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P. P. KUCZYNSKI

Annual Meeting Speech
June 21 - July 27, 1973

The World Bank Group
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Pedro-Pablo Kuczynski Subject Files: Annual Meetings Speech [McNamara] -
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THE FORD FOUNDATION

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PUBLICATION NOTICE

The Ford Foundation

International Urbanization Survey

"...We are convinced that it is incorrect to say that the cities of the world are about to collapse....We do think, however, that the worst is yet to come."

Within the next decade, the majority of the world's urban population will be clustered in the towns and cities of Asia, Africa, and South America.

The impact of urbanization will press most heavily upon the less-developed countries which are presently deficient in the economic, technological, and managerial resources required to maintain and improve the complex systems of urban living.

In an effort to fix the dimensions of these pressures and relate them to the patterns of development, the Ford Foundation has conducted a two-year survey of urbanization in the developing countries. The survey was carried out by Foundation staff members, assisted by consultant specialists with either regional or topical competence.

Working papers were prepared in the course of visits to various countries, and special studies were made on relevant topics.

The survey was primarily directed to the staff of the Foundation, to be used in consideration of its own role in international development, including urban phenomena. Now that they are completed, however, the Foundation believes that they have elements of broader interest, and is making them available to others who share its concern with the urban condition.

The working papers and special studies are not based upon original research. They reflect the information and the insights of the specialists who prepared them as contributions to a more fully rounded understanding of urbanization in the less-developed countries.

The survey considers urbanization in its many definitions and in its variety of forms, from the world metropolis to the classification which defines an urban place as a crossroads settlement containing a post office, a police station, and a bar. The thrust of the survey's findings, though, clearly directs the emphasis to the major urban places--the metropolitan areas and the primate cities.

The survey papers describe the search for urban development strategies in the nations themselves and by international agencies.

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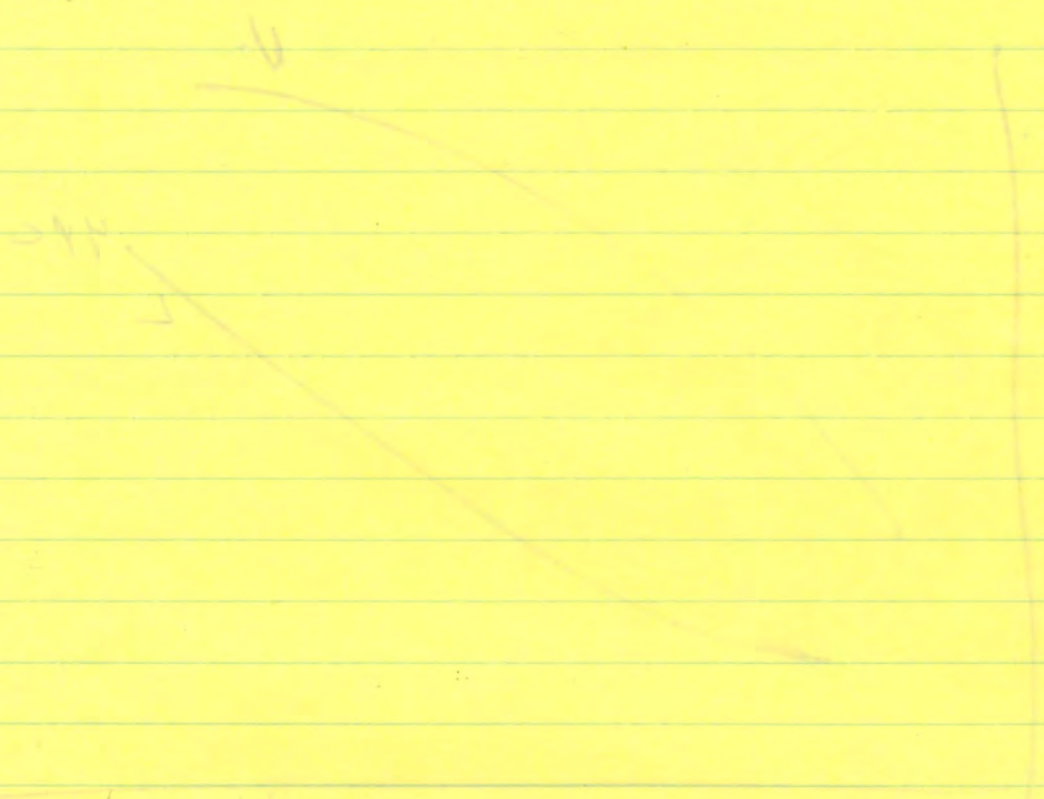
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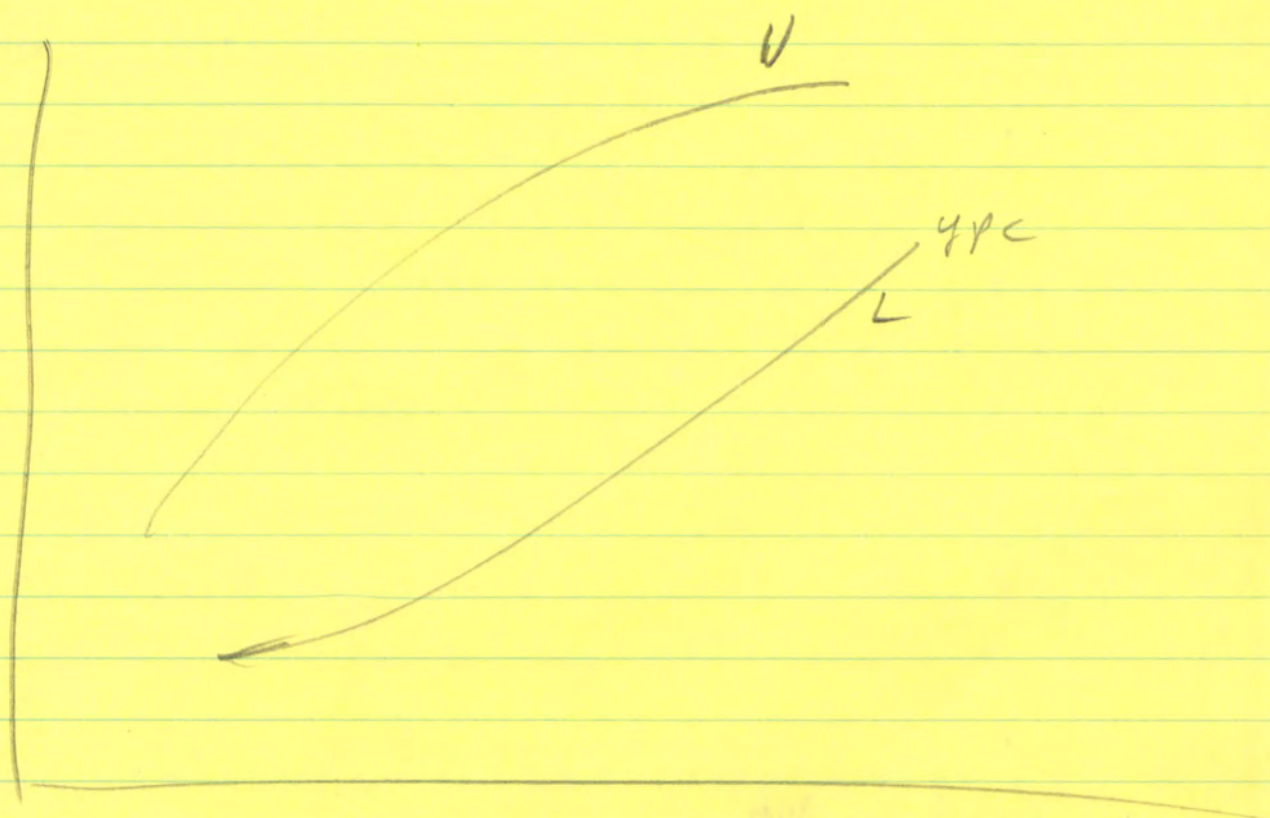
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OFFICIAL DEVELOPMENT ASSISTANCE FROM DAC COUNTRIES 1971-80^{/a}
(Calendar Years; 1973 U.S. \$ millions)

		1971 ^{/a}	1972 ^{/a}	1973	1974	1975	1976	1977	1978	1979	1980
Australia	- ODA	202	240	318	366	406	445	487	532	583	637
	- as % GNP	.52%	.56%	.56%	.59%	.60%	.60%	.60%	.60%	.60%	.60%
Austria	- ODA	10	34	46	58	72	81	92	104	117	131
	- as % GNP	.06%	.17%	.19%	.22%	.25%	.26%	.27%	.28%	.29%	.30%
Belgium	- ODA	146	187	244	296	346	376	408	444	482	524
	- as % GNP	.50%	.54%	.58%	.65%	.70%	.70%	.70%	.70%	.70%	.70%
Canada	- ODA	340	434	505	563	642	725	818	939	1073	1225
	- as % GNP	.37%	.42%	.44%	.45%	.47%	.49%	.51%	.54%	.57%	.60%
Denmark	- ODA	74	97	134	160	190	231	253	277	303	331
	- as % GNP	.43%	.48%	.53%	.58%	.63%	.70%	.70%	.70%	.70%	.70%
France	- ODA	1105	1279	1593	1759	1943	2154	2388	2648	2935	3255
	- as % GNP	.68%	.65%	.65%	.65%	.65%	.65%	.65%	.65%	.65%	.65%
Germany	- ODA	734	775	1176	1273	1458	1668	1903	2166	2515	2907
	- as % GNP ^{/c}	.34%	.30%	.36%	.36%	.38%	.40%	.42%	.44%	.47%	.50%
Italy	- ODA	173	176	217	240	264	310	342	399	465	540
	- as % GNP	.17%	.16%	.16%	.16%	.16%	.17%	.17%	.18%	.19%	.20%
Japan	- ODA	511	823	1241	1602	2043	2461	2958	3520	4182	4959
	- as % GNP	.23%	.28%	.32%	.36%	.40%	.42%	.44%	.46%	.48%	.50%
Netherlands	- ODA	216	283	347	397	461	519	584	657	739	830
	- as % GNP	.60%	.62%	.63%	.66%	.70%	.72%	.74%	.76%	.78%	.80%
Norway	- ODA	42	70	104	135	165	197	228	257	297	342
	- as % GNP	.33%	.47%	.56%	.67%	.75%	.82%	.87%	.90%	.95%	1.00%
Portugal	- ODA	99	36	43	47	52	57	63	70	78	86
	- as % GNP	1.43%	.45%	.45%	.45%	.45%	.45%	.45%	.45%	.45%	.45%
Sweden	- ODA	160	208	276	346	409	469	542	625	717	865
	- as % GNP	.45%	.50%	.56%	.65%	.71%	.75%	.80%	.85%	.90%	1.00%
Switzerland	- ODA	28	60	83	104	120	137	160	186	215	247
	- as % GNP	.12%	.22%	.26%	.30%	.32%	.34%	.37%	.40%	.43%	.46%
United Kingdom	- ODA	561	678	749	840	920	1056	1161	1301	1428	1597
	- as % GNP	.42%	.42%	.43%	.45%	.46%	.49%	.50%	.52%	.53%	.55%
United States	- ODA	3324	3456	3564	3566	3546	3781	4367	5013	5727	6512
	- as % GNP	.32%	.30%	.28%	.26%	.24%	.24%	.26%	.28%	.30%	.32%
From All DAC Countries	- ODA	7725	8834	10640	11752	13037	14667	16754	19138	21856	24988
	- as % GNP	.35%	.35%	.36%	.36%	.36%	.38%	.40%	.42%	.44%	.46%

^{/a} 1971 figures are from DAC sources; 1972 figures are U.S. dollar estimates at December 1971 exchange rates; 1973-80 figures for all countries are U.S. dollar estimates at February 1973 exchange rates, except for Germany where the March 1973 exchange rate is used.

18 COUNTRIES.

Functional Classification of Government or Public Sector Expenditure

(as % of GNP or GDP)

	Central African Rep FY 1967 Central Govt	Dahomey 1968 Central Govt	Ethiopia 1967/70 Central Govt	the Gambia 1967/8 Central Govt
Function				
General services	6.5	6.3	5.6	7.0
Defence	2.0	3.2	2.2	-
Administration	4.5	3.1	1.0	2.4
Others	-	-	2.4	4.6
Social services	5.1	5.7	3.7	6.3
Education	3.3	3.6	2.1	3.3
Health	1.8	2.1	1.0	2.5
Housing	-	-	n.a.	-
Others	-	-	0.7	0.5
Economic services	3.5	1.8	2.8	17.4
Agriculture	1.7	-	0.4	3.5
Transport & communication	-	-	1.6	7.6
Industry	n.a.	-	0.3	n.a.
Other	1.8	-	0.5	6.3
Others ²⁾	4.6 ¹⁰⁾	1.6	0.3	5.6
TOTAL EXPENDITURE	19.7 ³⁾	15.6	12.4	36.3
GNP at current market prices				
GDP " " "	CFAP 46.6 billion	CFAP 48.9 billion		
GDP at factor cost			£3812.1 million	£11.5 million
¹⁾ Current expenditure only				
²⁾ Including capital expenditure: 1.1% (C.A.R.)			9.9% (Mauritania)	6.3%
	9.7% (Ivory Coast)		1.4% (Togo)	
³⁾ Includes public debt service for all countries (except Ghana, Ivory Coast)				
⁴⁾ Includes "Lower order"				
⁵⁾ These figures are estimates for calendar year 1967, made from figures for the 15 m.				
⁶⁾ "Natural resources" total - includes agriculture, forestry, fishing, surveys.				
⁷⁾ Housing, transport and public works are inseparable here.				
⁸⁾ Includes unclassified expenditures				
⁹⁾ Includes Power				
¹⁰⁾ Includes transfers and subsidies				

Source: IBRD Country Reports (the most recent where available)

[illegible]

12	13	14	15	16	17	18
Rwanda	Senegal	Sierra Leone	Sudan	Togo	Zaire	Zambia
1970	1968/69	1968/69	1969/70	1970	1969	1971
Central Govt.	Central Govt.	Central Govt.	Central Govt.	Central Govt.	Central Govt.	Central Govt.
4.1	8.5	3.2	11.3	3.2	9.6	12.7
2.2	2.2		4.7	1.2	2.6	4.6
1.2	2.9		5.0	2.0	na	3.4
0.7	3.3		1.6	-	7.0	4.7
3.4	5.9	4.0	5.1	2.3	6.5	9.6
2.5	3.8	2.6	2.9		5.1	6.4
0.8	1.8	1.0	1.5		0.9	3.0
-	na ²⁾	0.0	-		na	na
-	0.4	0.3	0.6		0.5	0.2
1.8	4.8	5.5	5.9	1.2	1.1	17.4
0.5	1.9	0.5	2.9		0.2	6.7
0.9	2.4 ²⁾	3.4	1.5		na	4.1 ²⁾
-	0.1	0.1	0.3		na	5.5
0.4	0.3	1.5	1.2		0.9	1.1
0.2	1.8	0.8 ¹⁰⁾	5.7 ¹⁰⁾	2.8 ¹⁰⁾	5.6	3.9 ¹⁰⁾
9.5	21.0	13.5	28.8	10.7 ³⁾	29.1 ²⁾	43.6
CFAF 204.5 bill. 1969 315.7 mil						
F 19.5 billion	S# 585.1 million CFAF 71.7 billion Zaire 982.5 million Kwacha 1277 mil					

functional breakdown of expenditure is available but no corresponding years were given in the reports used.

so, Guinea, Lesotho, Malagasy

ns

includes did not have a functional breakdown or else unobtainable

12 COUNTRIES
LATIN AMERICA

Functional Classification of Governmental or Public sector Expenditure
(as % of GNP or GDP)

		DOMINICAN REPUBLIC 1969(a)	ECUADOR 1969(a)	COSTA RICA 1969(a)	GUATEMALA 1970(a)
		CENTRAL GOVT	ALL GOVT	CENTRAL GOVT	CENTRAL GOVT
1	General Services	5.5	6.9	5.3	3.7 ¹⁴
2	Defense	2.3	3.3	0.5	2.0 ¹⁵
3	Administration	1.6	2.6	2.3	1.0
4	Others	1.6	1.0	2.5	0.6
5					
6					
7	Social Services	5.3	6.2	7.6	3.4
8	Education	2.9	5.1	4.7	1.7
9	Health + Welfare	2.0	0.9	2.6	1.6
10	Housing	0.4	0.2	0.02	0.1
11	Others	0.5		0.1	
12					
13					
14					
15					
16	Economic Services	5.5	4.8	0.8	2.1
17	Agriculture	1.3	0.9	0.2	0.5
18	Transportation + Comm.	2.7	3.4	0.6	1.4
19	Industry	0.1 ¹⁴	3.8	0.03	0.2
20	Other	1.4		-	
21					
22					
23	Others	1.4 ²¹	4.3	-	0.4 ¹²
24					
25					
26	Total Expenditure	18.2	22.1	16.6 ¹²	9.7
27					
28	local GDP at current m.p.	1271.4m(p)	31332m(a)	5653.9m(a)	1835.6m(p)
29	national GNP	(current + capital)	(current + capital)	(current only)	(current + capital)
30					
31					
32					
33					
34					
35					
36	11 includes Commerce + Mining				
37	12 Transfers to municipalities + interest on public debt				
38	13 Total includes investment expenditures too				
39	14 Mainly current expenditure				
40	15 includes current expenditure on Police				
41	16 Unclassified + Transfers				
42	17 includes community services of 8.0%				
43	18 includes forestry + fishing of 0.1%				
44	19 includes community services of 3.0%				
45	20 Controller General, presidency, Government + justice - foreign affairs				
46	21 includes community services of 2.1%				
47	(a) = actual (P) preliminary				

5	6	7	8	9	10	11
GUYANA 1970 (a)	HONDURAS 1970 (a)	JAMAICA 1970/71 (a)	PANAMA 1970 (a)	MEXICO 1969 (a)	PARAGUAY 1970 (a)	TRINIDAD & TOBAGO 1970 (a)
CENTRAL GOVT	CENTRAL GOVT	CENTRAL GOVT	CENTRAL GOVT	PUB. SEC. + FED. ST.	PUBLIC SECTOR	CENTRAL GOVT
8.1	5.0	5.4	4.3 ¹⁰	4.8	n.a.	3.6
1.5	1.4 ⁵	0.5	n.a.	1.1		1.6
4.4	2.2	3.5	n.a.	3.7		2.0
2.2	1.4	1.4	n.a.			-
16.4 ¹⁷	4.7	10.6 ¹³	6.2	6.0	1.1	8.2 ¹¹
4.8	3.0	3.0	4.0	2.9	10.2	2.8
3.3	1.7	4.1	2.2	1.1	0.1	2.3
0.1	}	0.6	n.a.	2.0	0.6	0.1
8.2 ¹⁷	}	3.0 ¹⁴			0.3	0.9
4.8	1.7	4.9	5.2	13.0	2.9	1.0
2.1 ¹⁸	0.6	2.6	0.7	2.1	0.1	2.0
1.6	1.0	1.0	4.5	3.1	1.5	n.a.
1.1	2.1	1.3		7.8	0.2	0.1
					1.1	0.3
4.4	0.1	3.7	8.1	0.2	1.1	2.6
93.7	15.9 ¹³	24.6	23.8	24.0	5.1	15.6
505.6m(a)	1402m(a)	1024.5m(a)	1011.6m(a)	3673.75m(a)	7492.1m(a)	1789.6m(a)
(current + capital)	(current exp. except for the total)	(current + capital)	(current investment)	(current + capital exp.)	(Disinvestment exp. only)	(current exp. only)

Functional Classification of Government or Public Sector Economy

13 COUNTRIES. EUROPE AND MEDITERRANEAN COUNTRIES.

	1	2	3	4
	ALGERIA	ARAB REPUBLIC OF EGYPT	CYPRUS	MOROCCO
	1969(a)	1970/71(a)	1970(a)	1969(a)
	CENTRAL GOVT.	CENTRAL GOVT.	ALL GOVERNMENT	CENTRAL GOVT.
General Services	6.4	19.2	4.0	4.8
Defense	2.5	14.0	1.3	2.7
Administration	3.9	5.3	0.5	2.1
Others	-		2.2	
Social Services	11.4	6.3	5.0	6.1
Education	6.9	4.1	2.2	4.4
Health + Welfare	1.5		1.1	1.4
Housing	3.0	2.2	n.a.	0.2
Others			1.7 ²¹	0.1
Economic Services	13.7	11.0	4.5	7.0
Agriculture	3.2	3.1	1.6	4.4
Transport + Communication	n.a.	1.4	1.7	0.9
Industry	5.7	5.1	0.1	0.5
Others	2.8 ¹²	2.4 ¹²	1.1 ¹²	1.2
Others	2.7	4.7	5.3	3.7
Total Expenditure	34.2	41.2	18.8	21.6
GDP (at current market price)	19.86(a)			
GNP (local currency)		3030.5m(a)	225.8m(a)	15880m(a)
	(current + direct investment + loans + advances)	(current + invest.)	(Ordinary + Development)	(Current + investment)

- 1 includes housing, infrastructure, tourism.
- 2 includes high dam, electricity, Suez Canal, Trade + finance, others.
- 3 includes tourism, rural development, town planning + municipal projects.
- 4 social insurance fund expenses.
- 5 includes fisheries.
- 6 includes consumer subsidies, state guarantee fund, other.
- 7 includes electric power.
- 8 includes capital expenditure.
- 9 includes social services.
- 10 agriculture, water, power.
- 11 mainly capital expenditure. Current expenditure is 0.5% of GNP.
- 12 former People's Democratic Republic.
- 13 includes industry, mining, power, fuel.
- 14 includes transport, public utilities, public works.

(a) = actual (p) = preliminary

(as % of GNP or GDP)

	5	6	7	8	9	10	11
	ICELAND	IRAN	IRELAND	ISRAEL	JORDAN	OMAN	YEMEN
	1967(a)	1969/70(a)	1969(a)	1970/71(a)	1969(a)	1971(a)	1968(a)
	CENTRAL GOVT.	CENTRAL GOVT.	CENTRAL GOVT.	ALL GOVT.	ALL GOVT.	CENTRAL GOVT.	CENTRAL GOVT.
General Services	2.2	10.1	4.5	28.0	25.1	15.8	18.4
Defense	n.a.	8.5 ¹²	1.1	26.6	19.8	14.7	17.4
Administration	2.2	1.5	3.4	1.4	5.3	1.1	1.0
Others		0.1					
Social Services	11.5	3.5	14.3	10.3	5.3	6.4	5.0
Education	3.4	2.7	4.5	3.2		1.7	3.1
Health + Welfare	5.7	0.8	7.3	3.5		2.5	1.9
Housing	n.a.	n.a.	2.0	3.6		n.a.	
Others	3.3 ¹²		0.5	-		2.8	
Economic Services	4.0	2.5	15.4	3.8 ¹¹	7.5	19.8	6.2
Agriculture	2.8 ¹²	0.7 ¹²	6.5 ¹²	0.6		0.5	
Transport + Communication	0.8	0.7	4.6	1.6	2.0	12.1	
Industry	0.1		2.7	0.6		4.6	
Others	0.2 ¹²	1.1 ¹²	1.6	0.5			
Others	2.1	1.7	5.3	11.4	-		5.6
Total Expenditure	20.8	28.2 ¹²	39.5	53.5	37.9	2.6	35.2
GDP	24000m(a)	625.0b(a)	1481.0m(a)	18934m(a)	233.7m(a)	110.9m(a)	15.8m(a)
Total	(current exp. only)	(current exp. + Cap. tal)	(current + capital)	(current + development)	(current + development)	Total	

	12	13	14	15	16	17
	TUNISIA	SYRIAN ARAB REPUBLIC				
	1970(a)	1969(a)				
	CENTRAL GOVT.	ALL GOVT.				
General Services	6.2	11.9				
Defense	1.5	10.2				
Administration	4.7	1.7				
Others						
Social Services	15.1	6.8				
Education	8.5	3.9				
Health + Welfare	3.0					
Housing	0.1	2.9				
Others	3.5					
Economic Services	5.0	8.2				
Agriculture	2.8	2.4				
Transport + Communication	0.8	2.8 ¹²				
Industry	1.4	3.0 ¹²				
Others						
Others	4.6	n.a.				
Total Expenditure	30.9	27.8				
GDP	647.0m(a)	6.063m(a)				
Total	(current exp. + Capital exp.)	(Ordinary + Investment)				

ASIA - PACIFIC

12 COUNTRIES

		1 Burma 1970/71 Central Govt.	2 China 1968/9 All govt. levels	3 HongKong 1965/6 Consolidated govt.	4 Fiji 1968 Central Govt.
1	General Services	8.1	11.6	4.5	3.8
2	Defence	5.9	n.a.	0.9	
3	Administration	2.2	n.a.	2.4	
4	Others	-	n.a.	1.3	
5					
6	Social Services	4.8	n.a.	6.8	6.3
7	Education	2.8	4.0	2.3	
8	Health	1.1	n.a.	1.5	
9	Housing	n.a.	n.a.	2.0	
10	Others	0.9	n.a.	-	
11					
12	Economic Services	3.5	2.1	4.1	9.4
13	Agriculture	1.1	n.a.	0.1	
14	Transport/communications	0.6	n.a.	0.9	
15	Industry	0.0	n.a.	0.2	
16	Other	1.8	n.a.		
17					
18	Others ²⁾	7.6	n.a.	0.3 ³⁾	6.5 ³⁾
19					
20					
21					
22					
23	TOTAL EXPENDITURE	23.9	25.0	15.7	25.9

[illegible]

^U Includes public debt service

3) Includes transfers

3) Development expenditure only

ii) Of which 17.9% is current expenditure

Source: IBRD Economic Reports (Use most recent where possible)

Functional Classification of Government or Public sector Expenditure

(as % of GNP or GDP)

5	6	7	8	9	10	11
Khmer Republic 1968	Korea 1970	Philippines 1970/71	Singapore 1970/71	Sri Lanka 1969/70	Surinam 1970	Thailand FY 1971
National budget	Central govt.	National govt.	Public sector	Central govt.	Central Govt.	Central govt.
8.6	6.2	2.5	7.9	4.5	8.5	6.3
4.6	4.0	0.9	6.4	1.5		3.6
3.7	1.0	0.7	1.5	3.0		1.4
-	1.2	0.9	-	-		1.3
5.7	5.9	3.5	11.2	7.6	11.6	4.8
4.6	3.1	2.8	3.2	4.4	6.0	3.4
1.0	0.2	0.6	1.5	2.3	2.8	0.6
n.a.	0.1	-	5.0	0.4	0.6	n.a.
0.1	2.5	0.1	1.5	0.5	2.2	0.8
3.7	5.3	3.4	11.2	5.0	11.7	5.0
0.6	1.9	0.9	-	2.3	4.1	2.0
n.a.	1.6	1.5	3.4	1.2	5.4	2.3
n.a.	0.6	0.5	3.9	0.7	0.3	0.1
3.1	1.2	0.5	3.9	0.3	1.9	0.6
0.6	2.2	1.0	1.4	11.3	1.2	3.5
18.1	19.6	10.4	31.8	28.4	33.0	19.6

Rials 36.4 billion	Wons 25340 billion	Perus 39.9 billion	\$ 5856 mill	Rupias 126 bill.	5.16 mill Singapore dollars	Baht 144.6 billion
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NOTE: A figure is available for Afghanistan but no GNP or GDP to use is given in the report for recent years.

For some countries (India, Indonesia, Pakistan) the breakdown of expenditure is detailed but not all is comparable with the above classification.

OFFICE MEMORANDUM

TO: Mr. Robert S. McNamara

DATE: July 27, 1973

15

FROM: Mahbub ul Haq

SUBJECT: Annual Speech Data Check

1. As requested by you yesterday, the economic data in pages 1-11 of the speech has also been checked. Mr. Blaxall informed me that P & B had carried out a data check on Sections I and II and the last part (p. 11) of Section III of the speech but not the balance of Section III (pp. 6-10). This has now been done in the attached draft. The sources of data have been footnoted.

2. There are still two question marks on which I shall be sending a memo later when they have been thoroughly checked up:

Page 8, line 8: According to the AID Office of Nutrition, 60% of the population of developing countries (excluding China) suffers from malnutrition, primarily protein deficiency. (We are awaiting information from Mr. Alan Berg.)

Page 10, line 4: The reference to 35% consumption of total world resources by the U.S. is still being checked.

cc: Mr. Alan Berg

MHaq/rso

Page 6

- 1/ IBRD/EAP, "Development Policy for Countries Highly Dependent on Exports of Primary Products", January 2, 1973.
Secretary's document R73-3, January 4, 1973, p. 4.

"If the developed countries were to follow somewhat more liberal import policies on these and other agricultural commodities of interest to developing countries, the earning of the latter could increase by about \$4 billion above the 1980 projection in Table 1".

- 2/ Secondary Source: OECD Press Release, "Development Assistance 1972 & Recent Trends", PRESS/A(73)24, June 28, 1973, pp. 15-17.
- 3/ The 1975 projected ODA flow as a percentage of GNP as it appears in the appended table, p. 39, of the draft speech is still the most recent P & B projection.

Page 7

- 1/ IBRD/EAP, 1973. The previous \$4 trillion estimate of GNP for the developed countries in 1980 has been revised downward to about \$3.5 trillion.
- 2/ Assuming the GNP of the developed countries rises to \$3.5 trillion, then the .7% ODA target of \$24.5 billion would still be less than 2% of the \$1.5 trillion increment of \$30 billion.

Page 8

- 1/ AID/Ofc. of Nutrition in its 1974 Congressional Presentation (page M-6) states that 60% of the total population in developing countries (excluding China) suffers from malnutrition, primarily from protein deficiency. This is based on the 1963 FAO World Food Survey which states that 20% of these people are undernourished, and 60% live on diets inadequate in nutritional quality.

The "nearly two billion human beings" mentioned on line 8 is stated more precisely as 1.8 billion on page 12.

- 2/ IBRD/ECDPH states that 20 to 25% of the children in developing countries die before their fifth birthdays. Ansley Coale and Paul Demeney, Regional Model Life Tables and Stable Populations, Princeton University Press, 1964, p. 14.

Stated more dramatically, one half of the deaths in developing countries occur in children under 5 years of age. UN Life Tables.

- 3/ 50 years in the developing countries as contrasted to 70 years in developed countries. IBRD/ECDPH citing UN "World Population Projections 1965-85", Population Working Paper No. 30, December 1969.
- 4/ IBRD/Education/CPS, Table: "Comparative Education Indicators", June 20, 1973.

The median adult illiteracy rate in a sample of 46 Bank member developing countries is 45%, or about 800 million people.

Page 9 None

Page 10 1/ UN Statistical Yearbook, 1971, p. 8.

2/

3/ As indicated in Table, "Projected Flow of Official Development Assistance Measured as a Percent of Gross National Product", Draft of Annual Speech, 7/14/73, p. 39.

4/ Bank/IDA Annual Report, 1973.
Statistical Annex Tables, Appendices. Document R73-151,
June 21, 1973. Table 4.

5/ Ibid, Table 8.

6/

been able to borrow not only in our more traditional markets, but in altogether new ones, and to utilize new borrowing instruments and new channels of distribution.

Net borrowing for the five-year period has been approximately three and three-quarters times that of the earlier period, and our liquid reserves have risen to \$3.7 billion, an increase of 165%.

Neither the increase in operations, nor the shift in emphasis toward more socially oriented sectors, has adversely affected net income. On the contrary, total net income for the five-year period was \$970 million, 30% more than in the previous period, and this despite a significant increase in the subsidy to the developing countries implicit in the Bank's lending rate.

We have completed the Five-Year Program, then, by meeting the quantitative goals we had set for ourselves in 1968, and by making a sustained effort to improve the overall quality of our work.

But our task now is to move forward with a second Five-Year Program. Like the first, its goals and shifts in emphasis must be shaped by the evolving development situation itself.

Let me give you my assessment of what the situation is.

III. THE BANK'S SECOND FIVE-YEAR PROGRAM: FY 1974-1978

Most of our developing member countries are faced with three interrelated difficulties:

- . An insufficiency of foreign exchange earnings through trade.
- . An inadequate flow of Official Development Assistance (ODA).
- . And an increasingly severe burden of external debt.

Each of these difficulties is serious in itself. But in the aggregate they result in a shortage of resources to buy needed goods in the developed world so severe as to threaten the outcome of the entire development effort.

Let me examine each of these difficulties briefly.

The Trade Problem

The core of the trade problem for the bulk of the developing countries is that they cannot expand their exports rapidly enough to pay for their essential imports. These imports are themselves often the key to greater export capability -- and higher foreign exchange earnings -- and thus the dilemma of trade imbalances in these countries tends to become self-perpetuating.

The problem is compounded by the delay of the wealthy nations to dismantle discriminatory trade barriers against the poor countries. Our studies indicate that if the affluent nations were gradually to reduce their present protectionist trade restrictions against agricultural imports from the developing world, the poorer nations could, by 1980, increase their annual export earnings by at least \$4 billion.^{1/} That should be the objective.

An Acute Shortage of Development Assistance

Secondly, the current flow of Official Development Assistance -- financial aid on concessionary terms -- is acutely inadequate. Not only is it far below what the developing nations need and what the affluent nations can readily afford, but, as the attached table indicates, it is only half the modest target of .7% of gross national product (GNP) prescribed by the internationally accepted United Nations Strategy for the Second Development Decade.^{2/}

That target called for reaching ODA levels of .7% by 1975. In fact, by 1975 ODA will not exceed .35%.^{3/} And yet achievement of the target neither requires

the people of the developed nations to reduce their already high standards of living, nor to neglect their domestic priorities. It asks them only to dedicate a tiny fraction of the incremental wealth -- wealth over and above that which they already enjoy -- that will accrue to them in the decade of the 70s.

During the decade, the annual GNP of these affluent nations will grow, in constant prices, from \$2 trillion in 1970 to approximately \$3.5 trillion in 1980: an increase in wealth virtually beyond one's capacity to comprehend. ^{1/}

In order to double the ODA flows, and thereby raise them to the targetted .7%, the developed countries would need to devote to that end less than 2% of the amount by which they themselves will grow richer during the period. ^{2/} The remaining 98% of their incremental income would provide them with more than sufficient funds to meet their domestic priorities.

I have heard it said in the developed countries -- in the United States and elsewhere -- that their domestic problems are so pressing that they require an exclusive claim on the immense incremental wealth which will accrue to their societies in future years, and that not even the 2% of this additional wealth, which we suggest should be diverted to the developing countries, can be spared. But I believe that such critics of additional assistance to the poorer nations, when citing the needs of their own cities and countryside, fail to distinguish between two kinds of poverty: what might be termed relative poverty and absolute poverty.

Relative poverty means simply that some countries are less affluent than other countries, or that some citizens of a given country have less personal abundance than their neighbors. That has always been the case, and granted the realities of inherent differences between regions and between individuals, will

continue to be the case for decades to come. This is the kind of poverty that exists in the developed nations.

But absolute poverty is a condition of life so degraded by disease, illiteracy, malnutrition, and squalor as to be a total deprivation of basic human rights.

It is a condition of life suffered by relatively few in the developed nations but by hundreds of millions of the citizens of the developing countries represented in this room. Many of you have cause to know far better than I that:

- ? /
- ^{Up to 60%?} One-third to one-half ^{nearly} of the ^{two} billion human beings in those countries suffer from hunger or malnutrition. ^{1/}
 - ^{20% 25%} 25% to 30% of their children die before their fifth birthdays. ^{2/} And millions of those who do not die lead impeded lives because their brains have been damaged, their bodies stunted, and their vitality sapped by protein deficiency.
 - The life expectancy of the average person is 20 years less than in the affluent world. ^{3/} They are denied 30% of the lives those of us from the developed nations enjoy. In effect, they are condemned at birth to an early death.
 - 800 million of them are illiterate and, despite the continuing expansion of education in the years ahead, even more of their children are likely to be so. ^{4/}

This is absolute poverty: a condition of life so limited as to prevent realization of the potential of the genes with which one is born; a condition of life so degrading as to insult human dignity. And yet a condition of life so common as to be the life of some 40% of the peoples of the developing countries. And are we who tolerate such poverty, when it is within our power

to reduce the number afflicted by it, not failing to fulfill the obligations accepted by civilized societies since the beginning of time.

[Insert a paragraph re 4th Replenishment of IDA, if necessary.]

I do not wish you to interpret my remarks as those of a zealot. But you have hired me to examine the problems of the developing world and to report to you the facts. These are the facts.

It is true that some citizens of the developed countries protest against increasing their assistance to the developing countries because of poverty in their own societies. They do so either because they are unacquainted with these facts; or because they fail to distinguish between relative and absolute poverty; or perhaps because they are obscuring the truth even from themselves -- unwilling to admit that the principal pressure on the incremental incomes of their economies comes not from a legitimate concern for the less fortunate in their societies, but from the endless spiral of their own demands for additional consumer goods.

There are, of course, many grounds for development assistance: among others, the expansion of trade, the strengthening of international stability, and the reduction of social tensions.

But in my view the fundamental case for development assistance is the moral one. The whole of human history has recognized the principle -- at least in the abstract -- that the rich and the powerful have a moral obligation to assist the poor and the weak. That is what the sense of community is all about -- any community: the community of the family, the community of the village, the community of the nation, the community of nations itself.

I, for one, cannot believe that once the gross deficiency in the flow of ODA is better understood; that once the degree of deprivation in the developing

nations is more fully grasped; that once the true dimensions of poverty in the less privileged world are more realistically compared with the vast abundance in the affluent world (that once the people of the United States, for example, understand that they, with 6% of the world's population, consume some 35% of the world's total resources^{2/} and yet rank fourteenth among the sixteen ODA-providing nations)^{3/} -- I cannot believe that in the face of all this the people and governments of the rich nations will turn away in cynicism and indifference.

The Growing Burden of Debt

Finally, there is the growing burden of external debt in the developing world. Publicly guaranteed debt currently stands at about \$80 billion^{4/}, with annual debt service of approximately \$7 billion.^{5/}

It is important to understand what the essence of the debt problem is. It is not the fact that there is debt, nor even the absolute size of the debt. It is, rather, the composition and dynamics of the debt; the fact that debt, and debt payments, are growing faster than the revenues required to service them. Restricted trading opportunities, exacerbated by inadequate flows of ODA, tend to drive developing countries to over-reliance on export credits and other short-term, high-cost loans. It is these factors that threaten to increase the debt burden beyond reasonable limits. Already, since 1970, several countries -- Ghana, Chile, Pakistan, India, Indonesia, and Sri Lanka among others -- have either defaulted on debt service or been forced to ask for debt rescheduling in order to avoid default.

The Bank's Program for FY74-78

Given the nature of this interrelated set of problems in our developing member countries -- an insufficiency in foreign exchange due to trade difficulties, the inadequate flow of ODA; and the growing debt burden -- the Bank,

far from relaxing the momentum of our operations over the next five years, must increase it. And that is what we intend to do.

We plan to expand both our IERD and IDA lending at a cumulative annual rate, in real terms, of 8%.^{a/}

For the five-year period FY1974-78, our lending --- in September 1973 dollars --- should total \$22 billion for almost 1000 projects.

The total cost of these projects will approach \$50 billion.

Our \$22 billion in new commitments will constitute, in real terms, a 42% increase over the 1969-1973 period, and a 173% increase over the 1964-1968 period.

This, then, in financial terms is our plan for the second five-year program. It will represent the largest program of technical and financial assistance to developing countries ever undertaken by a single agency.

But the qualitative changes in the program will be of even greater significance than the increase in its size. We plan to place far greater emphasis on policies and projects which will begin to attack the problems of absolute poverty to which I referred earlier -- far greater emphasis on assistance designed to increase the productivity of that approximately 40% of the population of our developing member countries who have neither been able to contribute significantly to national economic growth, nor to share equitably in economic progress.

In the remaining sections of this statement I would like to discuss the nature of this poverty problem, consider what means are at hand to alleviate it, and what part the Bank can play.

^{a/} In last year's address, I stated that our plan, in terms of current prices, was to increase financial commitments 11% per year. The "real terms" equivalent was 8%. Today, because of changes in exchange rates and accelerated price increases, a growth rate of 8% per annum in real terms, for the period FY74-78 vs. FY69-73, would require financial commitments to increase approximately ~~14%~~ 14% per year in current prices.

ADDRESS TO THE BOARD OF GOVERNORS OF THE WORLD BANK

(Nairobi -- 9/24/73)

I. INTRODUCTION

Last year I began a discussion with you of the critical relationship of social equity to economic growth. I emphasized the need to design development strategies that would bring greater benefits to the poorest groups in the developing countries -- particularly to the approximately 40% of their populations who are neither contributing significantly to their economic growth nor sharing equitably in their economic progress.

In the twelve months since our last meeting, we in the Bank have given high priority to an analysis of the problems of poverty in the developing countries and to an evaluation of the policies available for dealing with them. On the basis of these studies, I would like this morning to:

- . Discuss the nature of the poverty problem, particularly as it affects the rural areas.
- . Suggest some of the essential elements of a strategy for dealing with it.
- . And outline a plan for World Bank operations in support of this new strategy.

But before turning to these matters, I want to report to you on the results of the Bank's Five-Year Program for the fiscal years 1969-73 -- a program that concluded on June 30th of this year; and then to suggest the financial objectives for a second five-year plan for the years 1974-78.

II. THE BANK'S FIVE-YEAR PROGRAM FOR FISCAL YEARS 1969-73

It was in September of 1968 that I first met with you in this forum and outlined the goals of a Five-Year Program for the World Bank Group. You will recall what our objectives were. We stated we were "formulating a 'development plan' for each developing country to see what the Bank Group could invest if there were no shortage of funds, and the only limit on our activities was the capacity of our member countries to use our assistance effectively and to repay our loans on the terms on which they were lent."

Based on these analyses, we proposed to double the Bank's operations in the fiscal period 1969-73 as compared with the previous five-year period 1964-1968. That objective has been met: total financial commitments of the IBRD, IDA, and IFC, in current prices, in the 1964-1968 period were \$5.6 billion; in the 1969-1973 period: \$13.4 billion. In real terms, the increase was 100%.

As indicated in the table below, in the five years we achieved a level of operations that exceeded the total of all the operations that the Bank had undertaken in the developing world in the 23 years from 1946 through 1968.

Bank Group Financial Commitments to Developing Countries by Region
(dollars in Millions)

<u>Region</u>	<u>Numbers of Projects</u>		<u>Amount of Commitments</u> (current prices)	
	<u>1946-68</u>	<u>1969-73</u>	<u>1946-68</u>	<u>1969-73</u>
East Africa	69	99	\$808	\$1079
West Africa	28	106	494	1000
Europe, Middle East, N.Africa	97	141	1761	3007
Latin America and Caribbean	209	152	3424	3700
Asia	<u>174</u>	<u>188</u>	<u>3861</u>	<u>4080</u>
Total	577	686	\$10348	\$13400

But it was not mere quantity that we were seeking. We did not simply want to do more than had been done in the past, but to do more of what was most

required by the evolving needs of the developing countries. That meant that within our overall objective we had to shift our emphasis both geographically and sectorally.

While continuing to serve the regions where we had been particularly active, we decided to expand substantially in other areas.

In Africa, for example, we set out to triple our lending -- and we have done so.

We undertook operations, for the first time, in Indonesia -- and in the five years have committed \$450 million there.

For the poorest and least developed of our member countries, those with average per capita incomes of \$120 or less, we have quadrupled our lending. During the Five-Year Program period we have initiated 215 separate projects in these countries. The comparable figure for the whole of the previous 23 years of the Bank's operations is 158.

Geographically, then, our planned shifts in emphasis have been implemented, and implemented concomitantly with an increased level of lending in our more traditional regions.

But it was clear to us in 1968 that the Five-Year Program must shift emphasis sectorally as well. Accordingly, we proposed to quadruple lending in agriculture over the previous five-year period -- and we have done so. We proposed to triple lending in education -- and we have done so.

Perhaps the most significant shift was into a sector in which the Bank had previously had no operations at all: the sensitive and difficult, but clearly critical sector of population.

We established a Population Projects Department, and from the very beginning received far more requests for technical and financial assistance from our member countries than we could immediately provide. We deliberately began our project work in a number of smaller countries in order to work effectively within our growing staff resources. But by the end of the Five-Year Program period agreements had been signed for projects in two of the largest and most heavily populated nations: India and Indonesia.

In addition to the Population Projects Department -- to which we have now added the responsibility for nutritional projects -- other initiatives were launched within the Bank. Among them are new departments for Industrial Projects, Urban Projects, and Tourism Projects; an Office of Environmental Affairs; an Operations Evaluation Unit; and a new program of comprehensive country economic reporting.

To achieve the doubled level of our operations, it was necessary, of course, to strengthen the Bank both organizationally and financially. World-wide recruitment was increased and the staff was expanded by 125% during the period. We were determined in this effort that we should broaden the international character of our staff to the maximum degree feasible. In 1968 the staff represented 52 nationalities. It now represents 92. In 1968 the proportion of staff from our developing member countries was 19%. The proportion is now 29%, and continues to grow.

Lending more has of course meant borrowing more, and that in turn has depended on governments granting us access to their capital markets. This they have continued to do, despite unsettled conditions and monetary fluctuations. It is a mark of confidence in the Bank's financial structure that we have

been able to borrow not only in our more traditional markets, but in altogether new ones, and to utilize new borrowing instruments and new channels of distribution.

Net borrowing for the five-year period has been approximately three and three-quarters times that of the earlier period, and our liquid reserves have risen to \$3.7 billion, an increase of 165%.

Neither the increase in operations, nor the shift in emphasis toward more socially oriented sectors, has adversely affected net income. On the contrary, total net income for the five-year period was \$970 million, 30% more than in the previous period, and this despite a significant increase in the subsidy to the developing countries implicit in the Bank's lending rate.

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the people of the developed nations to reduce their already high standards of living, nor to neglect their domestic priorities. It asks them only to dedicate a tiny fraction of the incremental wealth -- wealth over and above that which they already enjoy -- that will accrue to them in the decade of the 70s.

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In order to double the ODA flows, and thereby raise them to the targetted .7%, the developed countries would need to devote to that end less than 2% of the amount by which they themselves will grow richer during the period. The remaining 98% of their incremental income would provide them with more than sufficient funds to meet their domestic priorities.

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nations is more fully grasped; that once the true dimensions of poverty in the less privileged world are more realistically compared with the vast abundance in the affluent world (that once the people of the United States, for example, understand that they, with 6% of the world's population, consume some 35% of the world's total resources and yet rank fourteenth among the sixteen ODA-providing nations) -- I cannot believe that in the face of all this the people and governments of the rich nations will turn away in cynicism and indifference.

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But the qualitative changes in the program will be of even greater significance than the increase in its size. We plan to place far greater emphasis on policies and projects which will begin to attack the problems of absolute poverty to which I referred earlier -- far greater emphasis on assistance designed to increase the productivity of that approximately 40% of the population of our developing member countries who have neither been able to contribute significantly to national economic growth, nor to share equitably in economic progress.

In the remaining sections of this statement I would like to discuss the nature of this poverty problem, consider what means are at hand to alleviate it, and what part the Bank can play.

^{a/} In last year's address, I stated that our plan, in terms of current prices, was to increase financial commitments 11% per year. The "real terms" equivalent was 8%. Today, because of changes in exchange rates and accelerated price increases, a growth rate of 8% per annum in real terms, for the period FY74-78 vs. FY69-73, would require financial commitments to increase approximately 19% per year in current prices.

IV. POVERTY IN THE DEVELOPING WORLD

Poverty and Growth

The basic problem of poverty and growth in the developing world can be stated very simply. Despite a decade of unprecedented increase in the gross national product of countries, the poorest segments of their population have received relatively little benefit. Approximately 700 million people -- 40% out of a total of 1.8 billion ^{in our developing country numbers} -- survive on incomes estimated (in U.S. purchasing power) at 30 cents per day, under conditions of malnutrition, illiteracy and squalor.

What is particularly disturbing is the fact that this situation persists despite the impressive increase in financial resources available for development purposes over the past 15 to 20 years. In most developing countries these resources, on a per capita basis, have doubled during the period. But the great bulk of these resources has gone into the modern sectors of the developing economies: into industry, cities and the infrastructure needed to support them. In very few countries have the rural areas shared equitably in these development resources, even though 60% of the population continues to live in the countryside.

Although the collection of statistics on income distribution in the developing world is a relatively recent effort, and is still quite incomplete, we can now begin to measure the dimensions of the poverty problem and its relation to the growth of GNP under different conditions. Among the 40 developing countries for which some data are available, the upper quintile receives 55% of national income in the typical country, while the lowest quintile receives 5%. The extent of inequality is considerably greater than in most of the advanced countries.^{a/}

^{a/} In the United States, for example, the comparable figures are 41% and 7%.

On balance, the data suggest that a decade of rapid growth has worsened the distribution of income in many developing countries, and that the problem is most severe in the countryside. It has proved to be far easier to increase the output of mining, industry, and government -- and the incomes of the people dependent on these sectors -- than to increase the productivity and income of the small farmer.

Although the statistical evidence is still far from adequate, I think that the observations for the past decade support the following conclusions:

- . Policies aimed primarily at accelerating economic growth in most developing countries benefitted mainly the upper 40% of the population;
- . And the allocation of public services and investment funds has tended to strengthen rather than to offset this trend.

The Reorientation of Development Policy

The need to reorient development policy in order to provide a more equitable distribution of its benefits is beginning to be discussed widely. But very few countries have actually taken serious steps in this direction. Without intruding into matters that are the proper concern of national governments, I would like to suggest several steps that could lead to a more rapid acceptance of the required policy changes. I would also stress that unless national governments redirect their policies toward better distribution, there is very little that international agencies such as the World Bank can do to accomplish this objective.

An important first step is to redefine the objectives and measurement of development in more operational terms. While most countries have broadened the statements of their development objectives to include references to the reduction

of unemployment, and to increased income for the poor -- in addition to the traditional growth in output -- they still measure progress toward these complex objectives with a single measuring rod: the growth of GNP.

But the fact is that we can no more define the success of multiple development objectives by the GNP than we can describe the comforts of a home by its area. The Gross National Product is an index of the total value of goods and services produced by an economy; it was never intended as a measure of their distribution.

The Gross National Product implicitly weights the growth of each income group according to its existing share in total income. Since the upper 40% of the population typically receive 75% of all income, the growth of GNP is essentially an index of the welfare of the upper income groups. It is quite insensitive to what happens to the lowest 40%, which have a weight of only 10-15% in the total.

Were we to give at least the same weight to increasing the incomes of the poorest groups in society as we give to increasing the incomes of the rich, we would get quite a different impression of the achievements of the past decade. The growth of total income in Brazil, Mexico, and India, for example, would be one to two percentage points lower than the growth as measured by the GNP. But, in a number of cases -- including, for example, Sri Lanka and Colombia -- the opposite is true. In these countries, giving equal weight to the growth of income of each citizen, regardless of his current wealth, results in a more favorable picture of economic performance than does GNP because it gives credit for some redistribution of the benefits of growth toward the lower income groups.

The adoption of a people-oriented measure of economic performance would constitute an important step in the redesign of development policies. It would require governments, and their planning and finance ministries, to look at the allocation of resources in a quite different way. They would have to consider not only the total output of an investment but also how the benefits would be divided. This would give practical, operational significance to the rhetorical statements of social objectives now embodied in most development plans. These distributional considerations could then be incorporated into the procedures for project evaluation used by the developing countries and by the lending agencies. We are, in fact, introducing this type of analysis in the World Bank [?]

Location of Poverty

Such a proposed reorientation of development strategy would require far greater precision in identifying the main concentrations of the poorest people in a given society and examining much more intensively the policies and investments through which they can be reached.

The center of the problem today is clearly in the rural areas^{a/}, and all of our analysis indicates that this is likely to continue to be true during the next two or three decades:

- . At the present time, 70 per cent of the population of our developing member countries and ~~80 per cent of the poor are found~~⁵ in rural areas.
- . Although demographic projections indicate that 60 per cent of the population increase in these countries (an increase of 2 billion people by the end of the century) is expected to take place in urban

a/ It is true of course that tens of millions of the victims of poverty in the developing world live in the slums of the urban areas and that their social and economic advance depends on an acceleration of the pace of industrialization. I have discussed this subject with you before and will do so again, but today I want to concentrate on the problem of poverty in the countryside where the overwhelming majority of the people live.

areas, largely through migration, it is estimated that in the year 2000 more than half of the developing nations' people will still reside in the countryside.

- . Rapid urbanization is already creating very serious problems. Under present policies, public expenditures per head of urban population are typically three to four times as great as they are in rural areas. Thus, efforts to relieve rural poverty by still greater migration to the cities will only result in a more inequitable division of public expenditures and exacerbate the existing inequalities of income.
- . Within the rural areas the poverty problem centers primarily on low productivity of the small subsistence farms. The truth is that there has been little if any increase in their productivity in the past decade.

Despite the overwhelming evidence of the magnitude of the problem in the countryside, emphasis on rural poverty raises a fundamental question: Is it a sound strategy to devote a large part of our efforts on increasing the productivity of small-scale subsistence agriculture? Would it not be better to concentrate most of the development resources in the modern sector in the hope that its high rate of growth would filter down to the other sectors of the economy? Is not the modern sector, in due time, likely to absorb the traditional sectors?

The answer, I believe, is no.

Experience demonstrates that there is only a limited transfer of benefits from the modern to the traditional sector. Disparities in income will widen unless action is taken which will directly benefit the poorest. Therefore, in my view, there is no viable alternative to increasing the productivity of

small-scale agriculture if any significant advance is to be made in solving the problems of absolute poverty.

But if there is no alternative to the accelerated development of small-scale agriculture, that does not mean there need be conflict between that objective and the growth of the rest of the economy. The fact is that a strategy for increasing the productivity of subsistence agriculture can neither be designed nor implemented in an environment of overall economic stagnation. The small farmers cannot prosper unless there is rapid growth in other sectors from which they will draw a part of their funds and on which they will depend for demand for their produce. But the reverse is also true -- and it is time that we recognize it. Without rapid progress in smallholder agriculture throughout the developing world, there can neither be hope for stable long-term economic growth nor the prospect of a significant reduction in the levels of absolute poverty.

We must face the fact that very little has been done over the past two decades specifically designed to increase the productivity of subsistence agriculture. Neither political programs, nor economic plans, nor international assistance -- bilateral or multilateral -- have given the problem serious and sustained attention. The World Bank is no exception. In our more than a quarter century of operations, out of our \$25 billion of lending, less than \$1 billion has been devoted directly to this problem.

It is time for all of us to confront this issue head-on.

V. A STRATEGY FOR RURAL DEVELOPMENT

Obstacles to More Rapid Growth

First, let us look at some of the obstacles to dealing more effectively with rural development;

- . An immense number of people is involved, well over 100 million families -- more than 700 million individuals.
- . The size of the average holding is small and often fragmented. Out of 140 million farms, more than 100 million are less than 5 hectares and more than 50 million are of less than 1 hectare. And the 100 million farms occupy only 20% of the arable land.
- . Ownership of land, and hence power in the rural areas, is concentrated in the hands of a small minority. According to a recent FAO survey, in most developing countries, the wealthiest 20% of the landowners own between 50 and 60% of the cropland. For instance, the richest 20% of landowners own 82% of the cropland in Venezuela, 56% in Colombia, 53% in Brazil, and about 50% in the Philippines, India, and Pakistan.
- . Even the use of the land the small farmer has is uncertain. Tenancy arrangements are often extortionist and generally insecure. In many countries tenants pay 50-60% of their produce as rent and still face the constant threat of eviction. This of course erodes their incentive to become more productive.
- . The rural credit institutions are inadequate, and usually bypass the small farmer. Institutional credit is clearly essential if the farmers are to increase productivity per hectare. They must buy more fertilizer and pesticides; they must invest in pumps and implements. At present they generally spend less than 20% of what is required on such inputs because they simply do not have the resources.

- . Development of water resources has lagged almost everywhere. The new agricultural technologies which have been developed depend on an assured supply of water. Even where investments in major irrigation facilities have been substantial, on-farm developments to utilize the water have trailed far behind, particularly for small holdings.
- . Technical advice and assistance is generally not available to the small farmer. There are too few extension agents. In developed countries 5% of the agricultural labor force consists of professional and technical workers: The FAO has expressed the hope that the developing countries might reach at least one-tenth of that level by 1985.
- . Research, on which extension services must be based, is underfinanced and frequently does not deal with the special production problems of the small farmers.

It has sometimes been suggested that the productivity of small-scale holdings is inherently low. This is not true. Not only do we have the evidence of Japan to disprove the proposition, but a number of recent studies on developing countries also demonstrate that big farms are not always more productive farms. For example, output per hectare in Guatemala on the smallest farm size groups was 92% higher than on the largest size groups; in Taiwan, 67% higher; in India, 37% higher; and in Brazil, 33% higher. And it is, of course, output per hectare which is the relevant measure of agricultural productivity in land-scarce labor-surplus economies; not output per worker.

Focussing on Smallholder Agriculture

There is ample evidence that modern agricultural technology is divisible, and that the scale of operations is no barrier to raising agricultural yields.

On a national basis, farmers in Japan and Taiwan, where average size of holdings is less than 2 hectares, have increased output between 3 and 5% a year in recent decades.

The question, then, is what can the developing countries do to increase the productivity of the small farmer. How can they duplicate the conditions which have led to very rapid agricultural growth in a few experimental areas so as to stimulate agricultural growth and combat rural poverty on a broad scale?

The first step is to set a goal so that we can better estimate the amount of financial resources required, and provide a basis for measuring progress.

I suggest that we aim at increasing production on small farms at a pace such that by 1985 their output will be growing at a rate of 5% per year. If smallholders can maintain that momentum, they can double output between 1985 and the end of the century.

This is an ambitious goal. A 5% rate of growth has never been achieved on a sustained basis among smallholders in any extensive areas of the developing world. With the exceptions that I have noted, smallholder production has risen on average only about 2.5% per year in the past decade.

But if Japan in 1970 could produce 6720 kg. of grain per ha. on very small farms, then Africa with its 1270 kg. per ha., Asia with 1750 kg., and Latin America with 2060 kg. have an enormous potential for expanding productivity.

Thus, I believe that a 5% growth rate by 1985 is a feasible goal. It recognizes that progress will be slow during the next five to ten years while new institutions evolve, new policies take hold, and new investments are implemented. But after this initial period, the average rate of growth in smallholder agricultural productivity can be more than double today's rate, transforming the lives of hundreds of millions of people.

What will it require to accomplish this goal?

Neither we at the Bank nor anyone else has very clear answers about the best ways to bring improved technology and other inputs to over 100 million small farmers -- especially to those in dry land areas. Nor can we be very precise about the costs. But we understand enough to get started. Admittedly we will have to take some risks. We will have to improvise and experiment. And if some of the experiments fail, we must learn from them and start anew. But we must not delay.

How then should we begin?

Though the strategy for increasing the productivity of smallholder agriculture is necessarily tentative, the following are essential elements of any comprehensive program:

- . Acceleration in the rate of land and tenancy reform
- . Broader access to credit
- . Assured availability of water
- . Expanded research to find technological solutions to the high-risk production situations which often face the rural poor
- . More widespread extension facilities
- . Greater access to public services
- . And new forms of rural institutions and organizations which will give as much attention to promoting the inherent potential and productivity of the poor as is so frequently given to protecting the power of the privileged.

These elements are not new -- the need for them has been recognized for a long time. But they will continue to remain pious hopes unless we develop a

framework of implementation and agree to a commitment of resources commensurate with the size of the problem. That is what I propose.

Organizational Change

The organizational structure for supporting smallholder agriculture is probably the most crucial and difficult problem. Let me examine this subject for a moment, and then turn to the other elements in sequence.

Obviously it is not possible, with present and foreseeable resources, to deal individually with over 100 million small farm families. What is required is the organization of farm groups and the development of delivery systems which will service millions of farmers at low cost. Smallholders must develop new ways to pool their resources, and governments and commercial institutions must find new channels through which to relate to them. It is clear that new intermediate institutions will have to be developed to provide technical assistance and financial resources.

Such institutions and organizations can take any number of forms: smallholder associations, local farm organizations, village or district level cooperatives, various types of communes. There are, of course, many indigenous experiments already going on in various parts of the world. What is important is that whatever institutions are devised should be suited to the political and social environment of the country and to the formidable task at hand. Experience shows that there is a greater chance for the success of these institutions if they provide for popular participation, local leadership, decentralization of authority, and financial discipline among the membership. Ideally, they should aim at an optimum mix of self-reliance and government assistance.

The reorganization of government services and institutions is equally important. No program will help small farmers if it is designed by those who have no knowledge of their problems and operated by those who have no interest in their future.

In most countries, the centralized administration of scarce resources -- money and skills -- has resulted in most of them being allocated to a small number of rich claimants. This is not surprising since economic rationale, political pressure, social suasion, and personal interest all point in the same direction. It will clearly require courageous political leadership and strong national resolve to make the governmental structure more responsive to the needs of the subsistence farmers.

The ablest administrators, for example, must no longer be reserved exclusively for the modern sectors. Top engineering talent must be devoted to the problems of small farm irrigation. Young graduates must be motivated to take on the problems of the rural poor, and be rewarded for dealing with them. Educational institutions must recognize that the training in practical skills is as important as the accumulation of theoretical knowledge. In short, national managerial and intellectual resources must be redirected to serve the many instead of the few and to attack poverty directly by providing more of these resources to those who need them.

Acceleration of Land and Tenancy Reform

In addition to such institutional changes, other structural changes are necessary. Foremost among these is land and tenancy reform. Legislation dealing with such reform has been passed -- or at least been promised -- in virtually every developing country. But the rhetoric of these laws has far outdistanced

their results. With few exceptions, they have produced little redistribution of land, little improvement in the security of the tenant, and little consolidation of small holdings. Such actions as have been taken have not been accompanied by adequate institutional support and hence have had little impact on the bulk of the rural population.

No one can pretend that genuine land and tenancy reform is easy. It is hardly surprising that members of the political power structure, who own large holdings, should resist reform. But the real issue is not whether land reform is politically easy. The real issue is whether indefinite procrastination is politically prudent. An increasingly inequitable situation is a constant threat to political stability.

In many countries it is urgent that equitable land and tenancy reform programs be designed -- programs involving reasonable land ceilings, just compensation, sensible tenancy security, adequate incentives for land consolidation and institutional support. And not only must such programs be designed, they must be quickly implemented.

There is, of course, no universal blueprint for land reforms, but those that have been successful have had certain characteristics in common:

- . The objectives of the land reform were clearly spelled out and vagueness and uncertainty were reduced,
- . The reform has been accompanied by public sector activities replacing the logistical support (mainly supplies and credit) formerly provided by the landlord,
- . The reform has upgraded the status of the tenant in addition to redistributing the land,

. And the reform redistributed unused land rather than land already under intensive cultivation.

These basic changes are long-term objectives. New institutions evolve only gradually and land reform is not a universal panacea. If we are to achieve the goal of a 5% rate of growth in output on small farms by 1985, we must supplement these changes with actions which can be implemented now and which can yield quick results. That means we must use the existing institutional framework, even while we are trying to modify it.

Broader Access to Credit

One major obstacle the small farmer faces is the lack of credit. No matter how knowledgeable or well motivated he may be, without such credit, he cannot buy improved seeds, apply the necessary fertilizer and pesticides, rent equipment or develop his water resources. In Asia, for example, the cost of fertilizer and pesticides required to make optimum use of the new, high yielding varieties of wheat and rice ranges from \$20 to \$80 per hectare. But the small farmer there spends on average only about \$6 per hectare, and most of that does not come from institutional sources of credit.

The present institutions in the rural areas are simply not geared to meeting the needs of smallholder agriculture. In countries as disparate as Bangladesh and Iran, less than 15% of institutional credit is available to rural areas; in Mexico less than 20%; in India less than 30%. And only a fraction of this is available to the small farmer. Even then it is accompanied by stringent tests of creditworthiness, complicated application procedures and lengthy waiting periods.

Existing commercial institutions are reluctant to make credit available to the small farmers since the administrative and supervisory costs of small loans

are high. Further, the subsistence farmer is operating so close to the margin of survival that he is simply not as creditworthy as his more wealthy neighbors.

Nor do governmental credit policies always help the small farmer, even though the intention may have been to shape them for that purpose. Concern over the usurious rates the farmer pays the money lender when he has no access to institutional sources of credit has led to unrealistically low rates for institutional credit. This is generally accompanied by low ceilings on interest paid on deposits, which in turn discourages savings since the real rate of return for the depositor, under inflationary pressures, turns out to be negative. Reduced savings means a restricted supply of capital, which in the end is lent to the most creditworthy clients -- the larger farmer.

On the other hand, interest-rate reform in a number of countries demonstrates that realistic interest rates can attract savings from all income groups. Clearly a higher volume of savings in the rural areas is essential if the supply of capital to the small farmer is to be increased. He does not need six-month credit at an annual interest rate of 5% for projects which will yield 20% or more per year. He would be much better off if he had to pay a realistic rate of interest but could actually get the money. If any subsidy is required, it is to meet the high costs of administering a credit program for small farmers. These costs can be offset within the banking system -- through reserve requirements and similar measures. Reducing the lending rate to the farmer to unrealistically low levels only makes the program less attractive to the banks.

An urgent step for governments is, therefore, to review their financial policies as they affect agriculture to make sure that good intentions do not have pernicious consequences. In many of our member countries, interest rate reform is long overdue.

Assured Availability of Water

Though credit is required to purchase physical inputs such as fertilizer and improved seeds, these inputs often cannot be very productive unless there is an assured supply of irrigation water available, and it is used effectively. This will require continued research into the most productive uses of water, substantial investment in irrigation, and increased attention to on-farm irrigation methods.

It is estimated that the presently irrigated area in the developing world of 380 million acres can be expanded by another 260 million acres but the additional cost would be high: over \$200 billion. And not only is expansion of irrigated land expensive, it is a slow process. No major irrigation dam which is not already in the active design stage is likely to yield significant on-farm benefits before the mid 1980s. Although investments in major irrigation projects will continue to be an important part of national investment plans, and of Bank financing, they must be supplemented by more quick yielding programs which can benefit the small farmer.

First, much greater emphasis must be placed on the on-farm development necessary to take advantage of existing irrigation developments. There are too many cases -- in our experience and in that of others -- where it has taken ten years or more after the dam was completed for the water to reach the farmers. The allocation of budgetary resources between major irrigation works and on-farm development is often heavily skewed toward the former. The excitement of harnessing a major stream is not matched by bringing a trickle of water to a parched acre. A redirection of budgetary resources is essential.

Secondly, budgetary resources for on-farm water development often assist only a small number of potential farmers because of the mistaken belief that the cost of such improvements must be borne by the governments. As a result, the amount of funds invested in irrigation is severely restricted. But in many parts of the world water is the most valuable single input a farmer can have. With an assured water supply, he can use the new technologies and his income can often more than double in a year.

There are few farmers who would not be willing to pay the costs of this on-farm improvement. If this is done, any given governmental budget can be supplemented by private funds. Many more farmers can be serviced, and the benefits of irrigation systems can be utilized more quickly. In the areas where this approach has been tried, it has been successful.

But development of present command irrigation areas, though necessary, is not enough. Too many small farmers would be left unaffected. These programs must be supplemented by others which can bring water to farms outside major irrigation projects -- and do so cheaply. Tubewells, low-lift pumps and small dams can make major contributions to productivity. Moreover, these investments are within the reach of individual farmers or groups of farmers.

The evidence from India, Bangladesh, Pakistan and other countries clearly demonstrates that farmers outside major irrigation projects will purchase pumps and dig tubewells. The experience also suggests that the most rapid development occurs if the government makes resources -- credit, pumps, drilling equipment -- available and creates a climate in which private initiative and local cooperative efforts can flourish.

Expansion of Extension Services and of Research

Greatly expanded extension services are another necessity for the small farmer. The projected annual output of trained personnel from existing agricultural extension institutions can at best satisfy less than half the total needs of the developing world. In the developed countries, the ratio of government agricultural agents to farm families is about 1 to 400. In developing countries, it is about 1 to 30,000. Only a small fraction of even these limited services is available to the small farmer.

It is not primarily the deficiency of funds that is delaying the necessary expansion of extension services. It is the deficiency of resolve to do more for the small farmer who desperately requires these services. Funding for agricultural training should be increased rapidly, the links between research institutes and farm workers strengthened and educational priorities reoriented. There is scarcely a single developing country which does not produce too many lawyers, but there is no developing country which produces enough extension agents. Governments cannot control personal career objectives, but they can offer appropriate incentives, and promote more realistic vocational choices.

Thus the annual cost of training the required extension personnel would be modest as a percentage of GNP or budgetary resources. The net cost -- after deducting savings from changed allocations -- would be even less. As long as the supply of extension workers is grossly inadequate, only the large farmers will benefit and the needs of the poor will be ignored.

The quality of the extension services depends, of course, on the underlying agricultural research. In a sample of five major developed countries, the governments are allocating annually from \$20 to \$50 per farm family for applied research;

for five major developing countries the comparable figures are 50 cents to \$2 per farm family.

The international network of agricultural research has grown impressively. The Bank's chairmanship of, and participation in, the Consultative Group on Agricultural Research (and particularly its contribution to the financing of the new International Crops Research Institute for the Semi-Arid Tropics) is one of its important functions. But very much more needs to be done at the national level to explore the special equipment needs of the small operator, to develop new technologies in the non-cereal crops and to help the farmer in non-irrigated areas.

General expenditures on research and development in the developing countries are notoriously low and must be increased substantially. In doing this, governments should give very high priority to strengthening that type of research which will benefit the small farmer -- research to produce low-risk, low-cost technology that he can put to immediate use.

Greater Access to Public Services

In other areas too, public services are grossly inadequate. The income of the small farmer could be substantially increased if he were supported by better physical infrastructure. It is not within the power of the developing countries to provide all such infrastructure quickly to the millions who need it because of its costs. But much of this infrastructure can be provided by organizing rural works programs to construct small feeder roads, small-scale irrigation drainage systems, storage and market facilities, community schools and health centers, and other facilities which make extensive use of local labor and relatively simple skills.

There is no mystery about designing these programs. They have worked successfully at various times in experimental projects in Bangladesh, Tunisia, Indonesia and other countries. The major handicap of these programs has been their limited scale and the inadequate management and technical skills devoted to them. The task for governments is gradually to extend these projects to a national scale. This requires funds, of course, but it requires more than that. It requires national resolve and leadership to divert the financial, technical and intellectual resources from less important programs and dedicate them to the efforts of the rural poor to improve their lives.

Basic change is also necessary in the distribution of other public services. In last year's address I stressed the potential for helping the poor through a redirection of public services. In the rural areas public services are not only deplorably deficient, they are often not geared to the needs of the people they are supposed to serve. Educational systems must stress relevant knowledge about agriculture, nutrition, family planning both for those within and outside of the formal school program. Health services must be developed which can assist in eradicating the common enervating diseases that afflict the rural poor. Electricity in rural areas is no luxury and does not aim merely to place a lightbulb in every dwelling. One of the most important uses of rural electricity are production appliances, such as water pumps. Urban lighting and air conditioning should no longer have priority on electric distribution systems.

Every country must examine why it can afford to invest in higher education, but fails to provide incentives to attract teachers to rural areas; why it can staff urban medical centers and export its doctors abroad, but fails to send its

doctors to the countryside; why it can build urban roads for the private automobile, but cannot build feeder roads to bring produce to the market.

Resources are scarce in the developing countries, and their redistribution will not provide enough for everyone's needs. But a major redistribution of public services is required if the small farmer is to be provided with even a minimum of economic and social infrastructure.

The programs I have discussed above can all be initiated quickly by governments, and will make a major contribution to the goal of a 5% growth rate in the output of small-scale agriculture by 1985. All of these programs deserve, and will have, the full support of the Bank Group.

However, the measures I have outlined are primarily an indigenous responsibility of the developing countries. Indeed, it will be a great disservice on the part of aid agencies if they were to convince the developing world, or themselves, that policies for rural poverty can be fashioned and delivered from abroad. The problem must be perceived and dealt within the developing countries.

But the international community can, and must help. The resources required to achieve a 5% growth rate in the yields on small farms by 1985 are very large. One estimate would place the annual cost of on-farm investment, land and water resource development, additional training facilities, and minimum working capital requirements for smallholder agriculture at \$40-50 billion. This is more than 7 percent of the combined GNP of the developing countries.

Part of these resources must come from additional savings generated by the farmers themselves, and part must come from redirecting resources from other sectors in the developing countries.

But part of these resources must come from the international community -- in the form of services and financing which the small farmer needs.

An Action Program in the Bank

What can the Bank do to assist in this effort?

First of all, we expect to lend \$4.4 billion in agriculture during our next five year program (1974-78), as compared to \$2.2 billion in the first five year program (1969-73), and \$620 million in the 1964-68 period.^{a/}

This in itself is a formidable target, but more importantly we intend to direct an increasing share of our lending to programs which directly assist the small farmer. In the next five years we expect that about 70% of our agricultural loans will contain a component for the small farmer. These programs are now being prepared in consultation with governments.

Nonetheless, our lending will only finance a small portion of the total credit and investment needs of smallholder agriculture. We must therefore pay particular attention in our economic advice to governments regarding the sectoral and financial policies which affect the rural poor so that our resources and those of the governments will have a maximum impact.

While experimentation and innovation will continue to be essential, the broad policies governing the Bank's program are clear:

- . We are prepared to do much more to assist governments in the reforms of their agricultural financial structure; to support intermediate institutions to bring credit to the small farmer; and to make credit available to enable them to purchase necessary inputs.

^{a/} Figures for all three periods are in 1973 dollars.

- . We intend to continue to invest in large irrigation projects and in the recovery of saline lands, but we will emphasize on-farm development with a maximum of self-financing to assure that the benefits of irrigation reach the farmers more quickly.
- . We will support non-irrigated agriculture, including the financing of livestock production, and in particular small-scale dairy farming in milk-deficient areas.
- . We are prepared to finance programs for the expansion of training facilities for extension agents to help raise the productivity of the rural poor.
- . We are prepared to finance rural works programs as well as multi-purpose rural development projects.
- . We stand ready to help support land and tenancy reform programs by providing the follow-up logistical support required by the small farmer and to assist in the technical and financial aspects of land purchase and consolidation.
- . We will, in our lending for infrastructure, strongly urge that account be taken of the urgent requirements of the rural areas.
- . We have financed agricultural research institutions in the past and are fully prepared to do more in the future, especially in regard to the development of an appropriate technology for semi-arid agriculture. We propose to support investigation into the most effective uses of water at the farm level, especially in water-deficient areas. We are already supporting one such investigation in Mexico.

I recognize that the Bank's efforts will only make a modest contribution to a massive undertaking. The goal of achieving 5% growth rate in output on small farms by 1985 is ambitious. But ~~is~~^{it} is also necessary. It can be done if governments and the international community dedicate themselves to it. If it is accomplished, it will transform the lives of 700 million people -- people who are now desperately poor and neglected.

VII. SUMMARY AND CONCLUSIONS

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

If we look objectively at the world today, we must agree that it is characterized by a massive degree of inequality.

The difference in living standards between the rich nations and the poor nations is a gap of gigantic proportions.

The industrial base of the wealthy nations is so great, their technological capacity so advanced, and their consequent advantages so immense that it is unrealistic to expect that the gap will narrow by the end of the century. Every indication is that it will continue to grow.

Nothing we can do is likely to prevent this. But what we can do is to reduce the rate at which that gap is increasing. We can do this by acting to expand the wholly inadequate flow of Official Development Assistance.

The flow of ODA can be increased, by 1980, to the target of .7% of GNP -- a target originally accepted within the United Nations for completion by 1975.

This is feasible, but it will require renewed efforts by many nations, particularly the United States.

Further, we must recognize that a high degree of inequality exists not only

between developed and developing nations but within the developing nations themselves. Studies in the Bank during this past year reinforce the preliminary conclusions I indicated to you last year: income distribution patterns are severely skewed within developing countries -- more so than within developed countries -- and the problem requires accelerated action by the governments of virtually all developing nations.

A minimum objective should be that the distortion in income distribution within these nations should at least stop increasing by 1975, and begin to narrow within the last half of the decade.

A major part of the program to accomplish this objective must be designed to attack the absolute poverty which exists in totally unacceptable degree in almost all of our developing member countries: a poverty so extreme that it degrades the lives of individuals below the minimal norms of human decency. The absolute poor are not merely a tiny minority of unfortunates -- a miscellaneous collection of the losers in life -- a regrettable but insignificant exception to the rule. On the contrary, they constitute roughly 40% of the nearly two billion individuals living in the developing nations.

Some of the absolute poor are in urban slums, but the vast bulk of them are in the rural areas. And it is there -- and in the countryside -- that their poverty must be confronted.

We should strive to eradicate absolute poverty by the end of this century. That means in practice the elimination of malnutrition and illiteracy; the reduction of infant mortality; and the raising of life expectancy standards to those of the developed nations.

A major requirement for the accomplishment of this objective is an increase in the productivity of small-scale, subsistence agriculture.

Is it a realistic goal?

The answer is yes, if governments in the developing countries are prepared to exercise the requisite political will to make it realistic.

It is they who must decide.

As for the Bank, increased productivity of the small, subsistent farmer will be a major goal of our program of expanded activity in the FY1974-78 period.

But no amount of outside assistance can substitute for the developing member governments' resolve to take on the task.

It will call for immense courage, for political risk is involved. The politically privileged among the landed elite are rarely enthusiastic over the steps necessary to advance rural development. This is shortsighted, of course, for in the long term, they, as well as the poor, can benefit.

But if the governments of the developing world -- who must measure the risks of reform against the risks of revolution -- are prepared to exercise the required political will to assault the problem of poverty in the countryside, then the governments of the wealthy nations must display equal courage. They must be prepared to help them by removing discriminatory trade barriers and by substantially expanding Official Development Assistance.

What is at stake in these decisions is the fundamental decency of the lives of 40% of the people in the 100 developing nations which are members of this institution.

We must hope that the decisions will be the courageous ones.

If they are not, the outlook is dark.

But if the courageous decisions are made, then the pace of development can accelerate.

I believe it will. I believe it will because I believe that during the remainder of this century our peoples will become increasingly intolerant of the inhuman inequalities which exist today.

All of the great religions teach the value of each human life. In a way that was never true in the past, we now have the power to create a decent life for all men. Should we not make the moral precept our guide to action? The traditional extremes of privilege and deprivation are becoming increasingly intolerable.

It is development's task to deal with them.

You and I -- and all of us in the international community -- share that responsibility.

E N D

PROJECTED FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE
MEASURED AS A PERCENT OF GROSS NATIONAL PRODUCT a/

	<u>1970</u>	<u>1971</u>	<u>1972</u>	<u>1973</u>	<u>1974</u>	<u>1975</u>	<u>1976</u>
Australia	.59	.52	.56	.56	.59	.60	.60
Austria	.13	.06	.17	.19	.22	.25	.26
Belgium	.48	.49	.54	.58	.65	.70	.70
Canada	.42	.37	.42	.44	.45	.47	.49
Denmark	.38	.43	.48	.53	.58	.64	.70
France	.68	.68	.65	.65	.65	.65	.65
Germany	.32	.34	.30	.36	.36	.38	.40
Italy	.16	.17	.16	.16	.16	.16	.17
Japan	.23	.23	.22	.28	.34	.40	.42
Netherlands	.63	.60	.62	.63	.66	.70	.72
Norway	.32	.33	.47	.56	.67	.75	.82
Portugal	.64	1.43	.45	.45	.45	.45	.45
Sweden	.36	.45	.50	.56	.65	.71	.75
Switzerland	.15	.12	.22	.26	.30	.32	.34
United Kingdom	.37	.41	.41	.44	.38	.39	.42
United States	.31	.32	.30	.25	.22	.22	.21
<u>b/</u>							
TOTAL	.34	.35	.34	.34	.34	.35	.36

a/ Countries included are members of OECD Development Assistance Committee, accounting for more than 95% of total Official Development Assistance. Figures for 1970 and 1971 are actual data. The projections for later years are based on World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements made by governments. Because of the relatively long period of time required to translate legislative authorizations first into commitments and later into disbursements, it is possible to project today, with reasonable accuracy, ODA flows (which by definition represent disbursements) for 1976.

b/ As recently as 1963 U.S. Official Development Assistance amounted to .59% of GNP and in 1949 at the beginning of the Marshall Plan it amounted to 2.79%.

5/21/73

Data for 1970 - LDC GNP per cap. & Population

	Million
1. Total LDC Population (Atlas), excluding Mainland China, North Korea, N. Vietnam, and COMECON countries	1,818
2. a. Population of countries with GNP per cap under \$200 of which covered in Adelman sample	1,088 (834)
b. Population of countries with GNP per cap \$200-350 of which covered in Adelman sample	326 (218)
3. a. Average per cap income of lowest 40% in sample of countries with per cap income of under \$200 (Source: Adelman)	\$44
b. Total number of people in this group $\frac{40}{100} \times 1,088$	435 million
4. a. Average per cap income of lowest 20% in sample of countries with per cap. income \$200-350 (Source: Adelman)	\$57
b. Total number of people in this group $\frac{20}{100} \times 326$	65 million

5. Therefore, 500 million have an average per capita income of

$$\left[\left(\frac{40}{100} \times 1,088 \times 44 \right) + \left(\frac{20}{100} \times 326 \times 57 \right) \right] \div \left(\frac{40}{100} \times 1,088 + \frac{20}{100} \times 326 \right) = \$46$$

[\$1,914] [\$371] ÷ [500]

6. a. In order to get to the lowest 40 percent for the LDC's, we take the next quintile for the countries with a per cap. income of under \$200, thus giving us a total of

$$500 + \frac{1,088}{5} = 718 \text{ million.}$$

718 million constitute 39.5 percent of total LDC population.

- b. The average income of these 718 million is

$$\left[[\text{Same as item 5}] + \left[\frac{20}{100} \times 1,088 \times 64 \right] \right] \div \left[\frac{60}{100} \times 1,088 + \frac{20}{100} \times 326 \right]$$

[\$1,914m] + [\$371m] + [\$1,395 m] ÷ 718 = \$51

7. Adjusting for purchasing power parity:

$$\$51 \times \frac{150}{100} = \$77 \text{ or } 21 \text{ US cents per day}$$

or

$$\$51 \times \frac{175}{100} = \$89 \text{ or } 24 \text{ US cents per day}$$

or

$$\$51 \times \frac{200}{100} = \$102 \text{ or } 28 \text{ US cents per day.}$$

Data for 1970 - LDC GNP per cap. & Population

- | | Million |
|---|----------------|
| 1. Total LDC Population (Atlas), excluding Mainland China, North Korea, N. Vietnam, and COMECON countries | 1,818 |
| 2. a. Population of countries with GNP per cap under \$200 of which covered in Adelman sample | 1,088
(834) |
| b. Population of countries with GNP per cap \$200-350 of which covered in Adelman sample | 326
(218) |
| 3. a. Average per cap income of lowest 40% in sample of countries with per cap income of under \$200 (Source: Adelman) | \$44 |
| b. Total number of people in this group
$\frac{40}{100} \times 1,088$ | 435 million |
| 4. a. Average per cap income of lowest 20% in sample of countries with per cap. income \$200-350 (Source: Adelman) | \$57 |
| b. Total number of people in this group
$\frac{20}{100} \times 326$ | 65 million |
| 5. Therefore, 500 million have an average per capita income of | |
| $\left[\left(\frac{40}{100} \times 1,088 \times 44 \right) + \left(\frac{20}{100} \times 326 \times 57 \right) \right] \div \left(\frac{40}{100} \times 1,088 + \frac{20}{100} \times 326 \right) = \46 <div style="display: flex; justify-content: space-around; margin-top: 10px;"> [\$1,914] [\$371] ÷ [500] </div> | |
| 6. a. In order to get to the lowest 40 percent for the LDC's, we take the next quintile for the countries with a per cap. income of under \$200, thus giving us a total of
$500 + \frac{1,088}{5} = 718$ million. | |
| 718 million constitute 39.5 percent of total LDC population. | |
| b. The average income of these 718 million is | |
| $\left[\text{Same as item 5} \right] + \left[\frac{20}{100} \times 1,088 \times 64 \right] \div \left[\frac{60}{100} \times 1,088 + \frac{20}{100} \times 326 \right]$ <div style="display: flex; justify-content: space-around; margin-top: 10px;"> [\$1,914m] +\$ [371m] ÷ 718 = \$51 </div> | |
| 7. Adjusting for purchasing power parity: | |
| $\$51 \times \frac{150}{100} = \77 or 21 US cents per day
or
$\$51 \times \frac{175}{100} = \89 or 24 US cents per day
or
$\$51 \times \frac{200}{100} = \102 or 28 US cents per day. | |

Annual Spect

Data for 1970 - LDC ^{GNP per cap} ~~2000~~ & Population

million

1. Total LDC Population (Adlan), excluding North Korea, & N. Vietnam, & Chinese countries 1,818,

2. a. Population of countries with GNP per cap under \$200 of which covered in Adelman sample 1,088, (834)

b. Population of countries with GNP per cap \$200-350 of which covered in Adelman sample 326 ~~300~~ (218) ~~300~~

3. a. Average per cap. income of lowest 40% in sample of countries with per cap income of under \$200 (Source: Adelman) \$44

b. Total number of people in this group $\frac{40}{100} \times 1,088$ 435 million

4. a. Average per cap income of lowest 20% in sample of countries with per cap. income \$200-350 (Source: Adelman) \$57

b. Total number of people in this group $\frac{20}{100} \times 326$ 65 million

5. Therefore, 500 million have an average per capita income of

$$\left[\frac{40}{100} \times 1,088 \times 44 \right] + \left[\frac{20}{100} \times 326 \times 57 \right] \div \left(\frac{40}{100} \times 1,088 + \frac{20}{100} \times 326 \right) = \$46$$

[\$1,914] [\$371] ÷ [500]

6. a. To order to get to the lowest 40 per cent for the LDC's, we take the next quintile for the countries with a per cap. income of under \$200, thus getting us a total of $500 + \frac{1,088}{5} = 718$ million.

718 million constitute 39.5 percent of total LDC population.

b. The average demand of the ⁷¹⁸~~746~~ million is

$$\left[\text{Saver in item 5} \right] + \left[\frac{30}{100} \times 1.088 \times 64 \right] \div \left[\frac{60}{100} \times 1.088 + \frac{20}{100} \times 3.26 \right]$$
$$[1,914] + [371] + [1,395] \div 718 = \$51$$

7. Adjusting for purchasing power parity:

$$\$51 \times \frac{150}{100} = \$77 \quad \text{or} \quad 21 \text{ US cents per day}$$

OR

$$\$51 \times \frac{175}{100} = \$89 \quad \text{or} \quad 24 \text{ US cents per day}$$

OR

$$\$51 \times \frac{200}{100} = \$102 \quad \text{or} \quad 28 \text{ US cents per day.}$$

OFFICE MEMORANDUM

File Speed

TO: Mr. McNamara

DATE: June 21, 1973

FROM: William Clark

SUBJECT: Detailed Comments of Draft Speech of 6/18/73

The references are to the green numbers on the attached draft:

1. "The nature of the poverty problem". This is a very unfeeling phrase to use on the edge of the poverty problem as we shall be in Nairobi.
2. Isn't there something repetitious about outlining a plan for World Bank operations in support of these new strategies; and five lines below suggesting the scope of the five-year plan.
3. I find page 2 and a little subsequent somewhat lacking in modesty.
4. (Page 3) "Technical and financial assistance for population projects". Was there really a heavy demand for financial assistance?
5. (Page 4) The top paragraph sounds a little anti-climactic in suggesting that we have two projects only. This is a matter of phraseology, not fact.
6. (Page 5) In the first two lines I think it's a pity to suggest that an increase in operations and an emphasis towards socially oriented sectors should be expected to affect net income.
7. (Page 5) Couldn't one sum up at the end of these "three inter-related difficulties" by saying something like "In sum there is a shortage of resources with which to buy needed goods and services in the developed world."
8. (Page 6) "That should be their objective". As World Bank we are presumably rich and poor nations, and I dislike the feeling that it is "their" objective rather than our objective. This is a general point that I feel we should look throughout the speech to make sure that we do not identify ourselves with the rich side of the equation; we are on both sides of the equation.
9. (Page 7) I must say that I do not like this opposition between "absolute" and "relative" poverty. It is not novel, and while relative poverty has meaning, I do not quite believe that absolute poverty has any identifiable significance. It is so different in the streets of Calcutta, and in the rural slums 200 miles away.

*all I really mean is could we not find
an alternative phrase for "absolute poverty" e.g.
inhuman poverty, or stagnant poverty.*

10. (Page 7) I wonder whether some throw-away phrase such as "I do not need to tell you" could be inserted before this description of poverty.

11. (Page 8) Again we identify with the rich.

12. (Page 8) The Talleyrand quote is really rather an old cliché, and is so much better known and more elegant in French than in English, I wonder whether its effect is very real.

13. (Page 9) "The facts of ODA" is an odd unintelligible phrase. At the bottom of the page I find the last four lines very jargony.

14. (Page 11) See note number 1.

15. (Page 11) I think the reference to the collection of statistics on income distribution is somewhat offensive in Nairobi. It again suggests that we are dealing at arms' length with our members and are more impressed by statistics than by what we see with our eyes.

15. (Page 13) I think the first sentence of the second paragraph needs reversing.

16. (Page 13) I like this concept and want it kept in, but it is still difficult to follow. Also are we going to have trouble if we identify Sri Lanka as a model child? What about Chile?

17. (Page 14) I find this paragraph on the location of poverty again somewhat arrogant and God-like. Probably most of the African members in the audience know many of these facts from experience and not from "our analysis". I wonder whether the phrase "poor people" is an adequate description of what we sometimes call the poorest of the poor.

18. (Page 15) I had to read this several times before I could really see what it is driving at. I think there is a lot of jargon. What is "acceleration of urbanization"? Is it taking people off the land and into the slums?

19. (Page 15) Again I feel this phrase of "the poor" is a bit misleading, especially when you reflect that the top quartile in India, i.e. the rich, has an average income of about \$500 per head per year.

20. (Page 16) At the end of the top paragraph could we say that without this rapid progress there is going to be no end of national poverty (as well as absolute poverty) and that at best we will only have done half the job of development if we do not deal with these foundation problems. And at the end of the section could we not put in some reference to the fact that we are going to confront this issue head-on without neglecting everything else and without faddism.

21. (Page 18) As I have said to you orally, I think that this is a point at which one might say something about the psychological and sociological difficulties to be encountered in dealing with small holders, but go on to point out in vivid terms what can be done, and has been done. It occurs to me that some examples from our Lilongwe project in Malawi might do the trick.

22. (Page 29) I think one might expand the dreary phrase "economic and social infrastructure" by saying something about how to make life in the villages and small towns worthwhile even without the "bright lights" of the cities. One of the effects of electricity reaching the villages is to make it possible to spend enjoyable evenings either watching films, television, etc. or doing one's own thing in local theater. I know from experience that this is a very powerful factor in reviving the countryside in parts of India.

23 (Page 33) As well as reducing the rate at which that gap is increasing we can try to do something to put a floor under poverty and gradually raise that floor. I think the positive effort of raising the floor of poverty needs to be stressed.