

Fund activity

Summary of Fund operations in the General Resources Account, January 1, 1977-March 31, 1980

(In millions of SDRs)

Transactions	1977	1978	1979	January 1-March 31	
				1979	1980
Total purchases	3,424.6	3,744.3	1,842.8	224.7	741.6
Reserve tranche	80.0	2,535.5	147.1	12.6	88.0
Credit tranche	2,895.3	421.0	853.1	130.7	287.4
Compensatory financing	240.5	577.7	572.0	15.9	350.3
Extended facility	208.8	174.0	233.0	54.0	16.0
Buffer stock	—	36.1	37.7	11.5	—
Total repurchases	2,936.5	4,845.2	4,215.3	816.1	703.7
Fund borrowing					
General Arrangements to Borrow ¹	1,730.0	777.3	—	—	—
Supplementary financing facility	—	—	306.9	—	120.2
Repayment of loans					
General Arrangements to Borrow ¹	—	1,142.1	587.9	—	—
Oil facility	261.8	1,422.6	2,218.3	663.5	223.2
Supplementary financing facility	—	—	—	—	—
Gold sales	628.0	468.6	388.0	65.5	80.6
In connection with auctions	211.1	207.1	181.8	49.4	55.7
(i) Replenishment up to May 31, 1978	(211.1)	(91.9)	(—)	(—)	(—)
(ii) Competitive bids	(—)	(115.2)	(181.8)	(49.4)	(55.7)
Noncompetitive bids	—	48.5	3.3	2.6	—
In distributions	416.9	213.0	202.9	13.5	24.9

Source: IMF, Treasurer's Department.

Note: Details may not add to totals due to rounding.

¹Includes Swiss National Bank.

Bank activity

IDA credits approved during third quarter of fiscal year 1980

(Ended March 31, 1980)

Country ¹	Purpose	Amount (In millions of U.S. dollars)
Bangladesh (3)	Imports program, low lift pumps, water supply	107.0
Benin	Industrial development	10.0
Bolivia	Gas and oil engineering	16.0
Burundi	Education	15.0
Cameroon	Rubber ²	15.0
Egypt	Agroindustries	45.0
Honduras	Power ³	20.0
India	Population	46.0
Indonesia (3)	Rubber, irrigation, agricultural extension	132.0
Kenya	Structural adjustment credits	55.0
Lesotho	Development banking	4.0
Madagascar (2)	Power, development banking	15.0
Malawi	Rural development	13.8
Mali	Development banking	8.0
Pakistan	Highway	50.0
Senegal (2)	Rural development, highway ⁴	39.0
Sri Lanka (2)	Technical assistance, road	56.0
Sudan	Agricultural rehabilitation program	65.0
Tanzania	Development banking	10.0
Uganda	Reconstruction credits	72.5
Upper Volta	Forestry	14.5
Yemen Arab Republic	Rural Development	5.5
Zaire	Development banking	18.5
Total		832.8

¹Figures in parentheses are the number of credits approved for the respective country.
²With a \$16.5 million World Bank loan. ³With a \$105 million World Bank loan. ⁴With a \$10 million World Bank loan.

World Bank loans approved during third quarter of fiscal year 1980

(Ended March 31, 1980)

Country ¹	Purpose	Amount (In millions of U.S. dollars)
Algeria (3)	Water supply engineering, irrigation, education	100.0
Barbados	Development banking	10.0
Brazil (3)	Water supply, power, industrial pollution control	302.0
Cameroon	Rubber ²	16.5
Colombia (2)	Power, telecommunications	131.0
Egypt	Development banking	50.0
Honduras	Power ³	105.0
Indonesia	Irrigation	116.0
Ivory Coast	Rural development	9.4
Jordan	Development banking	10.0
Kenya (2)	Power, development banking	70.0
Korea	Education	100.0
Malaysia	Power	50.0
Mexico	Mining development	40.0
Peru (2)	Petroleum production rehabilitation, rural development	47.5
Philippines (4)	Irrigation, agricultural development, urban development, sewerage and sanitation	218.0
Portugal	Education	40.0
Romania (2)	Danube-Black Sea Canal, irrigation	190.0
Senegal	Highway ⁴	10.0
Swaziland	Education	10.1
Thailand	Agricultural credit	19.0
Tunisia (2)	Irrigation, port	67.5
Turkey	Structural adjustment loan	200.0
Uruguay	Port	50.0
Yugoslavia (2)	Agricultural credit, highway	211.0
Total		2,173.0

¹Figures in parentheses are the number of loans approved for the respective country.
²With a \$15 million IDA credit. ³With a \$20 million IDA credit. ⁴With a \$28 million IDA credit.

Bank will directly finance health projects

In a shift of policy, the World Bank recently decided to finance directly health projects in the developing countries. Under its old policy, formulated in 1974, health components providing basic health care for low-income people were incorporated into projects in other sectors, such as agriculture and rural development, urban development, and water supply and sewerage. Lending for such components will continue. The new policy, approved by the Executive Directors of the Bank, is outlined in a report entitled *Health Sector Policy Paper*.

After reviewing the World Bank's experience in financing health-related activities in 44 countries, the report recommends the adoption of a three-tier pyramidal structure for delivery of health services, adapted to local conditions. The first level comprises community health workers who can treat simple, common ailments and refer other cases to a health center or a district hospital. The second-level facility can be staffed by at least a medical assistant and midwife, and deal with accidental injuries, high-risk pregnancies, and the diagnosis and treatment

of complex and less common diseases. The third level can comprise the referral hospital attended by qualified physicians and other trained staff.

The Bank's new lending program for health will begin with one project in fiscal year 1981 (July 1, 1980 to June 30, 1981) and expand to four or five projects annually by fiscal year 1984. The projects will be designed to strengthen the primary health care systems of the countries being assisted in order to reduce mortality and morbidity, and to improve access to basic health services for the poor.

Emmanuel D'Silva

Views & comments

de Larosière on need for adjustment of policies

Following is a selection from the inaugural address of the 1980 Symposium on Monetary Theory and Policy in Africa delivered in Dakar on January 21, 1980 by Jacques de Larosière, Managing Director of the Fund. The symposium was organized by the African Center for Monetary Studies.

This symposium is being held at a vital moment in African economic history, when African countries are faced with accelerated inflation, slow growth, rising balance of payments deficits, and a relatively onerous external debt burden. These changes are taking place against the background of a harsh world economic situation, and in that context it is now being widely recognized that countries cannot continue to finance their deficits without adjustment in their policies. . . .

This adjustment effort will have to be comprehensive, encompassing not only the financial measures but also actions to improve the saving performance and the efficiency of investments. The immediate aim of such an effort will, of course, be the re-establishment of domestic and external financial balance. But let me stress that the ultimate objective of the adjustment policies is to increase real domestic savings and to improve the productive base of the economy. I propose today to concentrate on the role of financial policies, especially fiscal, monetary, and exchange policies.

It seems to me that, based on the experience of African countries, the primary role in the adjustment process must be ascribed to fiscal policies. These policies are required to perform two important functions, namely, (1) to manage aggregate demand, and (2) to promote development through raising resources to finance new investment. Although there could be an apparent conflict between these two objectives, I believe that the thrust of adjustment policy would be to make these two objectives mutually reinforcing. Countries have to re-examine their expenditure priorities, not only with a view to reducing the present large budget deficits, but also to generate public savings to finance productive investments. In many African countries, budget expenditures in relation to the size of their respective economies have reached an unsustainable level, and fiscal policy should aim at

restraining their growth. This will no doubt involve difficult social choices regarding education, housing, health, and even public employment. But these choices have to be made. I recognize that taxation policies could also reduce budget deficits, but in many countries, because the tax burden has reached a high level, the main orientation of taxation for the present should be toward reforming the tax structure, with a view to improving resource allocation and achieving a more equitable distribution of the tax burden, rather than to raising revenues.

I would also like to refer to the role of public enterprises. Whether to have public enterprises or not is a political decision, and in Africa their importance has been growing. But it is imperative that they operate efficiently, so as to avoid losses and not become a drain on the public exchequer and, in fact, to generate adequate returns on investments in them. There is a tendency for governments to make them an instrument of social policy, imposing on them stringent price controls and other cost burdens. As a result there is no lack of examples of countries where these enterprises are incurring losses which are financed by either treasury resources or bank borrowing.

As regards monetary policy, it is clear that its role must be complementary to that of fiscal policy. If fiscal policy continues to be expansionary, monetary policy could become counterproductive, if called upon to bear the sole burden of adjustment. For in that event an undue restriction of credit and other similar measures could adversely affect the productive base of the economy, including public enterprises. The same will be true if reliance is placed on direct administrative actions, such as price controls, consumer subsidies, or import controls to contain the adverse effects of expansionary policies on inflation and external trade.

Nevertheless, it is generally contended that the scope for operating monetary policy in less developed countries is limited in