Study on Supplementary Financing

(1) Original proposal in response to UNCTAD Resolution (1964).
(2) Bank staff study - contained analysis and recommendation - (1965).
(3) Essence of Proposal:

(a) Definition of unexpected shortfall in export proceeds: export projections internationally agreed - used in national planning or programming.

(b) Judgment on who qualifies: (desire to estimate need for timely assistance with need for international review, i.e. not automatic) agreed policy package and check up at time of shortfall.

(c) Cost: based on national experience - $300-$400 million p.a. for first five years - provided for rationing.

(d) Relation to IMF, past Compensatory Financing Scheme: wherever possible use IMF first - also Fund advice taken in its areas of international responsibilities.

(e) Administration - undecided - called Agency.

(4) Events since Bank submission to U.N:

(a) Committee on Invisibles and Financing Related to Trade - generally favorable reaction - should be studied by Inter­governmental group.

(b) Second Meeting of Intergovernmental Group:

(5) Present Position:

(a) French continue to emphasize that basic problem is price instability and uncertainty of markets - could be useful complement.

(b) Others give less qualified acceptance of Supplementary Finance.

(c) Majority: favored Bank Scheme essentially as is, included all LDC's, U.K. and Sweden.

(d) U.S. - arrangement international level - bit indefinite attitude until later in year - stresses need for careful technical examination.

(e) Germany: made important suggestions for another approach to S.F. - more generalized - recognize problem and but less certainty and more likely to remain within established costs.

(f) Japan: concerned with costs - pushed deeply into areas of Scheme that might mean more costs.

(g) Poland: interested.

(h) On Costs: agreed to use $300-$400 million figure as basis for further talks.

(i) On Agency: from IDA or affiliate of IDA (my observations on close collaboration with Fund) - no IBRD position requested at this time.
(6) Next:

(a) Committee on Finance meets in April.

(b) Intergovernmental Group meets in October, unless reason to meet earlier.

(c) Meantime further informal talks - our paper on other causes of shortfalls.

(d) UNCTAD - next February - agencies to have something definitive by then.

(e) Businesslike manner of discussions and control of publicity.
(1) Original proposal in response to UNCTAD Resolution (1964)
(2) Ballot study - contact analysis
-2 (1965)

(3) Essence of proposal
(a) definition of negotiated rate: fall in expected proceeds: agreed - need for planning or programming
(b) revaluation guidelines: (desire to
reduce need for timely assistance and need for centralization, e.g. not automatic)
-agreed policy package and check-up at
3%VAR target
(c) Cost: based on historical perspective
& 300k-400k p.a. for first 5 years

(funded for remaining

(d) Relation to IMF post-Currency Fines
- also tied to domestic efforts and tied
also to advice taken in these areas and
responsibilities-
(2) Administration - under Sec. 1
(4) Events since Bali concluded 1976
(a) Communist blockade of France - no formal reaction should be initiated by French - General group F
- Two med. Full. Gkt. Fmg.

(5) Present Position -
(a) France continues to explain that the price problem is one controllable and sufficient markets can be found - All.
(b) Others are less certain to face justified acceptance of S. O. France -
(c) Major formal Bali stability as in.
(d) U.S. exchange hit undefined future
(e) Under accountant system for.
(f) U.S. under accountant system for.
Aggg - concerned w/ costs - pushed
deep into areas I believe that
might mean more costs -

I had intended -

Cents - agree to u.s.

m. reply to re. J. Smith -

1800 pertains repeated at this time

Next -

1. Council Finance meet - April

2. Inter. Guild staff meet - Oct.

3. Inter. Guild staff meet - Nov. -

- makes seem to meet earlier -

4. Inter. Guild staff - fall -

- make sure others can plant fall -

5. PLP (nextfall) program time

- currently depaning by them -

6. Moment - very nice morning and overcast
Study on Supplementary Financing
Second Session of the Intergovernmental Group on Supplementary Financing
Geneva, February 6-17, 1967

Attached herewith for information is a summary of the discussion at the Second Session of the Intergovernmental Group established under the UNCTAD Committee on Invisibles and Financing Related to Trade. The summary has been prepared by The Economic Adviser to the President.

Distribution:
Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Deputy Executive Vice President, IFC
Department Heads, Bank and IFC
Second Session of the Intergovernmental Group on Supplementary Financing,
Geneva, February 6-17, 1967

1. The Intergovernmental Group on Supplementary Financing set up by the UNCTAD Committee on Invisibles and Financing Related to Trade met in Geneva from February 6-17, 1967. The first meeting of the Group took place from October 10-14, 1966.

2. The Group discussed certain aspects of the Scheme in a business-like manner under the Chairmanship of Mr. Mermolja of Yugoslavia. All members of the Group were present, including a representative from Poland plus a number of observers.

3. The Bank representatives were called on to explain many aspects of the Scheme while the Fund representatives explained the Compensatory Finance Scheme. The discussions were greatly facilitated and sharpened by the circulation of a comprehensive note by the German representative and by the oral contributions of the various representatives. All members of the Group participated actively in the deliberations as well as some of the observers.

4. The discussions in the Group and informal conversations outside brought out that the majority of the Members, including all the representatives of the developing countries, supported the Scheme essentially as proposed by the Bank staff. A few of the donor countries were critical; one of these submitted an alternative to the Bank staff proposal. A couple of countries took an encouraging but not definitive attitude towards the Scheme. One of the more critical potential donors felt that commodity agreements were a more basic attack on the underlying problems but also indicated that Supplementary Finance could be a useful complement to commodity agreements for those countries unable to conclude such agreements.

5. It was agreed that the assistance provided under the Scheme should be of a long-term nature and on concessional terms. The suggestion was made that the members of the Scheme might be grouped into three categories with the DAC "norm" being the middle category. The view was expressed by many that Supplementary Finance should be regarded as supplementary to basic development finance.

6. The proposed export projections were carefully reviewed and discussed in some detail. The general feeling was that export projections of this kind formed a useful and feasible basis for the operation of the Scheme, especially taking into account the scope for improvement. However, one representative remained skeptical, particularly of the wisdom of relating financial assistance to such export projections. In principle, invisibles should be included in the export projections when feasible. In some cases projections of invisible earnings might well be possible for example where tourism was important. While it would be desirable to adjust for import prices it seemed impracticable because of statistical complexities and inadequacies.

1/ 25 years maturity, 7 years grace period, 3 per cent interest rate.
7. The content of the "policy package" was discussed at some length and a number of questions were raised. The Bank representative emphasized the central importance of performance understandings to the whole Scheme. All the representatives of the developing countries expressed their acceptance of the need for such performance understandings. They emphasized that for various reasons it would not be practicable or desirable to publicize detailed understandings. The public policy understandings should be expressed in broad macro-economic terms such as export earnings, public and private investment and domestic savings; private policy arrangements between the country and the Agency would implement, where appropriate, these broad publicized commitments. The actuality of performance would be checked at the time of shortfalls as well as during the projection periods. Thus the Scheme was essentially administered and not automatic, even though it aimed at speedy and timely assistance when needed.

8. The cost of the Scheme was discussed at some length. Some representatives expressed concern that the Scheme seemed open-ended. Several representatives requested a quantification of the factors taken into account in deriving the Bank's staff estimate of $300-400 million a year for the initial five years of the Scheme's operations. A tabulation was given to the Group indicating how these figures were derived and this tabulation was discussed. The Bank representative pointed out that the cost figures were derived on the basis of available historical data regarding shortfalls and should not be taken as precise or certain forecasts of the amounts that will be needed in the future. The cost estimates were made to guide the countries at arriving at a judgment of what amount of financial resources would be needed to give the Scheme a reasonable chance of success in the initial five years. The alternative method of arriving at a cost figure was through negotiations and bargaining without the benefit of a reasoned initial starting point. The Bank staff recognized that there was the possibility that these cost estimates might prove too low or too high. The Scheme therefore provided for rationing, if needed, since the initial sum of resources would be limited. The Scheme was thus not open-ended. It was generally agreed to use the Bank's cost estimates as a basis for future deliberations.

9. The feasibility of the proposed Scheme was thoroughly discussed. One representative felt that it would prove unworkable because of the very broad nature of the policy package and the number of countries involved. The Bank representative pointed to the work that was already being done in the field of examination of development programs and related policies. It was not intended that the Supplementary Finance Scheme would go significantly beyond what was already becoming the general practice in this field. Given close collaboration between the World Bank Group and the IMF with the Agency, the Scheme should prove to be feasible and would not involve much extra work either for the countries or the Agencies concerned.
10. The viewpoint was expressed by nearly all delegations that administration of Supplementary Finance should be entrusted to the Bank Group, i.e. to IDA or another affiliate of IDA, if agreeable to the World Bank. As membership would be universal the question would arise of how non-members of IDA could participate in the Scheme, perhaps by parallel arrangements, etc. Close collaboration with the IMF was envisaged by all. The Bank representative expressed no view on the willingness of the World Bank Group to accept this responsibility, if and when requested.

11. The Bank staff was requested to prepare a background paper on the other external causes of instability beyond the members' control. Mention was made particularly of import requirements such as food and unexpected changes in this regard. It was clarified that the purpose of such a paper was not to extend the scope of the Supplementary Finance Scheme or to prepare other schemes to handle these problems or to arrive at a quantitative estimate of the possible cost of such other schemes. With this understanding, the Bank representatives undertook to do a background paper on this subject.

12. Concluding the session the Chairman stated that agreement had been reached in several broad areas but that disagreement still existed on certain important aspects. One or more further meetings of the Group will therefore be necessary. In this respect, the representatives of developing countries expressed their preference for a third meeting in the near future (June) while those of the donor countries want more time for additional study and consultations with their governments. The Group will certainly meet in October and decisions concerning an earlier meeting will be taken by the Committee on Invisibles and Financing which meets in New York next April. The results of this second session of the Group will be presented as an interim report to this Committee. This interim report has been agreed by the Working Group and will be circulated to the Executive Directors as soon as it has been received in the Bank.

The Economic Adviser to the President
February 21, 1967
"SALIENT POINTS"

Notes on Replies to
Questions on Performance Criteria

IV. (a) That the Bank be especially receptive to requests from countries that have shown satisfactory economic performance and have effectively applied aid to primary needs (Jordan).

Ans. I think the point made by Jordan which is summarized in the 'Salient Points' document by the Secretary's Department comes out much better if I were to quote directly from the Governor's speech. I quote, "Looking ahead into the future..... it is sincerely hoped that the Bank will continue in its more positive, more practical and much wider approach in helping those countries which are keenly desirous of advancing economically to grow and develop, especially those who receive aid, whether financial or technical, and have efficiently applied such aid to primary needs, leaving behind an initial record of achievement and aspiring to more achievement with clearly marked plans, policies and requirements."

This is completely in accord with the thinking of the staff. As you know, apart from evaluating questions relating to creditworthiness, one of the main concerns of the Economic Committee since it was set up, has been to review the economic performance of developing countries. While talking to you sometime ago on the economic work of the Bank, I had occasion to go into some detail about the way in which we are trying to perform this function, so I need not go into this again. But I would like to emphasize that we do intend to continue to build on the work we have already done in the field of evaluating economic performance and give it the higher priority in our future economic work.
The next two points IV(b) and IV(c) on performance criteria made by the Governor for Sweden and the Governor for Chad can be taken up together. Drawing attention to the disturbing fact that per capita incomes in the less developed countries are increasing very slowly, or even stagnating, the Governor for Sweden had underlined the importance of fixing development targets in terms of increases in per capita incomes rather than national aggregates. Thinking of already over-populated countries where the rate of economic growth hardly kept pace with the rate of population growth, he therefore suggested that the implementation of proper population policies for such countries should be included among the performance criteria for development efforts. Coming from a country with a population of 3 million and density per square mile of 6, the Governor for Chad, on the other hand, was worried about giving weight to "population criterion" as he called it, in evaluating performance.

Without seeming to raise ethical or moral questions on this issue which are quite outside our competence and outside the area of our proper interest, I would like to suggest that in some of our member countries inadequate efforts to control population growth, inspite of expressed intentions to do so, has in fact been one of the chief impediments to achieving an improvement in the standard of living of the individual. It is of course, realize that it takes a long time before even the best efforts in this direction can be reflected in reduced birth rates, but it is this very fact which makes it so much more important to make an adequate effort now, once the basic decision has been taken to do something about this problem (assuming that the country has one). To get a comprehensive view of the development efforts and policies of such countries, the Economic Committee has re
commented that in our economic reports there be a section on the measures
taken by governments to deal with rate of growth of population.

Coming to the point raised by the Governor for Chad, population
growth in any strict quantitative sense, has of course not been considered
in evaluating economic performance as a criterion for judging the eligibility
for Bank or IDA loans. For countries where the rate of population growth
does not represent a problem, population policies are not an aspect of the
Government's development policies and therefore does not and need not concern
the Bank's economic evaluation of these policies.

IV(d) That the Bank modify strict standards which make it practically in-
accessible to many new countries. (Central African Republic)

Though no loan has so far been made to the Central African Republic,
as the Executive Directors know, a number of loans have already been made
to some of the other newly independent African countries. Within the frame-
work of the Articles of Agreements of the Bank and the IDA, we have tried to
interpret the operational criteria flexibly in practice to take account of
special difficulties particularly those of Africa. In view of this fact
that a number of African countries have become members of Bank/IDA relatively
recently, it is probably true that we do not yet know as much about some of
these countries as we would like to, but we are trying to close this informa-
tional gap as best as we can. In our future work, we intend to give even
greater attention to the African economic problems.
Regional Cooperation

The next two points xxxi (a) and xxxi (b) on regional cooperation can also be taken together. The Governor for the United States and the Governor for Central African Republic have suggested that the Bank give encouragement to regional and sub-regional economic organisations.

Among economists there is very little disagreement today with the view that in many less-developed countries economic development would be facilitated if there were some sort of regional economic organisation among neighbouring countries, since this would in many cases increase the size of the market sufficiently to make possible more industry than would be viable on the basis of the existing political units. The Bank has been conscious of this, and as you know, in general, our attitude to international projects has always been favourable provided of course that the project itself was technically and economically justifiable. As early as 1955, the Bank had made a loan to East African Services Authority for Railways and Harbors which operates the harbors and the railway system for Kenya, Uganda and Tanzania. Since then a few more such loans have been made, for example, for the Comilog project which affects both Gabon and Congo (Brazzaville), loans made for power and railways in Central Africa which affect both Rhodesia and Zambia, and more recently in September 1966 a simultaneous IDA credit to Senegal and Mali for a railway project which serves both countries. We are also, as you know, administering the Nam Ngum project affecting Laos and Thailand even though we ourselves have not put up any money for it. To give the regional economic problems a sharper focus, we have also organised two of our economic missions on a regional basis, one to Central America and one to East Africa.
It is of course to be recognised that the problems of getting such joint projects agreed upon and carried out are often great. We on our part intend to continue to do our best to encourage regional organisations wherever feasible.
Regional Cooperation

This point made by C.A.R. occurred in the following context:

"In regard to the division of economies into sub-regions, our States have already taken a certain lead that should be maintained and encouraged. And to go ahead, we need the financial assistance of the Bank and its affiliates for the realization of common projects. Our economic and customs unions seem to be appropriate agencies which ought to receive the World Bank's encouragement and support."

This point was made by the United States in the following context:

"We look to the Bank to encourage the developing countries to establish regional and subregional organizations that can lead over time to more extensive soundly based economic integration. They need the economies of scale, the benefits of specialization, and the spur of competition that larger markets make possible. The tentative efforts being made in this direction on every continent need the encouragement and support of the regional banks and the World Bank Group. Here again we should not be afraid of unorthodox methods if they are based on sound economic principles."

February 21, 1967
TO: Mr. Irving S. Friedman
FROM: Andrew M. Kamarck
SUBJECT: 

Attached is some background information on Operations Involving Regional and Sub-Regional Organizations and Economic Integration for possible use at the Tuesday Executive Directors meeting.

As far as the general approach to this subject is concerned, I think the note that we should strike is to say that in many underdeveloped countries economic development would be facilitated if there were some sort of regional economic integration since this would in many cases increase the size of the market sufficiently to make possible more industry than would be viable on the basis of the existing political units. This is particularly true of Africa where, as President Senghor has pointed out, many of the countries are micro-nations.
Notes on Operations Involving Regional and Sub-Regional Organizations and Economic Integration

1. The Bank group has made a number of loans or credits for projects of a regional nature in the sense that they affect more than one country. These are,

(i) A loan to East African Common Services Organization for Railways and Harbors in March 1955. The EACSO operates the railway system and the harbors for Kenya, Uganda and Tanzania.

(ii) In September 1966, simultaneous IDA credits were made to Senegal and Mali for a railway project. The same railway serves both countries.

(iii) In June 1959 a loan was made for the Comilog project which consists of a manganese mine in Gabon and a railway which passes through Congo (Brazzaville) to the sea.

(iv) Two loans have been made for power and two for railways in Central Africa. These loans now concern projects in separate countries - i.e., Rhodesia and Zambia although previously the countries concerned were in a Federation.

(v) We are "administering" the Nam Ngum project which affects Laos and Thailand although we ourselves are not putting up any money.
2. In Latin America we have not yet made any loans for international projects although we have tried. We were instrumental in preparing a study of telecommunications in Central America. The study favored the establishment of an organization to operate the telecommunications system and we planned to make a loan to such an organization. However, the countries concerned decided not to establish an organization so no loan has been made.

3. We know of two international projects in Latin America which may develop in time. One is the Salto Grande Hydro Project in Uruguay which could supply power also to Argentina. The other is a gas pipeline from Bolivia to Brazil.

4. We have organized two economic missions on a regional basis, one to Central America and one to East Africa.

5. In general our attitude to international projects has always been favorable although we have had to recognize that the problems of getting them agreed upon and carried out are often great.
OFFICE MEMORANDUM

TO: Mr. Irving S. Friedman  
FROM: N. A. Sarma

SUBJECT: Salient Points Made by Governors at 1966 Annual Meetings: 
Suggested Replies to 32 - 35: Financing of Shortfalls in Export Receipts

32. Countries that depend mainly on primary commodities for export are faced with instability and uncertainty of export earnings, as well as a very sluggish growth in demand for most of their export items. The Bank Group has an interest in studies and efforts towards commodity arrangements of one kind or another that help to mitigate the severity of the problem; as the E.D.'s are aware, we are participating in the Coffee Diversification Study. The proposals contained in the Bank Staff Study on Supplementary Financial Measures, in response to a resolution of the 1964 UNCTAD, relate to this problem, but as part of overall financing of the economic development effort.

33. The Fund's Compensatory Financing Facility, like the use of all Fund resources, assists a country in meeting a temporary balance of payments deficit. The Supplementary Finance Scheme is designed to assist a country so as to avoid disruption of a well-conceived development program due to unexpected export shortfalls. As such, the two facilities would supplement each other. The Bank Staff, therefore, continue to study various aspects of the Supplementary Finance Scheme further, are maintaining useful contact with the Fund Staff, and are participating in the discussions of this subject under the auspices of UNCTAD. As would be appreciated, there are problems which need to be resolved when a new scheme like this is put forward; time and effort are needed before any such scheme actually gets implemented.
34. A main feature of the Scheme is an agreement between the country that seeks assistance under the Scheme and the administering Agency about its development program as well as development policies that are objectively regarded as appropriate by the international community. When a country faces difficulty due to export shortfalls, the assistance has to be assured and prompt. This, in turn, would be predicated on such an initial understanding and its observance. Close and periodic consultations between member countries and the Agency need to be envisaged for this purpose. The procedures and performance criteria are those used in basic development finance, already adopted currently by the Bank Group in several instances. As such, there need be no apprehension whatever of any infringement of sovereignty.

35. Reference was made to import prices in the UNCTAD resolution. The Bank Staff Study itself recognizes the desirability of calculating export shortfalls in real terms, i.e. taking account also of movements in import prices, but points out the non-availability of relevant import prices data. The question is under further study.
I have taken a look at the "Salient Points Made by Governors at 1966 Annual Meetings", which fall in the economics sphere. There are rather many so that in making oral remarks we should be selective. They are listed below with a few remarks on each. Should we decide to proceed, it would be desirable that our divisions concerned, particularly that of Otto Maiss, prepare some concrete examples which might be blended into the remarks.

1. Performance (Paras. IV. (a) and (d))

Here we might emphasize that the Bank's evaluation of economic performance is one of the fundamental points in arriving at our creditworthiness judgments and that we are proceeding to do some basic research on this subject. In practice, we are more lenient in the case of the very backward countries (the point raised by the Central African Republic).

2. Population (Para. IV. (b))

Population policy is one of the elements we are taking into account in arriving at the judgment of what we call policy performance (as contrasted with growth performance).

3. Local Currency Financing (Para. VIII)

The Bank's lending program is an integral part of a financing plan for the countries' development program and, as such, may cover local currency financing. The extent of local currency financing depends on the project composition, the domestic savings performance and the availability of external finance. In practice, the Bank attempts to limit the proportion of domestic currency financing, although in a few cases we have reached 90 per cent or higher (we could easily give a few examples). However, I am not sure of the usefulness of having a discussion on this point.

4. IDA Operations (Paras. XVI and XIX)

The suggestion that the Bank provide an intermediate "soft-hard" class of development financing is basically sound but may not be practicable; we are, in effect, providing financing on these terms through:

(a) the Bank-IDA blend within our own family; and

(b) our coordinating activities under the Consultative Group mechanism.
5. Computer Technology (Para. XXV)

We are sympathetically inclined toward the idea of studying the application of computer technology to development. We will have to take this point under study.

6. Financing of Shortfalls (Paras. XXXII through XXXV)

We might comment on the status of the various supplementary financing activities.

7. Worldwide Welfare Financing (Para. XL)

This is the only really new idea among these points, being an international application of the negative income tax. In the Bank's philosophy we are basically opposed to this because our financing is founded on the idea of performance.

8. Evaluation of the Results of Past Assistance to Developing Countries (Para. XLIV)

We might point to the Iranian Road Study. However, I believe that this request calls for a broader type of study, covering the impact of an entire assistance program on an economy. This would fall under the heading of Comparative Country Studies.

9. Lessening Debt Burdens (Para. XLI (a))

The Bank is attempting to achieve this primarily through its Consultative Group efforts.

cc: Mr. Collier
SALIENT POINTS MADE BY GOVERNORS AT 1966 ANNUAL MEETINGS

There is attached for information a digest of the salient points made by Governors in their speeches during the sessions of the 1966 Annual Meetings of the Boards of Governors.

The President suggests that these points be discussed at the meeting scheduled for Thursday, November 10, if time permits, or at a subsequent meeting.

Distribution:

Executive Directors and Alternates
President
President's Council
Executive Vice President, IFC
Deputy Executive Vice President, IFC
Department Heads (Bank and IFC)
SALIENT POINTS MADE BY GOVERNORS AT 1966 ANNUAL MEETINGS

BANK LENDING

I. (a) That the Bank simplify and accelerate its loan procedures (Afghanistan, Ceylon), (b) so that not more than one year elapses between the submission of a project and its approval (Senegal); and (c) ensure that its cooperation with FAO and Unesco does not complicate its loan procedures (Afghanistan).

II. (a) That the Bank consider lending on a non-project basis (Singapore); and (b) that it consider new types of projects according to need and feasibility, rather than convention or precedent (Nepal).

III. (a) That the Bank attach more importance to Africa (France), and (b) entertain requests from moderately advanced countries still in need of development finance (South Africa).

PERFORMANCE CRITERIA

IV. (a) That the Bank be especially receptive to requests from countries that have shown satisfactory economic performance and have effectively applied aid to priority needs (Jordan); (b) that adoption of appropriate population policies be included among the Bank's performance criteria (Sweden); (c) that population growth not be a criterion (Chad); and (d) that the Bank modify the strict standards which make it practically inaccessible to many new countries (Central African Republic).

AGRICULTURE AND EDUCATION: SMALL PROJECTS

V. (a) That the Bank emphasize investment in agriculture (Germany, Malaysia, United States); (b) in education (China, Malaysia, Tanzania), (c) especially rural technical training (China, Germany); and (d) in communications (Tanzania).

VI. (a) That the Bank facilitate small projects by cooperating with domestic development finance agencies in the provision of funds (Central African Republic), (b) especially for small agricultural projects (Mauritania et al.*).

* The Governor for Mauritania stated that he was speaking on behalf of the members of the West African Monetary Union (Dahomey, Ivory Coast, Mauritania, Niger, Senegal, Togo and Upper Volta). This note applies to all references to the speech of the Governor for Mauritania.
DOMESTIC PREFERENCE

VII. (a) That the Bank increase the margin of preference given domestic suppliers in international competitive bidding; (b) that the Bank include such preference in contracts for the provision of services; (c) that in applying the preference, the Bank take into account subsidies and other benefits enjoyed by foreign suppliers; and (d) that, among foreign suppliers, it give priority to those working in collaboration with domestic suppliers (Paraguay et al.*).

FINANCING OF LOCAL CURRENCY EXPENDITURES

VIII. (a) That the Bank continue to finance portions of local currency costs whenever needed for the successful implementation of projects (Austria); and (b) that the Bank increase its share in the financing of such costs (Mauritania et al**); and (c) also of total project costs (Trinidad and Tobago).

IDA REPLENISHMENT

IX. (a) That the Bank take the lead in shaping proposals to assure that the transfer of resources to IDA from Part I countries with balance of payments difficulties should not lead to a further unbalancing of their external accounts (United States); (b) that countries be allowed to defer payment of part of their committed contributions when suffering from balance of payments difficulties (Sweden); and (c) that countries which find it difficult immediately to quadruple their IDA contributions increase their contributions progressively (Sweden).

X. (a) That the Articles of Agreement of the Bank and IDA be amended to permit Bank lending to IDA (Israel); and (b) that, in view of the unduly rapid growth of Bank reserves (Israel, Singapore), a greater portion of these reserves be allocated directly to IDA (Israel) or for lending on concessionary terms to countries not receiving IDA credits (Singapore).

XI. That contributions to IDA for the fiscal year 1969 be continued at present levels to avoid an "empty year" before payments for the new replenishment begin in the fiscal year 1970 (Sweden).

XII. That the "Horowitz Proposal" for subsidization of interest payments be implemented (Israel, Yugoslavia).

* The Governor for Paraguay stated that he was speaking on behalf of Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, the Dominican Republic, Ecuador, El Salvador, Guatemala, Haiti, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, the Philippines, Uruguay and Venezuela. This note applies to all references to the speech of the Governor for Paraguay.

** See Footnote on page 1.
IDA OPERATIONS RITERIA AND TERMS

XIII. That IDA funds be allocated on a wider geographic basis (Afghanistan, Burundi, Chad, Democratic Republic of the Congo, Mauritania et al.*, and Paraguay et al.**).

XIV. (a) That the criteria for IDA credits be clarified so that developing countries planning to become members will know whether they can expect IDA assistance (Zambia); and (b) that the per capita income criterion be used flexibly and be supplemented by other criteria, including a country's external debt structure and its opportunities for advantageous use of IDA funds (Paraguay et al.**).

XV. That the Bank and European and Canadian governments use their good offices to secure a reduction in interest rates but, failing that, that all developing countries qualify automatically for IDA credits (Sierra Leone).

XVI. (a) That IDA consider varying the term of its credits and charging graduated interest rates to provide an intermediate "soft-hard" class of development finance (China); and (b) that in view of rising interest rates and growing debt service burdens, recognition be given to the need to allow "blend" financing to some Bank-eligible countries and to classify certain "blend" countries as "IDA-only" (India).

XVII. That the Bank Group's increasing activity in the social sectors be coupled with soft lending terms to allow for the long gestation periods of social projects (Thailand).

XVIII. That soft financing not tied to particular projects be made available to countries whose development pace leads to increased general need for foreign exchange (Guyana).

XIX. That countries without balance of payments difficulties not be penalized by denial of access to IDA funds (Malaysia, Nigeria), especially if they face growing debt service burdens (Malaysia).

AID COORDINATION - CONSULTATIVE GROUPS

XX. That greater use be made of aid coordination groups (Japan, Nepal), especially in Africa (Italy).

XXI. That, in view of the delay and uncertainty characterizing the consultative group mechanism at present, the Bank not organize further consultative groups until it has been assured that program support and forward planning of aid disbursements will be forthcoming from the donor members (Nigeria).

XXII. (a) That the Bank increase the effectiveness of aid coordination

* See Footnote on page 1.
** See Footnote on page 2.
groups by attempting to secure long-term aid commitments from donor countries (India), (b) by collaborating with other international institutions such as UNDP and IFI (Sweden), (c) by assisting in the evaluation of bilaterally-financed projects, (d) by recommending suitable terms of aid for particular countries, and (e) by intensifying efforts to coordinate the planning and financing of programs in specific sectors (Canada).

TECHNICAL ASSISTANCE

XXIII. (a) That the Bank increase its technical assistance activities (Libya, Malaysia), especially in project preparation (Jordan, Nepal), project identification (Nepal), development planning and feasibility studies (Jordan); (b) even in those areas where it would not expect to provide financing itself (Jordan); and (c) even, in the case of project identification, in the absence of desirable statistics (Afghanistan).

XXIV. That the Bank continue to finance sector and feasibility studies through grants rather than loans (Mauritania et al.*).

XXV. That a program be developed for the application of computer technology to the problems of the developing countries, possibly by the organization of regional computer centers to provide both training and service and to become the core around which regional research institutes and other regional activities could develop (United States).

XXVI. That the Bank institutionalize its technical assistance activities by creating a third affiliate concerned with feasibility studies and project preparation (Ghana).

XXVII. That the Bank's technical assistance teams not attempt to determine priorities among the projects they help to prepare (Chad).

REGIONAL COOPERATION

XXVIII. That the Bank, with its know-how and resources, assist and cooperate with the African Development Bank (Ethiopia), especially in joint financing arrangements and staff training programs (Uganda).

XXIX. That the Bank station a representative in Central Africa (Chad).

XXX. That the Bank cooperate closely with the new Asian Development Bank (Thailand).

XXXI. (a) That the Bank encourage regional and sub-regional organizations with a view toward more extensive economic integration (United States); (b) that the Bank assist sub-regional economic and customs unions in the

* See Footnote on page 1.
financing of multi-national projects (Central African Republic); and
(c) that the Bank intensify its participation in regional projects and
join in setting up a multilateral fund for financing regional projects
(Paraguay et al.*).

FINANCING OF SHORTFALLS IN EXPORT RECEIPTS

XXXII. (a) That efforts be continued to solve the problem of fluctuating
commodity prices (France, Ghana), especially by establishing an organization
for that purpose (Burundi) and (b) by organizing world markets for primary
products (Democratic Republic of the Congo, Mauritania et al.*).

XXXIII. (a) That the Bank continue its study of supplementary financing
measures, maintaining close contact with the work of the Fund in that
regard (Japan); (b) that the Bank finalize its studies of supplementary
financing and propose bold solutions (Uganda); and (c) that the Bank follow
these studies by efforts at implementation (Trinidad and Tobago, Yugoslavia).

XXXIV. That the submission of country development plans to the administering
agency, as proposed in the Bank staff's report on supplementary financing,
should not be construed as allowing infringement of sovereignty (Trinidad
and Tobago).

XXXV. That supplementary financing on concessionary terms be considered for
both the case of a sharp decrease in the export of any item in a country's
current account and the case of any rise in its import prices (Paraguay et
al.*)..

IFC MATTERS

XXXVI. (a) That the Bank and IFC review their negative policy toward the
support of government-controlled development finance institutions (Central
African Republic, Jamaica, Mauritania et al.**, Nepal, Singapore, Tanzania,
Trinidad and Tobago); (b) that such policy not be applied in countries that
have demonstrated efficient public management (Jamaica); and (c) that
arrangements be made for IFC to participate directly in government develop­
ment finance institutions (Nepal).

XXXVII. (a) That efficiency of management rather than institutional owner­
ship be the chief consideration in the financing of industry (Tanzania,
Yugoslavia); and (b) that the Bank and IFC reconsider their negative
policies towards financing of industrial projects in the public sector
(Mauritania et al.**, Turkey).

* See Footnote on page 2.
** See Footnote on page 1.
XXXVIII. That IFC no longer be required to confine its activities to the private sector (Sierra Leone, Somalia), especially in view of IFC's borrowing of Bank funds and the inadequacy of private enterprise in many developing countries (Somalia).

XXXIX. (a) That IFC undertake a survey of measures for promoting private enterprise in the developing countries (Pakistan); (b) that private enterprise be encouraged as much as possible (Austria); and (c) that IFC expand its operations in the financing of the tourist industry (Kenya).

ROLE OF BANK GROUP IN ECONOMIC DEVELOPMENT

XL. (a) That the Bank take the lead in organizing a concerted development effort of the industrialized countries and international lending agencies (Turkey); (b) that the industrialized countries establish a new Marshall Plan for the developing countries (Chad); (c) that the Bank take the initiative in promoting a "crash" international program for economic assistance (Israel); and (d) that consideration be given to such solutions as an international welfare community and the principle of international taxation as a method of the international distribution of income, including international income taxation for worldwide welfare programs (Israel).

XLI. (a) That the Bank attempt to work out a plan for lessening the burden of existing indebtedness on the developing countries (Yugoslavia); and (b) that the Bank and Fund help to create a stable monetary climate that would encourage a greater flow of capital to the developing countries at lower rates of interest (Jamaica).

XLII. That the Bank join with FAO in carrying out a study of measures for increasing food production in developing countries (Pakistan).

XLIII. That the Bank encourage diversification of economies dependent on commodities in chronic oversupply (United States).

XLIV. (a) That the Bank act as advocate of the developing countries before the wealthier nations (Jordan); (b) that international institutions increasingly become the medium of development assistance (Korea); and (c) that a careful evaluation be made of the results of past assistance to developing countries (Turkey).

XLV. That the Bank invite and cooperate in an investigation of the inadequacy of its structure as a development institution, especially in view of its obsolete Articles of Agreement and the insufficient level of its current activities (United Arab Republic).

GENERAL

XLVI. Additional points of importance and interest that received attention included the following:

a) General concern about the lagging international development effort and the need for IDA replenishment.
b) Approbation of Bank transfers to IDA, Bank loans to IFC, multilateral investment insurance proposal, and S.I.D.

c) Proposal that the Economic Development Institute be expanded so that fewer qualified nominees would be turned away (Afghanistan).

d) Request that the French language version of the Bank's Annual Report be sent to Governors well in advance of the Annual Meetings (Central African Republic).

e) Suggestion that the industrialized countries offer financial incentives to promote capital movements and tourism to the developing countries (Kenya).