

Recent Activity

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT ASSOCIATION

INTERNATIONAL FINANCE CORPORATION

The World Bank and its two affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC), committed a total of \$1,273 million for development in 49 countries during the calendar year 1968. The year's commitments were \$575 million higher than in 1967.

Bank and IDA

The Western Hemisphere was the principal regional recipient of loans in 1968. Twelve countries in the region accounted for \$565.45 million. Asia occupied the second place, with loans totaling \$285.80 million. Twenty-one countries in Africa received a total of \$270.17 million. The balance of \$103.50 million in Bank loans went to three countries in Europe—Greece, Turkey, and Yugoslavia.

Transportation and electric power projects continued to be the main recipients of Bank-IDA financing. In calendar 1968 financing for the development of transportation and electric power amounted to \$904.12 million. While carrying on normal financing of infrastructure, the Bank together with IDA paid increased attention to agriculture and related activities, which remained the chief economic activity in most developing countries. During the year the Bank and IDA provided \$99 million for agricultural development. Development of industry accounted for \$140 million. Increased Bank

and IDA efforts were also directed toward assisting educational projects designed to improve the supply of basic skills so necessary for economic development in the less developed countries. In calendar 1968, the Bank and IDA provided \$45 million for educational projects. Other purposes assisted during the year were water supply and sewerage systems (\$23.6 million), telecommunications (\$11.4 million), and technical assistance (\$2 million).

Technical Assistance

The Bank continued to provide a wide range of technical assistance to developing member countries. Most of the Bank's technical assistance is provided in the normal course of its lending operations. On a more formal basis, the Bank helps countries to identify and prepare projects and in organizing and directing sector feasibility studies. These studies may be financed by the Bank itself or by the United Nations Development Programme.

During 1968, the Bank established a Resident Staff in Djakarta to assist Indonesian authorities in the economic recovery and further development of the country. The Bank's advisory activities in connection with the organization of development planning continued to expand. The Economic Development Institute, the Bank's staff college for senior officials, is striving toward the long-term goal of helping less developed countries to have enough expertise to meet the demands of economic development.

Aid Coordination

As in previous years, the Bank was active in coordinating development assistance from various sources to member countries. The Bank has taken the lead in creating coordinating groups for the following countries: Ceylon, Colombia, East Africa, India, Korea, Malaysia, Morocco, Nigeria, Pakistan, Peru, the Sudan, Thailand, and Tunisia. The Bank has also been a participant in five coordinating groups organized under other auspices. The proportion of official development assistance for which coordinating arrangements exist has grown con-

siderably in recent years and now amounts to about two fifths of the total net assistance provided by the main donor countries and multilateral agencies.

Bank Borrowing

In 1968 the World Bank sold a record \$1,237.4 million of its obligations in the international investment market. Included were public offerings totaling \$633 million in the United States, Germany, Switzerland, Kuwait, Canada, and the Netherlands. The Kuwait issue of \$42 million was the first public offering ever to be made in that market.

Private placements aggregated \$604.4 million. For the first time the Bank placed U.S. dollar issues totaling \$30 million with the Saudi Arabian Monetary Authority. A further broadening of the Bank's market was effected in Germany through two placements totaling \$137.5 million with the Rheinische Girozentrale und Provinzialbank, a central savings institution and commercial bank.

The net increase in the Bank's funded debt was about \$600 million, after deducting \$174 million in bonds sold under delayed deliveries during the year, and \$598 million in refundings, issues matured, and retirements of bonds for sinking fund purposes. These deductions were partly offset by issuance of nearly \$135 million of bonds sold under delayed delivery contracts of earlier years. At the end of 1968, the Bank's funded debt was about \$3,803 million.

Replenishment of IDA's Resources

Eight member countries of IDA have taken steps to make funds available in advance of the coming into force of the agreement on the Second Replenishment of the Association's resources. Canada, Denmark, Germany, Norway, and Sweden have completed the necessary action to make funds available; enabling legislation is pending in Finland, Italy, and the United Kingdom. Altogether these funds would amount to the equivalent of \$202 million. Several other countries are also considering making advance contributions. In addition, Sweden and Denmark are making special contributions

amounting to \$21.36 million and \$15 million respectively.

The Second Replenishment of IDA, as agreed in March 1968, provides for resources amounting to \$1,200 million from 18 member countries and Switzerland payable in three yearly installments, the last of which to be made in November 1970. To become effective, formal notification by at least 12 countries contributing not less than \$950 million is necessary. To date such notifications have been received from 11 countries contributing \$472 million.

Policy

In public addresses since becoming President of the World Bank Group on April 1, 1968, Robert S. McNamara has outlined his plans for the next five years. He forecasts a greatly increased volume of lending to be accompanied by an increase in the Bank's borrowing operations. New emphasis is to be given to loans in Africa and Latin America, while significant aid to Asian countries will continue. Agriculture and education will be given priority, and encouragement and assistance will be given to countries to stem the growth of population. The population explosion, in his view, is a serious deterrent to the economic growth of many developing countries.

International Finance Corporation

The International Finance Corporation made 17 development investments in 10 countries during the 12 months ended December 31, 1968. IFC's new commitments in 1968, totaling \$47.9 million, helped mobilize approximately \$260 million in new business investments in the developing countries during the year.

IFC's commitments in calendar 1968 were in Brazil, Colombia, Jamaica, Kenya, Korea, Mauritania, Mexico, Nicaragua, Pakistan, and Venezuela. They raised total investment by the Corporation in its member countries, over the past 12 years, to \$289 million. First commitments were made by the IFC during the year in 3 countries—Korea, Mauri-

BANK/IDA LENDING BY PURPOSE AND AREA—CALENDAR 1968

	PURPOSE	(AMOUNT \$ MILLIONS)		
		BANK	IDA	TOTAL
AFRICA				
Cameroon	Roads		0.55	0.55
Chad	Roads, Education		5.90	5.90
Ethiopia	Roads	13.50	7.70	21.20
Gabon	Education	1.80		1.80
Ghana	Electric power		10.00	10.00
Guinea	Railway and port	64.50		64.50
Ivory Coast	Roads	5.80		5.80
Kenya	Agriculture, Roads		16.40	16.40
Malagasy Republic	Roads	3.50	4.50	8.00
Malawi	Agriculture, Roads		21.20	21.20
Morocco	Industry	15.00		15.00
Niger	Roads		6.12	6.12
Nigeria	Electric Power	14.50		14.50
Sierra Leone	Electric Power	3.90		3.90
Somalia	Roads		2.30	2.30
Sudan	Electric Power, Education, Agriculture	29.00	8.50	37.50
Tanzania	Agriculture, Roads		4.30	4.30
Togo	Roads		3.70	3.70
Tunisia	Ports	8.50		8.50
Uganda	Agriculture		3.00	3.00
Zambia	Afforestation, Roads	16.00		16.00
		<u>176.00</u>	<u>94.17</u>	<u>270.17</u>
ASIA				
Ceylon	Roads, Agriculture	4.90	6.90	11.80
China	Railways, Electric Power	67.50		67.50
Indonesia	Agriculture, Technical Assistance		7.00	7.00
Iran	Industry	25.00		25.00
Korea	Roads, Industry	5.00	3.50	8.50
Malaysia	Land settlement and development, Water supply, Telecommunications	22.00		22.00
Pakistan	Roads, Power, Irrigation, Fertilizer Production, Agriculture Credit	92.00	10.00	102.00
Papua and New Guinea	Telecommunications	7.00		7.00
Singapore	Sewerage system	6.00		6.00
Thailand	Roads	29.00		29.00
		<u>258.40</u>	<u>27.40</u>	<u>285.80</u>
EUROPE				
Greece	Industry	12.50		12.50
Turkey	Electric Power	25.00		25.00
Yugoslavia	Industry, Railways	66.00		66.00
		<u>103.50</u>		<u>103.50</u>
WESTERN HEMISPHERE				
Argentina	Electric Power	137.00		137.00
Brazil	Electric Power, Roads, Industry	96.90		96.90
Chile	Roads	11.60		11.60
Colombia	Electric Power, Water Supply, Education, Roads, Railways, Industry	105.60		105.60
Costa Rica	Agriculture credit	3.00		3.00
Ecuador	Agriculture, Education	5.30	5.10	10.40
Guatemala	Electric Power, Education	13.30		13.30
Guyana	Agriculture, Sea Defenses	5.00		5.00
Honduras	Electric Power	7.50	4.00	11.50
Mexico	Irrigation, Roads, Electric power	142.50		142.50
Nicaragua	Education, Electric Power	19.25		19.25
Trinidad and Tobago	Education	9.40		9.40
		<u>556.35</u>	<u>9.10</u>	<u>565.45</u>

tania, and Nicaragua—spreading the Corporation's investments to 39 countries.

The IFC entered into eight major new ventures in 1968—five in Latin America, two in Asia, and one in Africa. These investments involved copper mining, fertilizer production, chemical products, textiles, steel making, animal feed production, tourism, and an investment in an industrial financing institution.

Under a new policy adopted by IFC in July, the Corporation will take on a more active role in the promotion of prospective investments where good projects suitable for IFC financing in accordance with its regular criteria can be developed, but where they are not moving forward because of the absence of an industrial sponsor committed to the project. In some cases, IFC is acting, under the new policy, as a *banque d'affaires*, giving both financial and technical support to feasibility studies and, in general, helping to pay the costs of putting together all the elements—industrial, technical, and financial—of a promising project. IFC is now engaged in the *banque d'affaires* promotional role in Indonesia.

In other cases, IFC will join other investors in putting equity funds into pilot companies intended to carry out detailed negotiations and studies needed to permit expansion of the pilot organization into the full-scale project. IFC has agreed to join a pilot company of this type in Honduras as well as in Colombia.

Membership

During the year Mauritius joined the three institutions, Botswana and Lesotho joined the Bank and IDA, Indonesia joined IDA and IFC, and Yugoslavia, Uruguay, and Singapore joined IFC. In addition, Cyprus, Korea, and Trinidad and Tobago increased their subscriptions to the Bank's capital. Thus by the end of the year the Bank had 110 members with a total subscribed capital of \$22,991,700,000. IDA had 102 members with total capital of \$1,012,502,000, and IFC had 90 members with total paid-in share capital of \$102,386,000.

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The author is Adviser on Planning Organization in the Development Services Department of the World Bank. He is also the author of *Planning in Pakistan*, *Planning in Yugoslavia*, and *Planning in Morocco*, and coauthor of *The Economic Development of Mexico*.

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REPRINT AVAILABLE

IFC RECRUITS CAPITAL FOR DEVELOPMENT

This booklet is reprinted from the November-December 1968 issue of **Columbia Journal of World Business**, published by the Columbia University Graduate School of Business. The 10-page article by Martin M. Rosen, Execu-

tive Vice President of the International Finance Corporation, discusses IFC's role as a mobilizer of capital for investments in the private sector of the less developed countries, as well as future opportunities for IFC investments.

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A review of Gunnar Myrdal's *Asian Drama* in this issue