
   (d) signed the original Articles held by the International Bank for Reconstruction and Development.

6. *Limitation on Period for Acceptance of Membership:* The Republic of Burundi may accept membership in the Corporation pursuant to this resolution until December 28, 1979, or such later date as the Board of Directors may determine.

(Adopted May 4, 1979)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IFC AT THE 1979 ANNUAL MEETING

Resolution No. 109

Financial Statements, Accountants' Report and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Corporation consider the Financial Statements and the Accountants' Report, included in the 1978/79 Annual Report, and the Administrative Budget attached to the Report dated August 20, 1979, as fulfilling the requirements of Article IV, Section 11, of the Articles of Agreement and of Section 16 of the By-Laws of the Corporation.

(Adopted October 5, 1979)

Resolution No. 110

Membership of the Republic of Djibouti

WHEREAS the Government of the Republic of Djibouti has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of the Republic of Djibouti, has made recommendations to the Board of Governors regarding the application of said Government;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Djibouti shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this resolution:
   - (a) "Corporation" means International Finance Corporation.
   - (b) "Articles" means the Articles of Agreement of the Corporation.
   - (c) "Dollars" or "$" means United States dollars.
   - (d) "Subscription" means the Capital Stock of the Corporation subscribed by a member.
   - (e) "Member" means member of the Corporation.

2. *Subscription:* By accepting membership in the Corporation, the Republic of Djibouti shall subscribe to 21 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. *Payment of Subscription:* Before accepting membership in the Corporation, the Republic of Djibouti shall pay $21,000 to the Corporation in full payment of the capital stock subscribed.

4. *Information:* Before accepting membership in the Corporation, the Republic of Djibouti shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. *Acceptance of Membership:* The Republic of Djibouti shall become a member of the Corporation with a subscription as set forth in paragraph 2 of this resolution, as of the date when the Republic of Djibouti shall have complied with the following requirements:

(a) become a member of the International Bank for Reconstruction and Development;

(b) made the payment called for by paragraph 3 of this resolution;

(c) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;

(d) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(e) signed the original Articles held by the International Bank for Reconstruction and Development.

6. *Limitation on Period for Acceptance of Membership:* The Republic of Djibouti may accept membership in the Corporation pursuant to this resolution until June 30, 1980, or such later date as the Board of Directors may determine.

(Adopted October 5, 1979)

Resolution No. 111

Membership of Dominica

WHEREAS the Government of Dominica has applied for admission to membership in the International Finance Corporation in accordance with Section 1(b) of Article II of the Articles of Agreement of the Corporation; and

WHEREAS, pursuant to Section 17 of the By-Laws of the Corporation, the Board of Directors, after consultation with representatives of the Government of Dominica, has made recommendations to the Board of Governors regarding the application of said Government;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which Dominica shall be admitted to membership in the Corporation shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Corporation" means International Finance Corporation.
   (b) "Articles" means the Articles of Agreement of the Corporation.
   (c) "Dollars" or "$" means United States dollars.
   (d) "Subscription" means the Capital Stock of the Corporation subscribed by a member.
   (e) "Member" means member of the Corporation.

2. *Subscription:* By accepting membership in the Corporation, Dominica shall subscribe to 11 shares of the capital stock of the Corporation at the par value of $1,000 per share.

3. *Payment of Subscription:* Before accepting membership in the Corporation, Dominica shall pay $11,000 to the Corporation in full payment of the capital stock subscribed.

4. *Information:* Before accepting membership in the Corporation, Dominica shall furnish to the Corporation such information relating to its application for membership as the Corporation may request.

5. *Acceptance of Membership:* Dominica shall become a member of the Corporation with a subscription as set forth in paragraph 2 of this resolution, as of the date when Dominica shall have complied with the following requirements:
   (a) become a member of the International Bank for Reconstruction and Development;
   (b) made the payment called for by paragraph 3 of this resolution;
   (c) furnished such information as may have been requested by the Corporation pursuant to paragraph 4 of this resolution;
   (d) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted without reservation in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and
   (e) signed the original Articles held by the International Bank for Reconstruction and Development.

6. *Limitation on Period for Acceptance of Membership:* Dominica may accept membership in the Corporation pursuant to this resolution until June 30, 1980, or such later date as the Board of Directors may determine.

(Adopted October 5, 1979)

Resolution No. 112

Resolution of Appreciation

RESOLVED:

That the Governors of the International Bank for Reconstruction and Development, the Bank's affiliates, and the International Monetary Fund express their deep appreciation to President Tito of Yugoslavia, to the Yugoslav Government, and to the people of Yugoslavia and of Belgrade for their gracious reception and hospitality;

That they express their warm congratulations and appreciation for the exceptional facilities of the Sava Centar complex;

And that they express particular appreciation to the Governors and Alternate Governors for Yugoslavia and to their associates for the creative effort and imagination which they contributed toward ensuring the success of the 1979 Annual Meetings.

(Adopted October 5, 1979)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IDA BETWEEN THE 1978 AND 1979 ANNUAL MEETINGS

Resolution No. 109

Fifth Replenishment: Adjustment of Voting Rights of Australia, Ireland, Kuwait, the Netherlands, Norway, Saudi Arabia and the United Kingdom

WHEREAS

(a) Australia, Ireland, Kuwait, the Netherlands, Norway, Saudi Arabia and the United Kingdom have made or agreed to make additional contributions to the Fifth Replenishment of the resources of the Association (hereinafter referred to as the additional contributions);

(b) it is proposed that voting rights be accorded to such members in respect of the additional contributions on the basis hereinafter set forth;

(c) the remaining members have waived their rights to subscribe, under the provisions of Article III, Section 1(c), an amount which would enable each of them to maintain its relative voting power;

NOW THEREFORE THE BOARD OF GOVERNORS RESOLVES AS FOLLOWS:

(a) the additional contributions shall be divided into subscriptions carrying voting rights and contributions not carrying voting rights as specified in the table attached hereto;

(b) Australia, Ireland, Kuwait, the Netherlands, Norway, Saudi Arabia and the United Kingdom shall, in respect of such subscriptions, have the voting rights specified in the table attached hereto, calculated on the basis of one vote per $25 of each such subscription.

(Adopted November 2, 1978)

TABLE
CALCULATION OF ADDITIONAL VOTES

	Additions to Contributions and Subscriptions[1]			
Country	*Total Resources*	*Contributions*	*Subscriptions*	*Additional Subscription Votes*
Australia	9000	8973.225	26.775	1071
Ireland	1408	1403.800	4.200	168
Kuwait	20000	19940.475	59.525	2381
Netherlands	8600	8574.400	25.600	1024
Norway	5000	4985.125	14.875	595
Saudi Arabia	100000	99702.400	297.600	11904
United Kingdom	1500	1495.525	4.475	179

[1] Thousands of U.S. dollars equivalent, at IMF representative exchange rates of March 14, 1977, except for the contribution and subscription of Saudi Arabia which are reflected at the April 11, 1978 rate of exchange.

Resolution No. 110

Membership of the United Arab Emirates

WHEREAS the Government of the United Arab Emirates has applied for admission to membership in the International Development Association in accordance with Section 1(b) of Article II of the Articles of Agreement of the Association;

WHEREAS the Government of the United Arab Emirates has decided to make resources available to the Association under the Fifth Replenishment as set forth in the Report of the Executive Directors to the Board of Governors on Additions to IDA Resources; Fifth Replenishment dated March 29, 1977; and

WHEREAS, pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Government of the United Arab Emirates, have made recommendations to the Board of Governors regarding the application of the United Arab Emirates for admission to membership in the Association;

NOW, THEREFORE, the Board the Governors hereby

RESOLVES:

THAT the terms and conditions upon which the United Arab Emirates shall be admitted to membership in the Association shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Association" means International Development Association.
   (b) "Articles" means the Articles of Agreement of the Association.
   (c) "Dh" means dirhams in currency of the United Arab Emirates.
   (d) "$" means dollars in currency of the United States of America.
   (e) "Board of Governors" means the Board of Governors of the Association.
2. *Terms and Conditions of Membership:*
   (a) The terms and conditions of the membership of the United Arab Emirates in the Association other than those specifically provided for in this resolution shall be those set forth in the Articles with respect to the membership of original members listed in Part I of Schedule A thereof.
   (b) Upon accepting membership in the Association the United Arab Emirates shall make resources available to the Association divided into a subscription carrying voting rights in the amount of Dh 595,213 (equivalent to $151,050 at the IMF representative exchange rate of March 14, 1977) and into a contribution not carrying voting rights in the amount of Dh 199,404,787 (equivalent to $50,603,930 at the IMF representative exchange rate of March 14, 1977).
   (c) The United Arab Emirates shall, in respect of such subscription, have 13,342 votes, calculated on the basis of 7,300 membership votes plus 6,042 subscription votes.

(d) Payment of such subscription and contribution shall be made on the same basis, and the rights and obligations of the Association and the United Arab Emirates with respect to such subscription and contribution shall be on the same terms and conditions, as provided in Section B of the Fifth Replenishment Resolution of the Board of Governors for the subscriptions and contributions of Part I members.

(e) The United Arab Emirates may accept membership in the Association pursuant to this Resolution until December 28, 1979, or such later date as the Executive Directors may determine.

(Adopted June 21, 1979)

Resolution No. 111

Fifth Replenishment: Additional
Subscriptions by Comoros and Guinea-Bissau

WHEREAS the Executive Directors submitted a Report dated March 29, 1977, together with a draft resolution, to the Board of Governors recommending, *inter alia,* that the Board of Governors authorize the acceptance of certain additional subscriptions by Part II members carrying voting rights as described therein in order to permit them to maintain their relative voting power;

WHEREAS the said resolution (hereinafter called the Fifth Replenishment Resolution) was adopted on June 16, 1977;

WHEREAS no additional subscriptions were provided under the fifth Replenishment Resolution for Guinea-Bissau and Comoros which became Part II members of the Association on March 25, 1977, and December 9, 1977, respectively;

WHEREAS it would be desirable to permit Comoros and Guinea-Bissau to make additional subscriptions carrying voting rights on the same basis as that accorded to other Part II members under Section D of the Fifth Replenishment Resolution;

NOW THEREFORE the Board of Governors hereby resolves that:

(a) The Association be authorized to accept additional subscriptions from Comoros and Guinea-Bissau in the amounts and carrying the voting rights as set forth for each of said members, respectively, in the table in paragraph 2 of the Report of the Executive Directors dated July 16, 1979 which submitted this Resolution calculated on the basis of 1,700 votes plus one additional vote per $25 of such subscriptions; and

(b) The rights and obligations of the Association and of Comoros and Guinea-Bissau with regard to such additional subscriptions shall be the same as those which are applicable to the subscriptions authorized for Part II members under Section D of the Fifth Replenishment Resolution.

(Adopted August 21, 1979)

RESOLUTIONS ADOPTED BY THE BOARD OF GOVERNORS OF IDA AT THE 1979 ANNUAL MEETING

Resolution No. 112

Financial Statements, Accountants' Report and Administrative Budget

RESOLVED:

THAT the Board of Governors of the Association consider the Financial Statements, Accountants' Report and Administrative Budget, included in the 1978/79 Annual Report, as fulfilling the requirements of Article VI, Section 11, of the Articles of Agreement and of Section 8 of the By-Laws of the Association.

(Adopted October 5, 1979)

Resolution No. 113

Membership of Solomon Islands

WHEREAS the Government of Solomon Islands has applied for admission to membership in the International Development Association in accordance with Section 1(b) of Article II of the Articles of Agreement of the Association; and

WHEREAS, pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Government of Solomon Islands, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Solomon Islands shall be admitted to membership in the Association shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Association" means International Development Association.
   (b) "Articles" means the Articles of Agreement of the Association.
   (c) "Dollars" or "$" means dollars in currency of the United States of America.
2. *Initial Subscription:*
   (a) The terms and conditions of the membership of the Solomon Islands in the Association other than those specifically provided for in this resolution shall be those set forth in the Articles with respect to the membership of original members listed in Part II of Schedule A thereof (including, but not by way of limitation,

the terms and conditions relating to subscriptions, payments on subscriptions, usability of currencies and voting rights).

(b) Upon accepting membership in the Association, the Solomon Islands shall subscribe funds in the amount of $90,000 expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960.

(c) Before accepting membership in the Association, the Solomon Islands shall make all payments on its initial subscription which would have been payable on or before the date of acceptance had it become a member of the Association as an original member listed in Part II of Schedule A of the Articles.

3. *Acceptance of Membership:* The Solomon Islands shall become a member of the Association with a subscription as set forth in paragraph 2(b) of this resolution as of the date when the Solomon Islands shall have complied with the following requirements:

(a) made the payments called for by paragraphs 2(b) and (c) of this resolution;

(b) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted in accordance with its laws the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(c) signed the original Articles held in the archives of the International Bank for Reconstruction and Development.

4. *Limitation on Period for Acceptance of Membership:* The Solomon Islands may accept membership in the Association pursuant to this resolution until June 30, 1980, or such later date as the Executive Directors of the Association may determine.

5. *Additional Subscription:*

(a) Upon or after acceptance of membership, the Solomon Islands shall also be authorized at its option to make an additional subscription in the amount of $8,621 which shall carry 7,019 votes.

(b) Payment of such additional subscription shall be made in the currency of the Solomon Islands within 30 days after the Solomon Islands notifies the Association of its intention to make such additional subscription.

(c) The rights and obligations of the Association and the Solomon Islands with regard to such additional subscription shall be the same (except as otherwise provided in this resolution) as those which govern the 90% portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles by members listed in Part II of Schedule A of the Articles, provided, however, that the provisions of Article IV, Section 2 of the Articles shall not be applicable to such subscription.

(Adopted October 5, 1979)

Resolution No. 114

Membership of the Republic of Djibouti

WHEREAS the Government of the Republic of Djibouti has applied for admission to membership in the International Development Association in accordance with Section 1(b) of Article II of the Articles of Agreement of the Association; and

WHEREAS, pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Government of the Republic of Djibouti, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which the Republic of Djibouti shall be admitted to membership in the Association shall be as follows:

1. *Definitions:* As used in this resolution:
   - (a) "Association" means International Development Association.
   - (b) "Articles" means the Articles of Agreement of the Association.
   - (c) "Dollars" or "$" means dollars in currency of the United States of America.
2. *Initial Subscription:*
   - (a) The terms and conditions of the membership of the Republic of Djibouti in the Association other than those specifically provided for in this resolution shall be those set forth in the Articles with respect to the membership of original members listed in Part II of Schedule A thereof (including, but not by way of limitation, the terms and conditions relating to subscriptions, payments on subscriptions, usability of currencies and voting rights).
   - (b) Upon accepting membership in the Association, the Republic of Djibouti shall subscribe funds in the amount of $160,000 expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960.
   - (c) Before accepting membership in the Association, the Republic of Djibouti shall make all payments on its initial subscription which would have been payable on or before the date of acceptance had it become a member of the Association as an original member listed in Part II of Schedule A of the Articles.

3. *Acceptance of Membership:* The Republic of Djibouti shall become a member of the Association with a subscription as set forth in paragraph 2(b) of this resolution as of the date when the Republic of Djibouti shall have complied with the following requirements:
   - (a) become a member of the International Bank for Reconstruction and Development;
   - (b) made the payments called for by paragraphs 2(b) and (c) of this resolution;

(c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted in accordance with its law the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and

(d) signed the original Articles held in the archives of the International Bank for Reconstruction and Development.

4. *Limitation on Period for Acceptance of Membership:* The Republic of Djibouti may accept membership in the Association pursuant to this resolution until June 30, 1980 or such later date as the Executive Directors of the Association may determine.

5. *Additional Subscription:*

(a) Upon or after acceptance of membership, the Republic of Djibouti shall also be authorized at its option to make an additional subscription in the amount of $15,881 which shall carry 7,215 votes.

(b) Payment of such additional subscription shall be made in the currency of the Republic of Djibouti within 30 days after the Republic of Djibouti notifies the Association of its intention to make such additional subscription.

(c) The rights and obligations of the Association and the Republic of Djibouti with regard to such additional subscription shall be the same (except as otherwise provided in this resolution) as those which govern the 90% portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles by members listed in Part II of Schedule A of the Articles, provided, however, that the provisions of Article IV, Section 2 of the Articles shall not be applicable to such subscription.

(Adopted October 5, 1979)

Resolution No. 115

Membership of Dominica

WHEREAS the Government of Dominica has applied for admission to membership in the International Development Association in accordance with Section 1(b) of Article II of the Articles of Agreement of the Association; and

WHEREAS, pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Government of Dominica, have made recommendations to the Board of Governors regarding this application;

NOW, THEREFORE, the Board of Governors hereby

RESOLVES:

THAT the terms and conditions upon which Dominica shall be admitted to membership in the Association shall be as follows:

1. *Definitions:* As used in this resolution:
   (a) "Association" means International Development Association.
   (b) "Articles" means the Articles of Agreement of the Association.
   (c) "Dollars" or "$" means dollars in currency of the United States of America.
2. *Initial Subscription:*
   (a) The terms and conditions of the membership of Dominica in the Association other than those specifically provided for in this resolution shall be those set forth in the Articles with respect to the membership of original members listed in Part II of Schedule A thereof (including, but not by way of limitation, the terms and conditions relating to subscriptions, payments on subscriptions, usability of currencies and voting rights).
   (b) Upon accepting membership in the Association, Dominica shall subscribe funds in the amount of $80,000 expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960.
   (c) Before accepting membership in the Association, Dominica shall make all payments on its initial subscription which would have been payable on or before the date of acceptance had it become a member of the Association as an original member listed in Part II of Schedule A of the Articles.

3. *Acceptance of Membership:* Dominica shall become a member of the Association with a subscription as set forth in paragraph 2(b) of this resolution as of the date when Dominica shall have complied with the following requirements:
   (a) become a member of the International Bank for Reconstruction and Development;
   (b) made the payments called for by paragraphs 2(b) and (c) of this resolution;
   (c) deposited with the International Bank for Reconstruction and Development an instrument stating that it has accepted in accordance with its laws the Articles and all the terms and conditions prescribed in this resolution, and that it has taken all steps necessary to enable it to carry out all its obligations under the Articles and this resolution; and
   (d) signed the original Articles held in the archives of the International Bank for Reconstruction and Development.

4. *Limitation on Period for Acceptance of Membership:* Dominica may accept membership in the Association pursuant to this resolution until June 30, 1980, or such later date as the Executive Directors of the Association may determine.

5. *Additional Subscription:*
   (a) Upon or after acceptance of membership, Dominica shall also be authorized at its option to make an additional subscription in the amount of $7,939 which shall carry 7,006 votes.

(b) Payment of such additional subscription shall be made in the currency of Dominica within 30 days after Dominica notifies the Association of its intention to make such additional subscription.

(c) The rights and obligations of the Association and Dominica with regard to such additional subscription shall be the same (except as otherwise provided in this resolution) as those which govern the 90% portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles by members listed in Part II of Schedule A of the Articles, provided, however, that the provisions of Article IV, Section 2 of the Articles shall not be applicable to such subscription.

(Adopted October 5, 1979)

Resolution No. 116

Resolution of Appreciation

RESOLVED:

That the Governors of the International Bank for Reconstruction and Development, the Bank's affiliates, and the International Monetary Fund express their deep appreciation to President Tito of Yugoslavia, to the Yugoslav Government, and to the people of Yugoslavia and of Belgrade for their gracious reception and hospitality;

That they express their warm congratulations and appreciation for the exceptional facilities of the Sava Centar complex;

And that they express particular appreciation to the Governors and Alternate Governors for Yugoslavia and to their associates for the creative effort and imagination which they contributed toward ensuring the success of the 1979 Annual Meetings.

(Adopted October 5, 1979)

REPORTS OF THE EXECUTIVE DIRECTORS OF THE BANK

FRANCE—Increase in Subscription

1. The Government of France has expressed the desire to increase its subscription to the capital stock of the Bank and to subscribe to 1,900 additional shares of said capital stock.

2. The attached resolution[1] is recommended for adoption by the Board of Governors.

This report was approved and its recommendation was adopted on April 26, 1979.

JAPAN—Increase in Subscription

1. The Government of Japan has expressed the desire to increase its subscription to the capital stock of the Bank and to subscribe to 4,000 additional shares of said capital stock.

2. The attached resolution [2] is recommended for adoption by the Board of Governors.

This report was approved and its recommendation was adopted on April 26, 1979.

YUGOSLAVIA—Increase in Subscription

1. The Government of Yugoslavia has expressed the desire to increase its subscription to the capital stock of the Bank and to subscribe to 754 additional shares of said capital stock.

2. The attached resolution [3] is recommended for adoption by the Board of Governors.

This report was approved and its recommendation was adopted on April 26, 1979.

Special Increases in Certain Subscriptions to Capital Stock

1. On December 11, 1978, the Board of Governors of the International Monetary Fund, having considered a report of the Fund Executive Directors dated October 25, 1978, and entitled "Increase in Quotas of Fund Members—Seventh General Review," adopted a resolution providing for increases in the present quotas of members of the Fund.

2. It is a long-standing policy of the Bank that individual members accepting special increases in their quotas in the Fund are expected to request special increases in their subscriptions to the capital of the Bank. The Executive Directors are of the opinion that the Bank should continue to adhere to this policy.

3. In formulating specific recommendations to this end, the Executive

[1] *See page 220.*
[2] *See page 221.*
[3] *See page 221.*

Directors have considered that of the quota increases authorized for members of the Fund, only the part in excess of 50% of each member's present quota should be regarded as a special quota increase. Thus, the increase of quotas in excess of 50% of present quotas has been taken as the basis for special increases in Bank subscriptions, in keeping with past practice.

4. The resulting proposed increases in the capital shares of individual members are set forth in the table in paragraph 1 of the attached draft resolution.[1] In accordance with the procedure adopted in connection with past special increases in Bank capital subscriptions and in parallel with the resolution of the Fund's Board of Governors referred to in paragraph 1 above, the proposed resolution authorizes a maximum subscription for each member, which may be taken up by that member either in whole, or in part from time to time.

5. The Executive Directors recommend that the Board of Governors adopt the attached resolution.[1]

This report was approved and its recommendation was adopted on April 30, 1979.

Executive Directors' Administrative Arrangements

1. On July 20, 1979 the Board of Governors approved a resolution annexed to a report of the Joint Committee on Remuneration of Executive Directors and Alternates formalizing the procedure adopted by the Executive Directors on April 16, 1974 under which changes in levels of benefits to reflect actual costs, or other minor modifications to existing benefits that do not change the basic nature of such benefits, may be made available to Executive Directors and their Alternates by the Executive Directors of the Bank.

2. The following modifications to benefits in FY1979 are reported, with effective date, where applicable, in parentheses:

(a) Revision of representation allowance at the 1978 Annual Meetings to take account of price increases;

(b) Revision of official representation allowance in Washington to take account of price increases (September 21, 1978);

(c) Change from $75 to $80 in the special per diem allowance for official travel to certain high cost cities, from $60 to $65 in the standard per diem allowance, and in the mixed rate formula whereby up to $50 for meals, tips and valet may be claimed for very high cost cities, to meet increasing costs (March 17, 1979); and

(d) Extension of staff benefits on adjustment in education benefits to permit local currency payments to be denominated at average exchange rate for September 1976, to offset the effects of the intervening fluctuations in the US dollar (March 17, 1979).

This report was reviewed and noted without objection by the Board of Governors on October 5, 1979.

[1]*See page 222.*

Allocation of Net Income

1. The Bank's net income available for allocation for the fiscal year ended June 30, 1979 is estimated at $406 million. A net translation adjustment due to exchange rate changes of $115 million has been credited directly to the General Reserve. As of June 30, 1979, the Special Reserve created under Article IV, Section 6 of the Bank's Articles of Agreement totalled $293 million and, without regard to the 1979 fiscal year's income, the General Reserve amounted to $2205 million. Total reserves including accumulated net income therefore amounted to $2904 million, of which the $293 million in the Special Reserve is kept in liquid form, the remainder being used in the business of the Bank.

2. The Executive Directors have considered what action to take, or to recommend that the Board of Governors take, with respect to the net income for the fiscal year ended June 30, 1979.

3. The Executive Directors have considered what portion of that net income, if any, they should recommend that the Board of Governors transfer to the International Development Association and what portion thereof should be allocated to the General Reserve. The Executive Directors have concluded that that part of such net income which it is not necessary to retain in the Bank's business amounts to $100 million. They have further concluded that the interests of the Bank and its members would best be served by the transfer of that amount to the International Development Association by way of grant.

4. The Executive Directors consider that from this grant there should be available to the International Development Association (i) for grants by it for agricultural research during calendar year 1980 up to 10% (or approximately $12 million under present estimates) of the agricultural research center 1980 budget requirements approved by the Consultative Group on International Agricultural Research and (ii) for grants by it during calendar year 1980 for the control of onchocerciasis in the Volta River basin, up to the equivalent of $2.0 million. Such grants would in each case be subject to specific approval by the Executive Directors of the International Development Association. Any amount not used for such grants will be available for lending by the International Development Association.

5. The Executive Directors have allocated the balance of such net income to the General Reserve.

6. As far as drawings on the transfer are concerned, the attached draft resolution provides that the transfer would be made at the time and in the manner to be decided by the Executive Directors.

7. Accordingly, the Executive Directors recommend that the Board of Governors approve the present Report and adopt the draft resolution. . . .[1]

This reports was approved and its recommendation was adopted on October 5, 1979.

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[1] *See page 225.*

REPORTS OF THE EXECUTIVE DIRECTORS OF IDA

Fifth Replenishment: Adjustment of Voting Rights of Australia, Ireland, Kuwait, the Netherlands, Norway, Saudi Arabia and the United Kingdom

1. The Report of the Executive Directors to the Board of Governors on "Additions to Resources; Fifth Replenishment," dated March 29, 1977, envisaged contributions to the Fifth Replenishment in an amount equivalent to $7,638 million. This figure included an "unallocated" amount of $51.66 million. Accordingly, the Report and the Fifth Replenishment Resolution (Resolution No. 102 of June 16, 1977) provided for the possibility of additional voluntary contributions to eliminate the unallocated amount.

2. Since that time, the Executive Directors have approved resolutions authorizing the acceptance by the Association of further contributions totalling $145,510,000 by seven countries: from Saudi Arabia, which increased its contribution to the Fifth Replenishment, from Kuwait, which made an "additional special" contribution, and from Australia, Ireland, the Netherlands, Norway and the United Kingdom. These contributions would eliminate the "unallocated" amount and would bring total contributions to the Fifth Replenishment to the equivalent of US$7,731.7 million (at IMF representative exchange rates of March 14, 1977, except for the additional $100,000,000 from Saudi Arabia which is reflected at the April 11, 1978 rate of exchange). Table I attached shows total contributions by country to the Fifth Replenishment, including these additional contributions.

3. It is deemed appropriate, in view of the magnitude of the additional contributions, to accord at this time additional subscription votes to those seven countries in respect of their additional contributions to the Fifth Replenishment, rather than to make such an adjustment on the occasion of the Sixth Replenishment. The additional votes to be accorded are set forth in the table accompanying the attached Resolution.

4. The remaining members have waived their right to maintain their relative voting power in respect of the additional votes to be accorded for these additional contributions.

5. Accordingly, the Executive Directors recommend that the Board of Governors adopt the draft Resolution. . . .[1]

This report was approved and its recommendation was adopted on November 2, 1978.

[1] *See page 244.*

TABLE I

CONTRIBUTIONS TO THE FIFTH REPLENISHMENT OF IDA

Contributor	*In National Currencies*		*US$ (equivalent)*[a]
Australia—Ordinary Contribution	$A	133,764,342	146,900,000
—Additional Contribution	$A	8,200,000	9,000,000
Austria	S	844,278,750	49,700,000
Belgium	BF	4,582,009,250	124,600,000
Canada	Can$	470,787,690	447,900,000
Denmark	DKr	515,166,500	87,800,000
Finland	Fmk	156,169,500	41,000,000
France	F	2,063,400,250	413,300,000
Germany	DM	2,006,912,880	838,800,000
Iceland	IKr	421,190,000	2,200,000
Ireland—Ordinary Contribution	£Ir	5,000,000	8,591,500
—Add. Contribution	£Ir	819,705	1,408,500
Italy	Lit	262,307,952,500	295,900,000
Japan—Ordinary Contribution	¥	182,833,200,000	648,000,000
—Extra Contribution	¥	40,629,600,000	144,000,000
Korea[b]	W	484,000,000	1,000,000
Kuwait—Ordinary Contribution	KD	12,668,223	43,900,000
—Extra Contribution	KD	39,274,377	136,100,000
—Add. Spec. Contribution	KD	5,771,400	20,000,000
Luxembourg	LuxF	132,385,500	3,600,000
Netherlands—Ordinary Contribution	f.	540,774,850	216,700,000
—Add. Contribution	f.	21,461,300	8,600,000
New Zealand	$NZ	8,000,000	7,646,400
Norway—Ordinary Contribution	NKr	423,714,200	80,600,000
—Add. Contribution	NKr	26,285,000	5,000,000
Saudi Arabia[a b]	SRls	1,227,000,000	350,000,000
South Africa	R	8,695,652	10,000,000
Spain[b]	Ptas	1,444,464,000	21,000,000
Sweden	SKr	1,239,101,500	293,800,000
United Arab Emirates[c]	Dh	200,000,000	50,754,980
United Kingdom			
Ordinary Contribution	£	473,898,621	814,300,000
Additional Contribution	£	872,955	1,500,000
United States	$	2,400,000,000	2,400,000,000
Yugoslavia[b]	Din	148,994,640	8,100,000
			7,731,701,380

[a]At IMF representative exchange rates of March 14, 1977, except for the additional $100,000,000 from Saudi Arabia which is reflected at the April 11, 1978 rate of exchange.
[b]Part II member.
[c]Not yet a member of IDA.

Fifth Replenishment: Additional Subscriptions by Comoros and Guinea-Bissau

1. The Report of the Executive Directors on the Fifth Replenishment of the resources of the Association was approved on March 29, 1977, and mailed on March 31, 1977, to the Board of Governors for a vote without meeting. The Resolution was adopted on June 16, 1977, and the Fifth Replenishment became effective on November 29, 1977. The Resolution, *inter alia,* authorized acceptance of additional subscriptions from Part II members and concurrent adjustment of the voting power of the members who subscribed the additional amounts authorized thereunder.

2. Guinea-Bissau became a member of the Association on March 25, 1977, and Comoros on December 9, 1977. They were therefore not included in the list of countries to whom the provisions of the Fifth Replenishment Resolution apply. It is proposed that the Governments of Comoros and Guinea-Bissau be authorized to make additional subscriptions which would carry additional voting rights determined on the same basis as for other Part II members under the Fifth Replenishment arrangements. Such an adjustment of the voting rights of those two countries would thus permit them to bring their position in line with the voting power of the rest of the membership on account of the Fifth Replenishment. The additional subscription which each of them would be authorized to make on that basis and the corresponding additional votes are as follows:

		Additional Votes		
	Additional Subscription*	Additional Membership Votes	Additional Subscription Votes	Total Additional Votes
Comoros	$1,200	1,700	48	1,748
Guinea-Bissau	2,050	1,700	82	1,782

*Equivalent in United States dollars at IMF representative exchange rate of March 14, 1977.

3. In order to authorize Comoros and Guinea-Bissau to make such subscriptions and obtain such additional votes, a resolution of the Board of Governors is required. Accordingly, it is recommended that the attached resolution[1] be adopted by the Board of Governors.

This report was approved and its resolution was adopted on August 21, 1979.

[1]*See page 246.*

REPORT OF THE CHAIRMAN OF THE DEVELOPMENT COMMITTEE

October 1, 1979

Sir:

Further to my letter of September 30 transmitting the Annual Report of the Committee to the Boards of Governors, I have the honor to inform you that the Development Committee, at its meeting on September 30, 1979, recommended that the period for review of the performance of the Committee be extended. Resolution No. 327 of the Board of Governors of the Bank and Resolution No. 33-10 of the Board of Governors of the Fund adopted on September 27, 1978 require a review of the performance of the Committee by the Boards of Governors of the Bank and the Fund at the end of two years from that date. The review is to take into account the views and recommendations of the Executive Boards of the Bank and the Fund expressed not later than June 30, 1980, and also those of the Committee. The Committee decided to recommend in view of the new working arrangements introduced in April of this year that this review by the Boards of Governors should be deferred for one year until the 1981 Annual Meetings of the Boards of Governors. To give effect to this recommendation changes in the dates set forth in the two Resolutions cited above will be necessary. Accordingly, I attach draft Resolutions for the consideration of the respective Boards of Governors.[1]

/s/ Cesar E. A. Virata
Chairman
Development Committee

[1] *See page 232.*

REPORT OF THE JOINT MINISTERIAL COMMITTEE OF THE BOARD OF GOVERNORS OF THE BANK AND THE FUND ON THE TRANSFER OF REAL RESOURCES TO DEVELOPING COUNTRIES

July 1978-June 1979

I. INTRODUCTION

1. This is the fifth annual report of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries (Development Committee). It covers activities from July 1978 to June 1979.

2. The Development Committee was established as a ministerial forum representing industrial and developing countries to maintain a comprehensive overview of international activities in the development area and to consider all aspects of the broad question of the transfer of real resources to developing countries. During the year under review the Committee continued to focus on the long-range financial requirements of developing countries and explored ways and means to reach a consensus on a number of issues of mutual interest to developed and developing countries.

3. The Committee held two meetings during the year—in Washington on September 23 and 27, 1978 at the time of the Annual Meetings of the Boards of Governors of the Bank and Fund. Two meetings of Senior Officials were held in Washington on September 6-7, 1978 and September 27, 1978. At the technical level three meetings of Working Groups took place during the year. In addition, a seminar was held in Paris in October on the subject of access to the long-term bond markets. This was attended by representatives of a group of developing countries which are either already in the bond markets or which would appear to be potential bond issuers, and by representatives of important market operators and institutional investors.

4. The following subjects of high priority were selected to constitute the Committee's work program for 1978-79 and beyond: (i) issues arising from the world development report; (ii) volume and terms of official development assistance (ODA) including the progress of the Conference on International Economic Cooperation (CIEC) special action program; (iii) stabilization of export earnings (STABEX); (iv) the role of multilateral development institutions (MDIs); (v) the role of private foreign investment; (vi) energy resources development; and (vii) non-concessional capital flows and a proposal by Mexico for a long-term financing facility.

II. COMMITTEE CONSIDERATION OF MAJOR QUESTIONS AFFECTING RESOURCE TRANSFER

A. *World Development Report*

5. In the context of the growing interdependence of the economic well-being of developed and developing countries, the Committee recognized the need to provide a comprehensive and coherent framework for development reflecting the interplay of policies of the various groups of countries. There was consequently much appreciation expressed for the initiative taken by the World Bank in presenting the World Development Report, 1978—the first in a series o fannual analytical reviews of major development issues. The report was welcomed as an authoritative evaluation of the development process, and it received worldwide press coverage.

6. The World Development Report projected in broad terms the economic situation and prospects of the developing countries through 1985. It highlighted the continued slow per capita growth of low-income countries and the intractable problem of meeting the basic human needs of hundreds of millions of people still living in absolute poverty. It stressed the vital need of these countries for increased concessional capital to accelerate their rate of growth; it also drew attention to the critical dependence of the middle-income countries on increasing flows of external capital on appropriate terms and the need for improved access for their exports to the markets of the industrial countries. The industrial countries in their turn still faced problems of inflation, unemployment and structural adjustment of their economies in order to be able to resume their traditional growth patterns. The protectionist pressures to which these problems give rise posed a serious threat to the maintenance of an open trading system and of world economic growth.

7. The report, while recognizing impressive achievements in the past 25 years, noted that some 800 million people still lived in absolute poverty and suggested that the future development effort should be directed toward the twin objectives of accelerating growth and alleviating poverty. It proceeded to identify major policy issues in three important areas:

- the framework of trade between industrialized and developing countries;
- the strengthening of the process of international financing through commercial banks and multilateral institutions;
- the supply of concessional capital especially to the poorest countries.

The report also attempted to clarify some of the linkages between the international economy and domestic strategies in the developing countries against the background of growing interdependence and a mutuality of interest among developed and developing countries. The report concluded that massive efforts were needed, both on the part of the international community and on the part of the developing countries, and it identified the areas in different groups of countries which required special attention.

8. The Committee had a comprehensive discussion of these problems. It

covered areas of aid, other capital flows, the role of MDIs, improved access to capital and money markets, the necessity for increased exports from developing countries in an environment of a liberal trading system. The discussion also covered a whole range of economic policies by developing countries in such areas as mobilizing savings, efforts to accelerate agricultural growth, stimulating exports and specific programs to alleviate poverty.

9. The World Development Report was welcomed as a major contribution to the formulation of national and international policies on development issues. Some suggestions were made regarding areas that might be more deeply explored in subsequent World Development Reports which, apart from a common core of subjects which should be reviewed and updated every year, might usefully include a more detailed review of the development problems and prospects of the middle-income countries, and a policy-oriented analysis of the industrialization and urbanization processes.

B. *Official Development Assistance*

10. The question of official development assistance, which constitutes a hard core of the Committee's work and remains under its constant review, was considered in the context of the material provided on this subject in the World Development Report, 1978 supplemented by a short paper prepared by the Secretariat.

11. It was noted that as a percentage of GNP ODA flows from DAC countries, which are major contributors of this type of finance, continued to fall—from 0.36 in 1975 to 0.33 in 1976 and 0.31 in 1977, which was the second lowest ratio since statistics of aid flows were first collected in the mid-1950s.

12. The preceding figures showed that the assumptions in the World Development Report on ODA flows were not being realized and the Members agreed on the need to reverse this disappointing record of stagnation in the level of these flows which are of vital importance for the attainment of the modest growth projections for the low-income countries. The reversal of this trend largely depended on urgent implementation of recent statements of intention by certain large donors to substantially increase their aid program.

13. The Members also welcomed the declaration of the heads of governments at the Bonn summit meeting pledging support for the replenishment of IDA on a scale that would permit its lending to rise annually in real terms with a larger share of both bilateral and multilateral concessional aid going to the poorer countries.

C. *Special Action Program*

14. The Conference on International Economic Cooperation (CIEC) had requested that the Development Committee should monitor progress in implementing the $1 billion Special Action Program. The Committee

noted that while true additionality was not easy to determine, the contributors planned to concentrate additional amounts of assistance upon countries with a 1975 GNP per capita of less than $265 and had expressed the hope that the total amount would be disbursed by 1980-81. The Committee, taking note of the progress already made, requested the Secretariat to prepare a further progress report in 1979.

15. The information collected showed that in the first year after CIEC 20 per cent of the total amount projected had been committed of which considerably less had been disbursed.

D. *Multilateral Development Institutions*

16. The Development Committee at its meeting of September 1977 decided to include "the role of multilateral development institutions" in its 1978-79 work program. A basic document was prepared by the Secretariat which contains analytical and statistical material on the activities of multilateral development institutions (MDIs) which between them provide one-third of the total official flows to developing countries.

17. The document was extensively discussed by the Senior Officials and in one meeting of the Working Group, and a report by the Working Group on the subject is ready for presentation to the Development Committee at its next meeting in September 1979.

18. It is expected that the main direction of the Development Committee's interest in the subject will be to highlight certain general policy issues designed to strengthen the institutional and financial basis of the MDIs as well as their operational effectiveness as instruments of transfer of resources.

19. The study reveals that the MDIs have special advantages as channels for development cooperation in view of their objectivity, their expertise and their experience. They have a very considerable potential in organizing increased flows through various mechanisms of co-financing including arrangements with private sources which can lead to mobilizing additional resources and in some cases to improve the terms otherwise obtainable from the commercial banks. The MDIs have also been innovative in response to changing development priorities in many fields like agriculture, new style projects for the poorer segments of the population, educational reform, promotion of small-scale enterprises, energy and mineral resource exploration.

20. Against this background, the report considers it important and appropriate that the MDIs should continue to receive support so that they can play their vital role in the transfer of resources to developing countries on a scale which should reflect growth in real terms.

21. There was consensus that the growing requirements and assistance should preferably be met through existing MDIs and that any proliferation of new worldwide funds should be avoided, provided existing MDIs can be adapted to deal with new or special needs and circumstances. This would involve new orientation and flexibility in their policies and programs

and possibly some structural changes besides replenishment of their special funds and increases in their capital stock at appropriate levels.

22. The question of coordination among MDIs and by MDIs and bilateral donors with the developing countries was considered in the context of the experience of consortia and consultative groups. These were widely acknowledged as an important part of the international machinery for assisting developing countries. However, these aid groups were in general not considered appropriate fora to review the requirements and possibilities of private flows to particular countries, although their meetings could be of value for the discussion of matters relating to co-financing with the private sector.

E. *Stabilization of Export Earnings*

23. The question of adverse effects on developing countries of fluctuations in export earnings particularly from primary commodities and the need for some effective international action to offset these effects has been in the forefront of recent discussions in many international fora. In pursuance of a suggestion from the CIEC, the Development Committee invited the Fund and the Bank to prepare, on the basis of indicated terms of reference, a report on the subject in cooperation with the Executive Secretariat of the Development Committee and in consultation with international organizations such as UNCTAD, EEC, etc.

24. The joint Fund/Bank staff report was considered by the Committee at its meeting in September 1978. The Committee recognized the important role played by the IMF compensatory financing facility (CFF) and Members were generally in favor of this facility playing an even larger role in the future. In that connection the meeting was broadly supportive of the changes for further liberalization suggested in the staff report. The Committee expressed the hope that the views put forth during their discussion would provide a useful contribution to the scheduled review of the CFF by the Fund Board in March 1979.

25. The Committee reviewed the problem of medium-term shortfalls and the staff proposal to deal with it through coordinated use of existing facilities in the IMF and the World Bank. While recognizing that the problem of medium-term shortfalls is a complex one, the Committee felt that it should be examined further and that the Committee could periodically review the use made of the extended Fund facility (EFF) in the Fund and the program loans made by the World Bank in connection with medium-term shortfalls.

26. There was a wide feeling that possible new approaches and/or additional measures for earnings stabilization, complementary to CFF, needed attention and study. Various measures had been suggested in this regard of which the most recent was put forward by the Federal Republic of Germany. Views were also expressed on the need to keep in mind the negotiations to be resumed on the Common Fund at UNCTAD.

27. It was accordingly agreed that further work on the stabilization ques-

tion should be included in the future work of the Committee. For this purpose, the Committee requested that a second Fund/Bank staff report be prepared in time to be considered by the Boards in July/August in view of the discussion of this subject by the Committee at its meeting in September 1979. This further study should (i) analyze the adequacy of existing facilities for the stabilization of export earnings; (ii) take into account the report that will be prepared by the IMF staff in connection with the March 1979 review of the CFF by the IMF Executive Board, and changes that the Board may desire to make as a result of its review; (iii) examine the proposal put forward by the Federal Republic of Germany and other related proposals or analyses put forward in other fora. The relevant technical aspects, financial implications and appropriate institutional arrangements should be thoroughly explored; and (iv) examine further the concept of medium-term shortfalls.

F. *Access to Capital Markets*

28. The Working Group on Access to Capital Markets had two meetings during the year covered by this report. Apart from consideration of papers prepared on the role of external borrowing in financing development and a progress report prepared by the IMF on removal of restrictions on the access of developing countries to capital markets, the major work in these meetings was concentrated on consideration of different aspects of the role of direct foreign investment in development and the problems which hinder progress on the optimum utilization of this potential source of providing finance and technology to developing countries.

29. The Working Group examined the policies and circumstances which would be likely to maximize the volume and value of foreign investment flows if the patries concerned wished to encourage this form of resource transfer. It was felt that discussion of the basic policy issues could serve to improve the understanding of the problems related to foreign investment and influence policies in this field in both developed and developing countries.

30. The Working Group report prepared for presentation to the Development Committee contains a number of policy recommendations which need consideration by developed and developing countries and by international organizations. The most important recommendations relate to the endorsement of the principle of nondiscrimination by developed countries against outward foreign investment in relation to domestic investment and the removal of impediments to such flows to developing countries. On the part of the developing countries it was emphasized that the essential element in attracting foreign investment is the nature of their overall economic policies. The initiation and preparation of pre-feasibility and feasibility studies, and the establishment of a sound system of project preparation were considered more important than the granting of costly incentives. It was also stressed that clear procedures on the part of the host countries for the admission and treatment of direct foreign investments were highly desirable. As far as the role of international organiza-

tions were concerned, the Working Group considered that special attention was necessary to the poorer countries in helping them to attract foreign investment by building up a project pipeline for foreign investors and by participating with the private sector and development finance corporations in the financing of such projects.

(i) *Task Force on Private Foreign Investment*

31. Further work on this subject will now be carried out by a Task Force in pursuance of a decision taken by the Development Committee in September 1978. The Task Force will comprise representatives from capitals who have important responsibilities at the policy-making level in the relevant subjects and who would be prepared to assume work responsibilities. It will examine problems of private foreign investment in the light of the work done on the subject by the Working Group on Access to Capital Markets. The object is to improve the understanding among home and host countries on specific aspects of direct investment on which there is need for better understanding with a view to reaching general consensus on policies most likely to maximize the international benefits of direct investment.

(ii) *Seminar on Access to Capital Markets*

32. On the recommendation of the Working Group on Access to Capital Markets, which felt that lack of experience on the part of the borrowing countries and insufficient information on the part of lenders regarding the economic situation of potential borrowers were significant obstacles in improving access by developing countries to long-term capital markets, a seminar was held in Paris in October 1978 which brought together potential borrowers and market operators to discuss some of the technical problems involved in offering and marketing developing countries' bond issues.

33. The seminar was attended by representatives from 24 "threshold" countries besides a distinguished group of panelists drawn from important commercial banks, institutional investors, and representatives from regulatory agencies of capital market countries such as the Securities and Exchange Commission of the United States. The other participants were from the IFC, IMF, OECD, regional development banks and the World Bank.

34. The more important subjects covered in the seminar were:

- — what is the market judgment of the type of measures required to improve developing country access?
- — legal and administrative barriers in capital exporting countries;
- — possible use of full or partial guarantees given by the World Bank and/or regional development banks;
- — "education" of investors and market operators;
- — Prospects for co-financing between the development banks and institutional investors through bond issues of borrowers, possibly as a means of introducing a borrower to the market;

— would the guarantee of the government of the borrower's country be regarded as valuable/essential?
— does the size of the issue act as a constraint to developing countries' borrowing?
— what are the principal factors considered by lenders and investors in assessing the creditworthiness of potential borrowers in different segments of the market? Relevance of the rating system.

35. The in-depth exchange of views between the various participants on a wide variety of technical and practical aspects of bond marketing was considered on all sides to have been helpful in an effort to promote over time a significant increase in this form of external financial flows. The proceedings of the seminar have since been published.

(iii) *Secretariat Publication on Committee's Work on Developing Country Access to Capital Markets*

36. The Secretariat had received many requests from both official and private institutions and from individuals for information about the activities of the Committee, particularly regarding its work on access to capital markets. A report on the subject, "Developing Country Access to Capital Markets," was accordingly published by the Secretariat of the Committee in November 1978. It has received a wide circulation and has been generally welcomed.

G. *Energy*

37. In September 1978 the French and Canadian Governments presented proposals to the Committee for work to be carried out on Energy Resource Development. The subject was accordingly provisionally included in the Committee's work program for 1978/79, subject to review in the light of the impending discussion in the Executive Board of the World Bank of a report on the same subject by the Bank staff. In January 1979 the Bank Board approved proposals in that report for a new program in the energy sector, with special emphasis on petroleum exploration and development. In these circumstances the Development Commitee is not taking any further action on the subject for the time being but will keep the matter under review.

III. A REVIEW OF THE PERFORMANCE OF THE DEVELOPMENT COMMITTEE

38. A two-year review required by the 1976 resolutions of the Boards of Governors of the Bank and the Fund was carried out in 1978. While recognizing the importance, the utility, and the potential of this forum there was, nevertheless, a sense of disappointment expressed on its achievements so far, in particular on its ability to produce concrete or significant results relating to the transfer of resources.

39. As a result of discussions in the Committee, the Boards of Governors of the Bank and the Fund resolved (i) that the Chairman of the Development Committee, the President of the Bank and the Managing Director of the Fund should consult together on ways to improve the effectiveness of the Committee, and report to the Committee at its next meeting, (ii) that the Boards of Governors of the Bank and the Fund should review the performance of the Committee again in a further two years and take such action as they deem appropriate, taking into account (a) the views and recommendations of the Executive Boards of Directors of the Bank and the Fund expressed at an appropriate time but not later than June 30, 1980, and (b) the views and recommendations of the Development Committee.

40. In pursuance of (i) above, the Chairman of the Development Committee, the President of the Bank and the Managing Director of the Fund, after consultations with their Executive Directors, made a set of recommendations to enhance the effectiveness of the Committee through a reorganization of its work and a restructuring of the Secretariat functions. These recommendations were put into effect from April 1, 1979.

41. The main effect of the changes is a greater involvement of the staffs and the Boards of the two institutions in the work of the Committee and a concomitant reduction in the size of the Secretariat. The Chairman of the Development Committee, the Managing Director of the Fund, and the President of the Bank are jointly responsible for organizing the work of the Development Committee with a view to more effective performance. They are assisted by the Executive Secretary in ensuring the effectiveness of the Development Committee's work.

IV. RE-ELECTION OF THE CHAIRMAN

42. The Development Committee unanimously re-elected Mr. Cesar Virata, Minister of Finance of the Philippines, as Chairman of the Committee for the period to October 1980.

Members of the Committee

Member	*Countries*
1. The Honorable Abdlatif Y. Al–Hamad Director General Kuwait Fund for Arab Economic Development Kuwait	Bahrain, Egypt (Arab Republic of) Iraq, Jordan, Kuwait, Lebanon, Maldives, Pakistan, Qatar, Saudi Arabia, Syrian Arab Republic, United Arab Emirates, Yemen Arab Republic
2. His Excellency F. H. J. J. Andriessen Minister of Finance The Netherlands	Cyprus, Israel, Netherlands, Romania, Yugoslavia
3. His Excellency Valentín Arismendi Minister of Economy and Finance Uruguay	Argentina, Bolivia, Chile, Paraguay, Uruguay
4. The Honorable W. Michael Blumenthal Secretary of the Treasury United States	United States
5. The Honorable John C. Crosbie Minister of Finance Canada	Bahamas, Barbardos, Canada, Grenada, Guyana, Ireland, Jamaica
6. His Excellency Gaston Geens Minister of Finance Belgium	Austria, Belgium, Luxembourg, Turkey
7. The Honourable J. W. Howard, M.P. Treasurer (Australia) Australia	Australia, Korea (Republic of), New Zealand, Papua New Guinea, Solomon Islands, Western Samoa
8. The Right Honourable Sir Geoffrey Howe, Q.C., M.P. Chancellor of the Exchequer United Kingdom	United Kingdom
9. The Honorable Hector Hurtado President Investment Fund of Venezuela Venezuela	Costa Rica, El Salvador, Guatemala, Haiti, Honduras, Mexico, Panama, Peru, Spain, Suriname, Venezuela
10. His Excellency Ippei Kaneko Minister of Finance Japan	Japan
11. His Excellency Abdoulaye Koné Minister of Economy, Finance and Planning Ivory Coast	Benin, Cameroon, Central African Empire, Chad, Comoros, Congo (People's Republic of), Gabon, Guinea-Bissau, Ivory Coast, Madagascar, Mali, Mauritania, Mauritius, Niger, Rwanda, Sao Tome and Principe, Senegal, Somalia, Togo, Upper Volta, Zaire

12. His Excellency René Monory Minister of Economy France	France
13. Honorable Major General Nasr Eldin Mustafa Minister of National Planning Sudan	Botswana, Burundi, Equatorial Guinea, Ethiopia, The Gambia, Guinea, Kenya, Lesotho, Liberia, Malawi, Nigeria, Sierra Leone, Sudan, Swaziland, Tanzania, Trinidad and Tobago, Uganda, Zambia
14. His Excellency Rainer Offergeld Federal Minister for Economic Cooperation Germany	Germany
15. The Honorable Filippo Maria Pandolfi Minister of the Treasury Italy	Greece, Italy, Portugal
16. His Excellency Tengku Razaleigh Hamzah Minister of Finance Malaysia	Burma, Fiji, Indonesia, Lao People's Democratic Republic, Malaysia, Nepal, Singapore, Thailand, Viet Nam
17. His Excellency Esko Rekola Minister in the Ministry of Finance Finland	Denmark, Finland, Iceland, Norway, Sweden
18. The Honorable Charan Singh Deputy Prime Minister and Minister of Finance India	Bangladesh, India, Sri Lanka
19. The Honorable Cesar E. A. Virata[1] Minister of Finance Philippines	Brazil, Colombia, Dominican Republic, Ecuador, Philippines
20. His Excellency Mustapha Zaanouni Minister of Planning Tunisia	Afghanistan (Dem. Rep. of), Algeria, Ghana, Iran, Socialist People's Libyan Arab Jamahiriya, Morocco, Oman, Tunisia, Yemen (People's Dem. Rep. of)

[1]The Honorable Eduardo Fernandez, Governor of the Central Bank of the Dominican Republic, served as Alternate Member to permit The Honorable Cesar E. A. Virata to serve as Chairman.

ANNEX B

Organizational and Administrative Aspects

1. The Committee of Twenty, in its final report in June 1974, recommended that two committees be set up: an Interim Committee in the Fund to deal with monetary reform, and a joint ministerial committee of the Bank and the Fund (Development Committee) to continue the study of the broad question of the transfer of real resources to developing countries.

2. It was hoped that the Development Committee would be helpful in providing a focal point in the structure of economic cooperation for formation of a comprehensive overview of diverse international activities in the international area, for efficient and prompt consideration of development issues, and for coordination of international efforts to deal with problems of financing development. The Committee was expected to work in close association with the management and the boards of the two institutions.

3. The Development Committee was accordingly established pursuant to Bank Governors Resolution 294, October 2, 1974, and Fund Governors Resolution 29-9, October 2, 1974. The parallel resolution provided that the members of the Development Committee were to be governors of the Bank, governors of the Fund, ministers, or others of comparable rank. Each member government of the Bank or the Fund that appoints an executive director or group of members that elect an executive director was to appoint one member of the Committee (in all: 20 in the Bank and 21 now in the Fund) and up to seven associates. The members were to be appointed in turn for successive periods of two years by the members of the Bank and the members of the Fund.

4. At the inaugural meeting of the Committee held October 2-3, 1974, Mr. Henri Konan Bédié, Minister of Economy and Finance of the Ivory Coast, was selected as Chairman, and Mr. Henry J. Costanzo, Executive Vice President of the Inter-American Development Bank, was appointed Executive Secretary. At the seventh meeting of the Committee, held October 6, 1976, Mr. Cesar E. A. Virata, Secretary of Finance of the Philippines, was selected as Chairman and Sir Richard King, Permanent Secretary of the Ministry of Overseas Development of the United Kingdom, was appointed Executive Secretary. Mr. Virata was re-elected as Chairman on September 27, 1978 at the eleventh meeting of the Committee.

5. The organizations listed below were official observers to the Development Committee during 1978-79. In addition, the Government of Switzerland was represented by an observer:

African Development Bank
Arab Bank for Economic Development in Africa
Arab Fund for Economic and Social Development
Asian Development Bank
Commission of the European Communities
Commonwealth Secretariat
Development Assistance Committee

European Investment Bank
General Agreement on Tariffs and Trade
Inter-American Development Bank
International Fund for Agricultural Development
Islamic Development Bank
OPEC Special Fund
Organization for Economic Cooperation and Development
United Nations
United Nations Development Programme
United Nations Conference on Trade and Development

ANNEX C

The text of the parallel IBRD and IMF Resolutions establishing the Development Committee is reproduced in *Summary Proceedings, 1974* (pages 180-183) and *Summary Proceedings, 1978* (pages 301-305).

ANNEX D

Agenda of Development Committee Meeting, September 23, 1978

1. World Development Report
   (document DC/78-3, World Development Report, document DC/78-3, Sup. 1, Senior Officials Discussion of World Development Report, and document DC/78-4, Official Development Assistance refer)
2. Stabilization of Export Earnings
   (documents DC/78-5 and DC/78-8 refer)
3. (For information)
   Progress Report on Special Action Program
   (document DC/78-6)
4. Annual Report and Review of Performance of the Development Committee
   (documents DC/78-7 and DC/78-7, Sup. 1, refer)
5. Concluding Items
   (a) Other Business
      (i) Future Work Program (document DC/78-9)
   (b) Chairman's Summing Up and/or Press Communiqué
   (c) Arrangements for the Next Meeting

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Agenda of Development Committee Meeting, September 27, 1978

1. Selection of Chairman
2. Press Communiqué
3. Other Business

* * *

ACCREDITED MEMBERS OF DELEGATIONS AT 1979 ANNUAL MEETINGS

□ ° AFGHANISTAN

Governor .... Abdul Karim Meesaq
Alternate Governor .... Mrs. Rona Lateef*

° ALGERIA

Governor .... M'Hamed Hadj Yala
Alternate Governor .... Mohamed Terbèche

Advisers:
Bouasria Belghoula
Fawzi Benmalek
Mohamed Bessekhouad
Rachid Bouraoui
Habib Hakiki
Mohamed Kerras

□ ° ARGENTINA

Alternate Governor .... Enrique E. Folcini*
Alternate Governor .... Francisco P. Soldati*

Advisers:
Alejandro Aliaga García
Alejandro C. Antuna
Ricardo H. Arriazu
Carlos Alberto Canedo Pero
Carlos A. Carballo
Alfredo J. L. Daverede
Jorge H. B. Dellepiane
Teodoro Fernández
Raúl A. Fuentes Rossi
Ernesto Gaba
Guillermo García
Hugo Giganti
José González
Juan C. Iarezza
Miguel Iribarne
Julio A. Macchi
Rodolfo Guido Martelli
Mario R. Martínez Casas
Raúl Pedro Salaberren
Alberto Sola†
Pablo J. Teran Nougues
Oscar Trinchinetti
José Rafael Trozzo
Antonio Guillermo Zoccali

□ ° AUSTRALIA

Governor .... John W. Howard
Alternate Governor .... H. M. Knight

Advisers:
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John H. Cosgrove
B. G. Dexter
Edward A. Evans
John R. Hewson
G. R. Hodgkinson
E. Ingevics
John W. Keany†
D. H. Robertson
A. T. Tansley
E. B. White
Robert J. Whitelaw

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° AUSTRIA

Governor .... Hannes Androsch
Alternate Governor .... Walter Neudörfer

Advisers:
Wilfried Gratz
Heinz Pekarek
Herbert Sutter††
Helmut Lienerman
Herbert Sellner

BAHAMAS

Governor .... Arthur D. Hanna
Alternate Governor .... Reginald L. Wood

Adviser:
Reno J. Brown

BAHRAIN

Governor .... Ibrahim Abdul Karim
Alternate Governor .... Isa Abdulla Burshaid

Adviser:
Khalifa Mohammed Al-Binali

□ ° BANGLADESH

Governor .... Atuaddin Khan
Alternate Governor .... Fakhruddin Ahmed*
Alternate Governor .... A. M. A. Muhith*
Alternate Governor .... M. Syeduz-Zaman*††

Advisers:
S. T. Murshed
Faizur Razzaque
Abidur Rahman

BARBADOS

Governor .... J. M. G. M. Adams
Alternate Governor .... Stephen E. Emtage

Adviser:
W. A. Cox

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° BELGIUM

Governor .... Gaston Geens
Alternate Governor .... Cecil de Strycker

Advisers:

J. P. Arnoldi	Roger de Beckker
Jacque de Groote†	Bruno Guiot
Jan F. M. Hendrickx	Georges Janson
Charles Maskens	Jean-Jacques Rey
Jan Vanormelingen	Jacques van Ypersele de Strihou

° BENIN

Governor .... François Dossou
Alternate Governor .... Baba-Moussa Abou Bakar

Advisers:

Jerôme Ahouanmenou	Justin Gnidehou

□ ° BOLIVIA

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Alternate Governor .... Luis Viscarra C.
Alternate Governor .... Javier Caballero Tamayo*
Alternate Governor .... Claudio Calderon M.*

Advisers:

Alfredo Buchon	Bernard Fleschler
Jorge López P.	Jorge Valdes Añez

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Governor .... B. Gaolathe
Alternate Governor .... L. Mothibatsela*

Adviser:
B. I. Gasennelwe

□ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

☐ ° BRAZIL

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Alternate Governor .... Ernane Galvaes
Alternate Governor .... Oswaldo Roberto Colin*
Alternate Governor .... Octavio Gouvea de Bulhoes*
Alternate Governor .... Alexandre Kafka*
Alternate Governor .... José Carlos Madeira Serrano*

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Pedro Paulo Pinto Assumpção
Eduardo da Rocha Azevedo
Luiz Barbosa
Michael A. Barth
Lazaro de Mello Brandão
Americo Oswaldo Campiglia
Gabriel Costa Carvalho
José Maria Sampaio Correa
Roberto Teixeira da Costa
Mailson Ferreira da Nobrega
Luiz Carlos Pereira de Almeida
Roberto A. Pinto Melo de Carvalho
José Augusto de Queiroz
Peter Egon de Svastich
Oscar Lorenzo Fernândez
Ayrton Girão
José Botafogo Gonçalves
Helio Guerreiro
Henri Claude Koersen
Eduardo Alfredo Levy, Jr.
Oscar da Costa Marques Neto
Affonso Celso Pastore
Jean Paulo Ricommard
Theophilo de Azeredo Santos
John Shuter
Luiz Eulalio de Bueno Vidigal Filho
Antonio Carlos Yazeji Cardoso
Eimar de Andrade Avillez
José Luiz Silveira Baptista
Felismino de Figueiredo Barretto
Nelson Bose
Elmo de Araujo Camões
Ms. Regina C. M. Carmo
Solomon Cohn
Jorge Cury
Pedro Leitáo da Cunha
Alvaro Pinto de Aguiar, Jr.
Ney Wernek de Campos Curvo
Luiz António Sande de Oliveira
Angelo Calmon de Sa
M.P.P. do Rio Branco
Mário Garnero
Pedro Paulo Gomes de Castro
Henrique Sergio Gregori
Ahti Matti Olavi Karasto
Luiz Felipe Lamprea
Carlos Lyra Netto
José Roberto Novães de Almeida
Carlos Eduardo Quartim Barbosa
Horacio Sabino Coimbra
Wolfgang Sauer
Ivo Cauduro Tonin
Carlos Alberto Vieira

☐ ° BURMA

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Alternate Governor .... U Kyaw Myint

Advisers:

U Nyunt Lwin
Aung Pe††

° BURUNDI

Governor .... Astere Girukwigomba
Alternate Governor .... Jean Ndimurukundo

Advisers:

Donatien Bihute
M. Manirakiza
M. Kamwenubusa

☐ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

□ ° CAMEROON

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Alternate Governor .... Amadou Bello

Advisers:
Moise Beke Bihege
Pierre-Desiré Engo
Idriss Vessah-Njoya
David Ebongue Nsone
Ambroise Foalem

□ ° CANADA

Governor .... John C. Crosbie
Alternate Governor .... Michel Dupuy
Alternate Governor .... E. G. Drake*†
Alternate Governor .... Wm. C. Hood*
Alternate Governor .... Robert K. Joyce*

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Robert Johnstone
Michael G. Kelly
J. Reid Morden
Frank R. Petrie
Roger Saint Vincent
David A. Hilton
Alain Jubinville
D. Lindores
Robert Parker
Ross Reid
Howard Smith

° CAPE VERDE

Adviser:
José Cardoso

° CENTRAL AFRICAN REPUBLIC

Advisers:
Jean Michel Benzot
Stanislas Moussa-Kembe

° CHAD

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Alternate Governor .... Blayo Ngartando

□ ° CHILE

Governor .... Sergio de Castro Spikula
Alternate Governor .... Enrique Tassara T.*

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Luis Antonio Marchant S.
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Daniel Tapia de la Puente
Juan Pablo Crisostomo
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Rolf Luders Sch.
Mrs. Maria E. Ovalle M.
Daniel Sotta Barros
Sergio Vergara Larrain

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° CHINA

Governor .... Philip C. C. Chang
Alternate Governor .... Martin Wong*

Advisers:
Richard K. Chi
Bernard T. K. Joei

□ ° COLOMBIA

Governor .... Eduardo Wiesner Duran
Alternate Governor .... Juan Camilo Restrepo*
Alternate Governor .... Guillermo Alberto Constaín*††
Alternate Governor .... Fidel Cuellar Boada*
Alternate Governor .... Guillermo Salah Zuleta*

Advisers:
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Alfonso Davila Ortiz
José Gutiérrez Gomez
Rodrigo Llorente
Juan Manuel Medina
Jorge Mejía Salazar
Diego Tobon-Arbelaez
Ivan Correa
Guillermo González
Camilo Herrera Prado
Sergio Londono Uribe
Jorge Mejía-Palacio
Roberto Pardo
Fernándo Vasquez

° COMOROS

Governor .... Mohammed Halifa
Alernate Governor .... Mohammed Toilibou*

Adviser:
Pierre Coenraets

□ ° PEOPLE'S REPUBLIC OF THE CONGO

Alternate Governor .... André Batanga

□ ° COSTA RICA

Governor .... Raúl Fernández
Alternate Governor .... Otto Kikut C.*

Adviser:
José Alberto Rodríguez B.

□ ° CYPRUS

Governor .... A. C. Patsalides

Adviser:
A. Soteriades

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° DENMARK

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Alternate Governor .... Erik Hedegaard*

Advisers:
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Henrik Fugmann
Peter Mark
Niels Erik Soerensen
Hans Flinch
Frede Hollensen
Jorgen Siemonsen

□ ° DOMINICAN REPUBLIC

Governor .... Eduardo Fernández P.
Alternate Governor .... Bernardo Vega*

Adviser:
Eligio Bisono

□ ° ECUADOR

Governor .... Léon Roldos Aguilera
Alternate Governor .... Carlos J. Emanuel*

□ ° EGYPT

Governor .... Hamed El Sayeh
Alternate Governor .... M. Samir Koraiem

Advisers:
Sofwat Abaza
Mahmoud Helmy Attia
Samir F. El-Kasry
Fouad Kamal Hussein
Nasser Sayed Morsy
Mohamed Osman Taha
Saad Doreid Yusuf
Abdel-Ghani-Abdel Aziz Abdel Ghani
Mahmoud Salah El-Din Hamed
Hamed I. El-Mossallamy
Abdel Hamid Kabodan
Abdel Moneim Roushdy
Hamdy Taha Youssef

□ ° EL SALVADOR

Governor .... José Eduardo Reyes
Alternate Governor .... Benjamin Vides Deneke*

Advisers:
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Hans Homberger
Alberto Benitez Bonilla
Rafael Rodríguez Loucel

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

° EQUATORIAL GUINEA

Governor ....Salvador Ela Nseng
Alternate Governor ....Daniel Mba Oyono Ayingono
Alternate Governor ....Patricio Eka Nguema Obono*

□ ° ETHIOPIA

Governor ....Teferra Wolde-Semait
Alternate Governor ....Mitiku Jembere*

Adviser:
Kebede Shoandagn

□ ° FIJI

Governor ....S. Siwatibau

□ ° FINLAND

Governor ....Mrs. Pirkko Tyolajarvi
Alternate Governor ....Mrs. Annikki Saarela

Advisers:
Wilhelm Breitenstein
Antti Hynninen
Veikko Kantola
Jorma Paukku
Matti Vanhala
Eeva-Kristiina Forsman
Kaarlo V. Jannari
Antti Lehtinen
Heikki Tuominen

□ ° FRANCE

Alternate Governor ....Marcel Théron
Alternate Governor ....Renaud de la Genière*
Alternate Governor ....Paul Mentré de Loye*†

Advisers:
Thierry Aulagnon
Jean-Louis Imhoff
Gabriel Lefort
Patrick Peroz
Jean-Claude Stora
Louis Gallois
Philippe Jurgensen
Mrs. Marthe Parent††
René Paul Rigaud

□ ° GABON

Governor ....Michel Anchouey
Alternate Governor ....Jean-Felix Mamalepot

□ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

° THE GAMBIA

Governor .... T. G. G. Senghore
Alternate Governor .... J. Ayo Langley

Advisers:
Arun Kumar Banerji
Housainou M. M. Njai
Horace R. Monday, Jr.

□ ° GERMANY

Governor .... Hans Matthoefer
Alternate Governor .... Rainer Offergeld
Alternate Governor .... Gebhard Kerckhoff*
Alternate Governor .... Klaus Dieter Leister*

Advisers:
Gerhard Boehmer
Hans-Martin Burkhardt
Guenter Grosche
Hans-Dieter Hanfland††
Claus Knetschke
Wilfried Koschorreck
Reiner Moeckelmann
Reinhard Muenzberg
Wolfgang Rieke
Alwin Steinke
Hans Tietmeyer
Guenter Winkelmann
Horst Breier
Werner Flandorffer
Robert Grundler
Wolfgang Heitmann
Claus Koehler
Eberhard Kurth†
Lothar Mueller
Eckard Pieske
Dieter Schmoelling
Erich Stoffers
Ruediger von Rosen
Peter P. Wrany

□ ° GHANA

Governor .... S. K. Botchway
Alternate Governor .... I. Bissue*

Advisers:
P. K. Agboh
Reggie Odartei-Larzea
J. A. Asmah

□ ° GREECE

Governor .... Constantine Mitsotakis
Alternate Governor .... Stavros Dimas
Alternate Governor .... Angelos Angelopoulos*

Advisers:
Costa P. Caranicas
Stratis Papefstratiou
Dimitrios Chalikias
George Vlachos

□ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

□ ° GRENADA

Governor .... Bernard Coard
Alternate Governor .... Ms. Dessima Williams

Adviser:
Christopher Linton

□ ° GUATEMALA

Governor .... Hugo Tulio Búcaro Garcia
Alternate Governor .... Juan Valentin Solórzana F.

Advisers:

Fernando Barillas	Antonio Blanco
Armando Boesche	Mario David García
Carlos Gonzáles	Mario Mejía González
Hugo Raciel Méndez	

° GUINEA

Governor .... Mrs. Kesso Bah
Alternate Governor .... Dramane Diawara

□ ° GUINEA-BISSAU

Governor .... Victor Freire Monteiro
Alternate Governor .... Pedro Augusto Godinho Gomes*

Adviser:
José Pereira Vaz

□ ° GUYANA

Governor .... Franklin E. Hope
Alternate Governor .... Charles B. Hinds*

Advisers:

Edward M. Agostini††	B.A.I. Crawford
Clarence E. Ellis	C. H. Grant
Hubert O. Jack	

□ ° HAITI

Governor .... Emmanuel Bros
Alternate Governor .... Leon B. Mirambeau*

□ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

□ ° HONDURAS

Governor .... Valentín J. Mendoza A.
Alternate Governor .... Gonzalo Carias Pineda*

Advisers:

Juan Agurcia E.
Vicente Diaz Reyes
Rigoberto Pineda
René Cruz
Miguel A. Mejía
Paul Vinelli

□ ° ICELAND

Governor .... Svavar Gestsson
Alternate Governor .... Tomas Arnason

Advisers:

Valgeir Arsaelsson††
Sigurgeir Jonsson
Gisli Glondal

□ ° INDIA

Governor .... I. G. Patel
Alternate Governor .... Manmoham Singh
Alernate Governor .... M. D. Godbole*
Alternate Governor .... M. Narasimham*†

Advisers:

Miss Chandi Batliwalla
V. B. Kadam
Y. V. Reddy
A. S. Chib
S. N. Puri

□ ° INDONESIA

Governor .... Rachmat Saleh
Alternate Governor .... Soegito Sastromidjojo
Alternate Governor .... Koen Djelani*

Advisers:

Sulwan S. Astradiningrat
Miss Nani M. Gandabrata
Sri Hadi
R. A. Kartadjoemena
Moeljadi Moeljopoetro
Totok Soebiakto
Jusuf Wantah
M. Arief Djanin
Baridjussalam Hadi
Faisal Harahap
Byanti Kharmawan
R. Paryono
Paul Soetopo Tjokronegoro

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° IRAN

Governor .... Ali Ardalan
Alternate Governor .... Cyrus Ebrahimzadeh
Alternate Governor .... Javad A. Tusserkani*

Advisers:
Miss Fatemeh Hajiha
A Nazarian
Ali Yasseri
Ali Manavi-Rad
Reza Salimi

□ ° IRAQ

Governor .... Thamer Rezooki
Alternate Governor .... Hisham Hassan Tawfik

Advisers:
Abdul Majeed Al Ani
Amjad Y. Al-Narree
Mrs. Nisreen Aboud Jaffar
Tariq Alhaimus
Adnan M. Al-Tayyar
Mahmoud A. Uthman

□ ° IRELAND

Governor .... George Colley
Alternate Governor .... Tomaś F. Ó Cofaigh

Advisers:
Donal Lynch
George Reynolds
Dermot Quigley

□ ° ISRAEL

Governor .... Arnon Gafny
Alternate Governor .... Amiram Sivan

Advisers:
Valery Dan Amiel
Ephraim Davrat
Moshe Benousilio
Aaron Zuker

□ ° ITALY

Governor .... Paolo Baffi
Alternate Governor .... Felice Ruggiero
Alternate Governor .... Mario Sarcinelli*

Advisers:
Pietro Battaglia
Roberto Cirocco
Ms. Fernanda Forcignano
Stefano Micossi
Silvano Palumbo
Mario Piersigilli
Fabrizio Saccomanni
Augusto Zodda
Fabio Bonci
Lamberto Dini
Giovanni Magnifico
Giuliano Monterastelli
Giuseppe Pasqua
Giorgio Rota†
Savino Spinosi

□ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

□ ° IVORY COAST

Governor .... Abdoulaye Koné
Alternate Governor .... Léon Naka

Advisers:
Timothée Ahoua
René Amichia
Claude Barrand
Camille Konan
Souleymane Koné
Lazare Yeboue
Koffi Aka
Daouda Bamba
Lancina Dosso
Demba Konate
Birama Touré

□ JAMAICA

Governor .... Eric O. Bell
Alternate Governor .... Richard Fletcher

Advisers:
E. G. Goodin
Roy Mattar
O. C. Jefferson
J. D. Risden

□ ° JAPAN

Alternate Governor .... Teiichiro Morinaga
Alternate Governor .... Masaru Hayami*
Alternate Governor .... Takashi Kato*
Alternate Governor .... Michiya Matsukawa*
Alternate Governor .... Masanao Matsunaga*
Alternate Governor .... Seiji Morioka*†
Alternate Governor .... Takehiro Sagami*

Advisers:
Hirotake Fujino
Teruo Hirao
Kiyoto Ido
Shinji Imanaga
Toshihiro Kiribuchi
Hiroo Masuda
Satoru Miyamura
Tadashi Nagai
Akira Nagashima
Kimiaki Nakajima††
Tadashi Ogawa
Takeshi Ohta
Yoshiyuki Okuma
Kumiharu Shigehara
Aritoshi Soejima
Atsushi Tokinoya
Shiro Yokota
Toyoo Gyohten
Sadaaki Hosoya
Akira Iida
Shigeo Kashiwagi
Motoo Kusakabe
Sokichi Minoura
Susumu Murayama
Toshio Nagaoka
Tadahiko Nakagawa
Katsuji Nishida
Toshio Ohsu
Yoshio Okubo
Yoshiyuki Sadaoka
Shigenori Shioda
Toru Takeuchi
Hiroshi Watanabe

□ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

□ ° JORDAN

Governor .... Hanna Salim Odeh
Alternate Governor .... Hashim Dabbas
Alternate Governor .... Said El-Naggar*†

Adviser:
Adnan El-Hindi

□ ° KENYA

Governor .... N. Nganga
Alternate Governor .... H. M. Mule*

Advisers:
J. M. Gachui
Mrs. Helen W. Macharia
G. Ndotto
L. W. Wairagu
A. Githinji
J. P. Mbogua
F. A. Njage
W. N. Wamalwa

□ ° KOREA

Governor .... Woun Gie Kim
Alternate Governor .... Byong Hyun Shin
Alternate Governor .... In Yong Chung*
Alternate Governor .... Tak Chae Han*
Alternate Governor .... Kyu Sung Lee*

Advisers:
Hong Yul Chang
Choon-Taik Chung
Won Tai Kim
Kwang Un Lee
Jong Suk Park
Yoonsae Yang
Young Ki Choi
Bong H. Kay
Kang-Doo Lee
Dong-Hee Park
Sang-Chul Suh††

□ ° KUWAIT

Governor .... Abdul Rahman Salim Al-Ateeqy
Alternate Governor .... Abdlalif Y. Al-Hamad

Advisers:
Musaad Y. Al-Hamad
Fawzi Abdul Aziz Al Jassim
Fahad Mohammed Al-Sabah
Mohamad W. Khouja
Ibrahim Al Ibrahim
Faisal Al Kazemi
Salem Abdullah Al-Ahmed Al-Sabah

° LAO PEOPLE'S DEMOCRATIC REPUBLIC

Governor .... Bousbong Souvannavong
Alternate Governor .... Bounhong Luanghot

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° LEBANON

Governor .... Khattar Chebli
Alternate Governor .... Sabah Al-Haj

□ ° LESOTHO

Governor .... Timothy T. Thahane
Alternate Governor .... Mrs. Q. Moji

Adviser:
T. Mafike

□ ° LIBERIA

Governor .... D. Franklin Neal
Alternate Governor .... Elie E. Saleeby*

Advisers:
Hilary A. Dennis
Victor J. Weeks
Ms. Mary E. Dennis

□ ° SOCIALIST PEOPLE'S LIBYAN ARAB JAMAHIRIYA

Governor .... Mohammad Zarrough Ragab
Alternate Governor .... Mohamed A. Mograbi*

Advisers:
Ali Mohammed Immish
Omer Mehanni
Naji A. Shalghem
Mohamed Layas
Suleiman A. Salem

□ ° LUXEMBOURG

Governor .... Ernest Muehlen
Alternate Governor .... Raymond Kirsch

□ ° MADAGASCAR

Governor .... Rakotovao Razakaboana
Alternate Governor .... Rajaona Andriamananjara

Advisers:
Jean-Marie Henri
Richard Randriamaholy
Gregoire Zafera
Alfred Rakotonjanahary
Miss Renée Razafintsalama

□ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

□ ° MALAWI

Governor .... E. C. I. Bwanali
Alternate Governor .... J. B. L. Malange

Advisers:
G. Kalinga
B. K. Nkoma
Kingston Lapukeni

□ ° MALAYSIA

Governor .... Tengku Razaleigh Hamzah
Alternate Governor .... Thong Yaw Hong
Alternate Governor .... Sallehuddin bin Mohamed*

Advisers:
Alias Ahmad
Kamal Ibrahim
Lin See Yan
Mohd Ramli bin Mat Wajib
Takwir Din
Kamarul Ariffin
Khor Eng Hee
Mustapa bin Mohamed
Duleep Singh

° MALDIVES

Governor .... Fathulla Jameel
Alternate Governor .... Ibrahim Saleem*

□ ° MALI

Governor .... Robert Tiéblé N'Daw
Alternate Governor .... Ibrahim Bocar Ba

Advisers:
Ismaila Diarra
Mama Tapo
Raymond Miege

□ ° MAURITANIA

Governor .... Moulaye Ould Boukhreiss
Alternate Governor .... Rabih Rabou O. Cheikh Bounena

□ ° MARITIUS

Governor .... Rabindrah Ghurburrun
Alternate Governor .... Devarajen Soopramanien

Advisers:
Madhukarlall Baguant
Khushhal C. Khushiram
J. P. Coopamah
Mootoosamy Sidambaram

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° MEXICO

Governor .... David Ibarra Muñoz
Alternate Governor .... Jorge Espinosa de los Reyes
Alternate Governor .... Octavio Hernández*
Alternate Governor .... Oscar Levin Coppel*
Alternate Governor .... Gustavo Romero Kolbeck*
Alternate Governor .... Bernardo Sepulveda-Amor*

Advisers:
Miguel Acevedo G.
Salvador Arriola
Pedro Galicia E.
Alfonso García M.
Oscar Navarro-Garate
Guillermo Ramírez
Francisco Suárez D.
Manuel Armendariz
Ariel Buira
Luis R. García
Luis Manuel Martínez Loaeza
Luis M. Orci
Rodrigo Sánchez Salido

□ ° MOROCCO

Governor .... Abdelkamel Rerhaye
Alternate Governor .... Abdelkader Benslimane
Alternate Governor .... M'Hamed Tazi*

Advisers:
Lahcen Azoulay
Hadj Abdelmajid Bengelloun
Abdellatif Bennani
Abdelali Jbili
Khalil Mohamed Salem
Hassan Belkora
Abdellatif Benkirane
Mustapha Faris
Molato Mohamed

□ ° NEPAL

Governor .... Harihar Prasad Yadav
Alternate Governor .... Devendra Raj Panday

Adviser:
Mrs. Menna Acharya

□ ° NETHERLANDS

Governor .... F. H. J. J. Andriessen
Alternate Governor .... J. B. Hoekman*

Advisers:
K. H. Beyen
F. A. Engering
Anthony Ij. A. Looijen†
Andre Szász
B. F. van Ittersum
D. H. Boot
J. C. W. M. Huysmans
H. O. Ruding
J. G. J. van Delden

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° NEW ZEALAND

Governor .... R. D. Muldoon
Alternate Governor .... N. V. Lough
Alternate Governor .... B. V. Galvin*
Alternate Governor .... E. H. Halstead*

Advisers:
H. B. Hewett
D. F. L. Markes
Richard J. Lang
C. N. Pinfield

□ ° NICARAGUA

Governor .... Joaquín Cuadra Ch.
Alternate Governor .... Alfredo César Aguirre*

Adviser:
Guillermo Solórzano

° NIGER

Governor .... Mai Mai-Gana
Alternate Governor .... Mahaman Annou

Advisers:
Boukari Adji
Amadou Nouhou

□ ° NIGERIA

Alternate Governor .... G. P. O. Chikelu
Alternate Governor .... E. O. Enahoro*
Alternate Governor .... T. P. Enodien*
Alternate Governor .... C. Okobi*
Alternate Governor .... Dr. Okurume*
Alternate Governor .... H. M. Osha*
Alternate Governor .... H. R. Zayyad*

Advisers:
S. S. Adebayo
E. A. Ajayi
M. M. Bambale
E. G. O. Beecroft
M. B. S. Hassan
S. A. Nmakwe
C. U. Omamogho
B. I. Omomukuyo
G. C. Oranika
Mustapha Zubairu
J. B. Ajala
D. O. Ajetunmobi
Mr. Bass-Musa
E. A. Ekerendu
R. O. Mowoe
S. K. Ojesina
S. O. Omobomi
B. I. Onwameze
A. U. Uwandulu

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° NORWAY

Governor .... Per M. Olberg
Alternate Governor .... Jon Aase*

Advisers:

Bjarne Hansen	Kaare Hauge
Arne Lie	Kjell Lillerud
Enok Olsen	Hermod Skanland
Carl Schiotz Widbye	

□ ° OMAN

Alternate Governor .... Sherif Lotfy

□ ° PAKISTAN

Governor .... Ghulam Ishaq Khan
Alternate Governor .... Aftab Ahmad Khan

Advisers:

Ziauddin Ahmad	Jawaid Azfar

□ ° PANAMA

Alternate Governor .... Rafael Arosemena*
Alternate Governor .... Mario de Diego, Jr.*

Adviser:
Virgilio F. Brandford H.

□ ° PAPUA NEW GUINEA

Governor .... Mekere Morauta
Alternate Governor .... Eliakim Tobolton

Advisers:

Gabriel Elhanani	James Mopio
Ms. Elahe Walter	

□ ° PARAGUAY

Governor .... César Romeo Costa
Alternate Governor .... Augusto Colmán Villamayor

Advisers:

Julio C. Gutiérrez	Heriberto Insfran Ruoti
Miguel Angel Meza	Julio Rejis Sanguina
Crispiniano Sandoval	

□ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

□ ° PERU

Governor .... Javier Silva Ruete
Alternate Governor .... José Loayza Amézquita
Alternate Governor .... Drago Kisic Wagner*

Advisers:
Carlos Gamarra Agurto
Jaime Quijandria Salmon
Fernando Montero Montalva
German Suárez

□ ° PHILIPPINES

Governor .... Cesar E. A. Virata
Alternate Governor .... Benito J. Legarda, Jr.*
Alternate Governor .... Placido Mapa, Jr.*††

Advisers:
Victor S. Barrios
Tristan E. Beplat
Andres V. Castillo
Panfilo Domingo
Ariston Estrada, Jr.
Alejandro Melchor, Jr.
Gil J. Puyat
Juan V. Saez
Gabriel C. Singson
Guillermo V. Soliven
Constantino Bautista
Mrs. Escolastica B. Bince
Oscar A. de los Santos
Basilio Estanislao
Ernest C. Leung
Antonio H. Ozaeta
Antonio V. Romualdez
Gerardo P. Sicat
Rafael A. Sison
Jose R. Tengco, Jr.

□ PORTUGAL

Governor .... Antônio de Sousa Franco
Alternate Governor .... Antônio de Almeida

Advisers:
José Carlos da Cruz Almeida
Antônio S. Labisa††
Guilherme d'Oliveira Martins
Ms. Maria Alexandra Gomes
Antônio Marta

QATAR

Alternate Governor .... Mohammed Finaish*
Alternate Governor .... Jawad Azzeh*

ROMANIA

Governor .... Paul Niculescu-Mizil
Alternate Governor .... Gheorghe Popescu

Advisers:
Dan Constantin
Cristescu Gabriel
Paul Guzun
Emil Marian
Marian Paveluscu
Eugen Stoenescu
Vasile Voloseniuc
Nicolae Eremia
Stanel Ghencea
Ioan Petre Mada
Nicolae Mihai
Ion Rusinaru
Ion Stoica

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° RWANDA

Governor .... Denis Ntirugirimbabazi
Alternate Governor .... Jean Damascene Munyarukiko

□ ° SAUDI ARABIA

Governor .... Sheikh Mohamed Abalkhail
Alternate Governor .... Ahmed Abdul-Latif*

Advisers:
Mohamed Al-Dries
Ahmed Al-Qahtani
H. Askari
Azizali F. Mohammed
Khalid Al-Masoud
Suliman Al-Wayiel
Umer Chapra

□ ° SENEGAL

Governor .... Louis Alexandrenne
Alternate Governor .... Serigne Lamine Diop

Advisers:
Ms. Regina Cecilia Brown
Demba Diop
Ady Khaly Niang
Aly Sow
Alioune Diagne
Ousmane Noel Mbaye
Famara Ibrahima Sagna
Idrissa Thiam

□ ° SIERRA LEONE

Governor .... F. M. Minah
Alternate Governor .... J. Amara-Bangali

Advisers:
T. Alpha-Kpetewama
J. Sanpha Koroma
J. F. B. Wethered
J. K. E. Cole
Eustace S. Pearce

□ SINGAPORE

Governor .... Hon Sui Sen
Alternate Governor .... Francis J. D'Costa*
Alternate Governor .... Lee Hong Juay*

Adviser:
Kenny Kay Kee Wee

SOLOMON ISLANDS

Governor .... Benedict Kinika
Alternate Governor .... A. V. Hughes

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° SOMALIA

Governor .... Mohamud Yusuf Weyrah
Alternate Governor .... Omar Ahmed Omer

Advisers:

Said M. Farah	Ali Khalif
Nur S. Osman	Osman H. Yusuf

□ ° SOUTH AFRICA

Governor .... T. W. de Jongh
Alternate Governor .... G. P. C. de Kock

Advisers:

B. P. Groenewald	J. C. Malan
C. E. Mulder	J. A. J. Pickard
J. N. Reddy	R. S. Schoeman
C. L. Stals	S. A. Visagie

□ ° SPAIN

Governor .... Jaime García Añoveros
Alternate Governor .... José Ramón Alvarez Rendueles

Advisers:

Fernando Ballestero	Luis M. Cazorla
Luis Coronel de Palma	Guillermo de la Dehesa
Juan Manuel Egea	Miguel Angel Fernández Ordoñez
Miguel Martin Fernández	Nicolás Martínez Fresno
Joaquín Muns	José Luis Orosa
Luis Angel Rojo Duque	Antonio Sanchez Pedreno y Martínez
Juan José Santos	Victorio Valle
Fernando Varela	Manuel Varela

□ ° SRI LANKA

Governor .... Ronnie de Mel
Alternate Governor .... W. M. Tilakaratna
Alternate Governor .... M. L. A. Refai*

Advisers:

L. E. N. Fernando	Ronnie Weerakoon

□ ° SUDAN

Governor .... Nasr Eldin Mustafa
Alternate Governor .... Abdel Rahman Abdel-Wahab

Advisers:

Mirghani Mohamed Ahmed	Hamid Ali Mohamed Al Tinay
Abdel Wahab Osman	Awad El Karim Osman

□ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

SURINAME

Governor .... L. E. Goede
Alternate Governor .... V. M. de Miranda

Advisers:
R. W. Braam
S. C. H. Mungra

□ ° SWAZILAND

Governor .... V. E. Sikhondze
Alternate Governor .... Timothy M. J. Zwane

□ ° SWEDEN

Alternate Governor .... Bo Kjellen*
Alternate Governor .... Bertil Lund*

Advisers:
Bertil Arvidson
Lars Kalderen
Ms. Gunilla Olofsson
Sven-Olof Johansson
Hans Lundström†
Ms. Karin Sylvan

□ ° SYRIAN ARAB REPUBLIC

Governor .... Sadek Ayoubi
Alternate Governor .... Abdul Hadi Nehlawi

Advisers:
Maamoun Al Challah
Bashir Zuheir

□ ° TANZANIA

Governor .... S. M. Mbilinyi
Alternate Governor .... E. A. Mulokozi

Advisers:
A. Faraji
F. Mbaga
R. E. Mariki
Delphin G. Rwegasira

□ ° THAILAND

Governor .... Chanchai Leetavorn
Alternate Governor .... Pandit Bunyapana*
Alternate Governor .... Pravit Klongwathanakith*

Advisers:
Miss Viyada Avilasakul
Tamchai Kambhato
Supacia Panitchapakdi
Sommai Hoontrakul
Banyong Lamsam
Prachitr Yossundara

□ IFC Member
° IDA Member
* Temporary
† Executive Director
†† Alternate Director

□ ° TOGO

Governor .... Koudjolou Dogo
Alternate Governor .... Edoh Kodjo Agbobli

Advisers:
Komlanvi Klousseh
K. Tossou

□ ° TRINIDAD AND TOBAGO

Governor .... Mervyn de Souza
Alternate Governor .... Frank Barsotti

Advisers:
Mrs. Annette Gonzales
J. A. C. Hospedales

□ ° TUNISIA

Governor .... Mustapha Zaanouni
Alternate Governor .... Salah M'Barka

Advisers:
Abdelaziz Babacheikh
Habib Bourguiba, Jr.
Mokhtar Fakhfakh
Mohamed Beji Hamda
Chekib Nouira
Moncef Belkhodja†
Zouhir Chelli
Habib Ghenim
Abdelmajid Hamzaoui
Moncef Zaafrane

□ ° TURKEY

Governor .... Ziya Müezzinoglu
Alternate Governor .... Kaya Erdem

Advisers:
Tunc Bilget
Omer Esener
Mrs. Aysel Oymen
Ayhan Tumer
Gazi Ercel
Kadir Gunay
Ms. Bahar Sahin
Zakeriya Yildirim

□ ° UGANDA

Governor .... Jack A. P. M. Sentongo
Alternate Governor .... Avaristo Nnyanzi*

Advisers:
Z. Bukenya
Sam Kibuuka
A. S. Njala
Richard Kaijuka
T. M. Mutagamba

□ IFC Member
° IDA Member
* Temporary

† Executive Director

†† Alternate Director

□ UNITED ARAB EMIRATES

Governor .... Hamdan Bin Rashid Al Maktoum
Alternate Governor .... Ahmed Humaid Al-Tayer

Advisers:

Saeed Al-Gandi
Mohammed Jamil Al Jindi
Hamid Nasr Mohd. A. Qadir
N. A. Sarma
Ahmed Lutfi Ali
Nasser Al-Nowais
Abdulla Mohd. Saleh
Izzat Traboulsi

□ ° UNITED KINGDOM

Governor .... Gordon Richardson
Alternate Governor .... Sir Douglas Wass
Alternate Governor .... Sir Kenneth Couzens*
Alternate Governor .... Sir Peter Preston*
Alternate Governor .... William S. Ryrie*†

Advisers:

F. R. Barratt
P. G. Davies
R. A. Farquharson
C. P. Haddon-Cave
G. Ingham
John A. Kirbyshire
A. M. W. Battishill
Ronald F. R. Dearett††
P. Gent
Mrs. M. E. Hedley-Miller
C. R. O. Jones
Lionel D. D. Price

□ ° UNITED STATES

Governor .... G. William Miller
Alternate Governor .... Richard N. Cooper
Alternate Governor .... Sam Y. Cross*
Alternate Governor .... Edward R. Fried*†
Alternate Governor .... Anthony N. Solomon*
Alternate Governor .... Henry C. Wallich*

Advisers:

Les AuCoin
Joseph W. Barr
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° IDA Member
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† Executive Director
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Alternate Governor ....Pierre Tahita

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☐ URUGUAY

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Alternate Governor ....Juan José Anichini

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☐ VENEZUELA

Governor ....Ricardo Martínez
Alternate Governor ....Léopoldo Díaz Bruzual

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Governor ....Le Hoang
Alternate Governor ....Nguyen Cao Tieu*

Adviser:
Pham Sy Tam

☐ ° WESTERN SAMOA

Alternate Governor ....Tuilaepa Sailele*
Alternate Governor ....L. Tagaloa*

Advisers:
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□ ° YEMEN ARAB REPUBLIC

Governor .... Ali Lutf Al-Thour
Alternate Governor .... Ali A. Khoder

Advisers:
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Omar Salim Bazara

° YEMEN, PEOPLE'S DEMOCRATIC REPUBLIC OF

Governor .... Farag Bin Ghanem
Alternate Governor .... Yassin Nasser

□ ° YUGOSLAVIA

Governor .... Petar Kostić
Alternate Governor .... Gavra Popović
Alternate Governor .... Jovan Paunović*
Alternate Governor .... Kazimir Vidas*
Alternate Governor .... Zoran Zagar*

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□ ° ZAIRE

Governor .... Bofossa w'Amb'ea Nkoso
Alternate Governor .... Bazundana Mbandanu Luzumbulu

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□ ° ZAMBIA

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Alternate Governor .... L. C. Sichilongo

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October 5, 1979

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REFERENCE LIST OF PRINCIPAL TOPICS DISCUSSED[1]

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[1] *This list relates to the Addresses and Statements of Governors. It excludes discussions of individual countries, tributes to the host country, and personal tributes. References are to pages.*

Bank Group Resources

Bank Group Operations

Bank Group Policies

Other Topics

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