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Washington, D.C.

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Tazi, Abderrahman M. - Articles and speeches (1966-1967)



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INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP

Date

March 30
¹⁹⁶⁶

NAME

ROOM NO.

Mrs. Eliaison

461

To Handle	Note and File
Appropriate Disposition	Note and Return
Approval	Prepare Reply
Comment	Per Our Conversation
Full Report	Recommendation
Information	Signature
Initial	Send On

REMARKS

HG's note for
Mr. Tagi who is
visiting Malaysia.
David Lowe is
rending you a company
host piece.

From

IBL

File - speech file

Jazi speech
to be prepared by
A. N. S. P. F.
Mr. Jazi.

I. Introduction

- A. Many of you know the Bank and its affiliated institutions quite well; and my only purpose here today is to call your attention to some of the current trends in the operations of the World Bank Group, and to some of the problems with which the Group is particularly concerned.

II. One of the trends I want to mention is the increasing integration of the World Bank Group.

A. On a financial level

1. Bank transfers to IDA: \$50 million of earnings of 1963/64; \$75 million of earnings of 1964/65; more in prospect.
2. Bank loans to IFC - charter amendments now approved will, in effect, authorize the Bank to lend IFC up to \$400 million at any one time.
 - a. The result in IFC - to make it possible to progress from IFC's present average investment (loan and share) of around \$1.5 million to individual investments of \$15 or \$20 million.

B. On a functional level

1. IDA, you may recall, originally was intended to cover a broader range of purposes than the Bank - venturing, for instance, into education and health.
2. Under the influence of IDA, the Bank also is doing these things: together, the two institutions have lent \$75 million for school projects and \$95 million for projects to increase supplies of potable water. It can now be said that there is no difference in the types of projects which IDA and the Bank can finance. What will make the difference will be the creditor position of the borrowing country - whether it is able to borrow on the Bank's conventional terms, or can make a good case for having access to financially more lenient credits from IDA.

C. On an administrative level

1. The Bank and IDA, of course, always have had the same staff.
2. Now IFC is being drawn closer toward the center of the World Bank Group. For several years, it already has been responsible for the financial and technical evaluation of all applications for assistance coming to us from development banks (as in the case of Malaysian Industrial Development Finance, Ltd.). But now IFC is also performing that same function for all industrial proposals coming to the Bank, such as those now being worked out with Malayawata Steel and Tasek Cement here in Malaysia.

III. New Patterns of Lending

A. You already will have heard much about this - perhaps so much as to obscure the fact that the big field of operations for the World Bank Group, apart from IFC, will continue to be infrastructure projects in the field of transportation and electric power supply.

There are several reasons for this: these are projects that require big lumps of capital, such as the Bank and IDA can provide; and they are not attractive to private investors. And they do provide a base for many other kinds of economic activity. No doubt they will continue to predominate in the Bank's portfolio.

B. On the other hand, the Bank is aware that infrastructure will not be of any use if there isn't any superstructure imposed on it. For that reason, we have become deeply interested in the financing of education - as a way of increasing technical, planning and administrative capacity in the developing countries - and in the financing of agriculture, which in so many of the developing countries is the sector which must provide the market demand, and some of the raw materials, for industrial growth.

C. The Bank's determination to do something about these two subjects is quite real - it is probably greater today, in fact, than when the Bank first announced new policies in this field back in 1963. (Some statistics from Mr. Woods's recent ECOSOC speech, about projects in preparation, can be used here. His remarks begin on page 5 of the attached print.)

IV. New Forms of International Cooperation in Development Assistance

- A. As most of you know, the Bank believes that along with the financing provided by one or another member of the World Bank Group must go a substantial amount of technical advice -- more, sometimes, than the borrowers like to receive. One very important purpose of this advice has been to help each developing country work out a consistent program of policy and financial measures for its own economic growth - to achieve a coordinated view of what must be done.
- B. The Bank is now intensely interested in the proposition that those engaged in external aid must also achieve a coordinated point of view. The principal industrial countries - including the United States - are beginning to join in groups organized by the Bank for the pursuit of this objective. The purpose of these groups is to coordinate finance and technical advice for development in particular recipient countries, and to see that all concerned move consistently toward the same development targets. We call these groups consultative groups, and they now exist for eight countries -- India, Pakistan, Colombia, Nigeria, Tunisia, Sudan, Malaysia and Thailand. Each consultative group aims to improve the ability of the developing country to use capital effectively, by helping in the planning of development, in the preparation and screening of projects, and by

advising on administrative or financial problems. Each consultation is designed to provide the several capital-exporting participants with informed, objective analyses of the country's needs for external finance and technical assistance. These analyses are drawn up by the Bank, and they indicate not only the amounts of capital that could effectively be used, but also the appropriate terms of financing and the purposes that deserve priority.

1. Mr. Woods, the President of the World Bank Group, has said "I regard the emergence of these groups to be potentially one of the most significant developments since the development finance business began. We expect that these consultations will improve performance on both sides; they should bring about a more adequate and assured flow of finance and other assistance to countries with a good record of effective use; and they should encourage the cooperation and mutual trust that is so essential if the industrialized and the developing countries are to achieve their common objective.

To the eight groups that now exist, we are hopeful of adding three more by the end of 1966. I personally hope -- and expect -- that in another three or four years, there will be 15 or so of these groups, concentrating their efforts on the countries that receive the greatest part -- probably upwards of 70% -- of the development finance that flows into the underdeveloped world."

- V. The Bank, in its last Annual Report, stated its concern about the fact that the amount of financial resources flowing into the developing countries is not increasing. The amount flowing from multilateral institutions like the Bank is increasing, and can be expected to increase. But the flow from bilateral sources, if anything, is declining.

- A. At the same time, the cost of money to the Bank is rising and, as you know, the Bank recently has had to raise its interest rate to developing countries from 5½ to 6%.
- B. The Bank also faces difficulties in entering the capital markets of some of its member countries, in order to borrow more money to lend.
- C. Both these difficulties point to a moral that the Bank already has drawn - the necessity of governments providing more money, and providing more of it either through IDA (as Sweden has done) or on terms like those charged by IDA. The Bank will continue to press this point of view, in public and private, in the coming months, in the consultative group meetings and elsewhere. Whether the Bank will succeed in its efforts is one of those questions to which only the future can unveil the answer.
- D. Whatever may happen in the immediate future, the President of the Bank is optimistic about the not-too-long run. He believes that the situation of the underdeveloped world is so serious that the capital-exporting countries cannot, for any very long time, fail to recognize the necessity of doing something about it.
- E. You may be certain of one thing -- the Bank will continue, in every possible form, to press the view that it is highly necessary to increase the amount of development financing, on the most favorable terms possible to the developing countries.

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Speech for Mr. Tazi in connection with
African trip, July 1966, prepared by
Harold Graves

(8.6)
(7/6)

.... By coincidence, this is a season of birthdays for the World Bank Group. The World Bank itself was 20 years old just a month or so ago, and one of its affiliates, the International Finance Corporation -- IFC -- passed its tenth birthday only a few days ago. It is about IFC that I wish to speak to you today, because I think too little is known in the developing countries about the kind of assistance that IFC can give to their economic growth and too little is known about the leadership which, in some fields, the IFC exerts within the World Bank Group as a whole.

As most of you know, the World Bank Group consists of three institutions. You will recall that the Bank itself is the central, the largest and the oldest of the three. Since its first loans to the less developed countries in 1948, the Bank has lent roughly \$9 billion for development programs and projects. About a third has financed electric power projects, and another third has financed transportation facilities: Bank loans have developed or modernized enough road and rail transport, to go twice around the world. Most other Bank lending has gone into manufacturing or agriculture -- but loans are now being made also for certain types of education projects. The Bank lends on more or less conventional financial terms: although its loans are exceptionally long -- usually more than 20 years -- the interest rate is 6 percent.

Most developing countries cannot service on conventional terms all of the capital they could usefully borrow. If they are to achieve any economic momentum, they must have capital on terms of repayment that will not over-burden their slender earnings of foreign exchange. With these nations in mind, the member countries of the Bank created the International Development Association -- IDA for short -- which now has 96 member governments, drawn from the Bank's own membership. IDA gives easy financial terms. Its credits are extended at no

interest and with 50 years to repay. IDA lends for much the same kind of projects as the Bank, and up to now has made \$1.2 thousand million of commitments in 32 of the Bank's poorest member countries, mostly in Pakistan and India.

IFC is the remaining member of the Group. The special purpose of the Corporation is to invest and mobilize capital for enterprises that are essentially private in character, and to do so in partnership with private entrepreneurs and private investors. I should immediately add that this does not bar IFC cooperation with entities which are part government, part private, so long as it is the private side which predominates.

IFC has 82 member governments, and so far has made commitments of about \$170 million. In fact, this figure does not tell the whole story, since IFC investments have gone along with other capital, and represent well over \$600 million worth of projects in all.

In addition, IFC keeps the keys to some of the funds of the World Bank and IDA, which themselves have made something like \$1.3 thousand million available for private enterprises. The Corporation acts for the whole Group in making the technical and financial appraisal of all proposals for financing industrial enterprise, and IFC's recommendations may lead to financing not only from IFC, but also from the Bank or IDA. IFC also acts for the whole Group in following the progress on projects once they have been financed. The Corporation thereby is in charge of the continuing relationship that may lead to additional investments in an enterprise.

* * * *

Some of you may have heard that IFC has had the reputation of being a difficult partner to work with. In some respects, this is still true. The purpose of IFC investments is to provide funds for the expansion of productive facilities and for working capital -- not to finance the export from the industrial countries of any particular equipment or machinery. That means that IFC does not always see eye to eye with foreign companies whose chief interest may lie in selling equipment rather than in carefully fitting together the right kind of technology with the right kind of financing.

To a large extent, however, this reputation of IFC's is a matter of past history rather than present practice. When IFC first began its operations, in July 1956, it did not have the power to subscribe to capital shares. Nevertheless, it was an objective of IFC to provide risk capital as well as fixed-interest loans, and in order to do so, IFC had to invest in securities that sometimes were highly complicated and extremely difficult to negotiate. All this is now over. In 1961, IFC's charter was amended in order to enable the Corporation to invest in equities, and it has increasingly done so. Today, the typical IFC investment is a split one -- partly an investment in shares, and partly a conventional loan; and I think it is fair to say that negotiations with IFC are fundamentally the same as would take place with any other prudent investment partner.

In any case, the volume of IFC commitments has been significantly higher since the Corporation acquired the authority to invest in shares. In the financial year which ended last June 30, IFC made commitments of more than \$40 million -- half again as much as in any previous year. The amount of IFC investment in Africa now stands at \$20 million, for projects in nine countries.

This sum, like IFC investments as a whole, is part of a considerably larger outlay of capital. Nevertheless, it is by no means as large as the Corporation hopes that it will become.

* * * *

After this rather lengthy preamble, let me now give you a somewhat more specific idea about how IFC conducts its business. The Corporation gives support to the private sector with four typical methods of operation. First, it invests its own funds in private enterprises. Second, it enters into underwriting arrangements in support of new stock or bond issues by private companies. Third, the Corporation actively tries to recruit other international investment, which either may take the form of a direct investment in the enterprise concerned or may be in the form of a participation in IFC's own commitment. Fourth, IFC has taken a particular interest in helping to establish or to strengthen local development banks, which provide long-term capital for industrial enterprises in the less developed countries. In short, IFC invests its own funds, and works hard to mobilize funds from other investors, whether they be domestic or international.

By now, IFC has commitments in some 34 countries. They have been made mostly for enterprises in manufacturing: iron and steel, pulp and paper, textiles, cement and fertilizers, among others. IFC's investments in Africa, although they are not yet numerous, already show a considerable variety: a number of textile plants, a fertilizer plant, a pulp and paper plant, a sugar mill and associated plantation, a food-processing and canning plant, and several development banks.

IFC's charter says that the Corporation must invest in enterprises that are predominantly private in character, but it does not specify what particular

kinds of enterprise are to constitute the Corporation's field of investment. At the beginning of its activities, the Corporation felt that it should concentrate its investments on industrial projects. This policy was adopted out of purely practical considerations: in the first place, industrialization was considered to be of high priority; and in the second place, it was felt that the Corporation itself should acquire some seasoning before it attempted a wider range of investments.

It was never intended, however, that the Corporation should be permanently limited to industrial financing, and one of the noticeable current trends in IFC's operations is the larger variety of projects to which it is now giving support. In Latin America, for instance, IFC has helped to finance a grain storage company and a business for producing and distributing beef. In other parts of the world, it now has under consideration investments in a power company, a telephone company and a hotel business -- all, of course, owned by private investors.

Privately owned development banks compose a class of enterprise to which the IFC attaches special importance. These institutions perform for projects within their own country the same basic functions as IFC itself. They invest their own funds in private enterprises; they underwrite new issues of shares or debentures; and they reach out, often with the help of IFC, to enlist capital and technical or managerial advice from abroad. They constitute an invaluable source of information to IFC and other international investors concerning investment problems and possibilities in the countries where they operate. At the present time, IFC is a shareholder in 17 of these development banks. World Bank loans and IFC share subscriptions have provided approxi/ \$400 million to mately development finance companies, and they, in turn, have been able to undertake

commitments of more than twice that amount for new or expanding businesses in the countries where they operate.

Five of the development banks supported by IFC are in Africa. One is the Banque Nationale de Developpement Economique, of Morocco, which was the first institution to get combined financing from IFC and the World Bank. The others are in Tunis, Nigeria, Ivory Coast and Liberia.

In setting the terms of its investments, the Corporation wants much the same kind of consideration as other investors. It wants a satisfactory return on its capital, and it wants terms that adequately reflect any risks involved. This would be the policy of prudence in any case, but IFC follows these standards for the additional reason that one of its important objectives is to mobilize capital by recruiting partners for joint ventures and by selling its investments to other investors. The Corporation obviously could not realize this objective unless the terms offered are a realistic reflection both of the profit prospects and the risks involved.

In fashioning terms, IFC also must fit its commitment into the general plan for financing the project involved. Since most new or expanding businesses need both loan and equity capital, IFC commonly joins with other investors in providing both. The commonest form of IFC commitment: part consists of a subscription to shares, and part consists of a loan, usually with a final maturity of between seven and 12 years, and carrying a more or less commercial rate of interest -- currently 7% or more.

* * *

The functions of IFC go considerably beyond providing and recruiting capital, important though that is. In judging what projects it can suitably support, IFC takes more the outlook of an investor concerned with long-term prospects than

of a creditor who may be concerned simply with how much collateral there is behind an investment. This means that the Corporation studies such questions as the technical feasibility of a project, the competence of management and the size and nature of the market for whatever the project is to produce.

Potential profitability is only one of the tests to be applied. IFC also considers the contribution that the project can make to the economic development of the country in which it is situated. By IFC's definition, a good project is one that is both profitable and of economic priority. And it is only projects of this kind that will meet IFC's interest, already mentioned, in attracting the support of other investors, domestic or international.

The Corporation therefore plays an active role in helping to shape the projects in which it invests. Evaluations made or instigated by IFC may lead to revisions of a proposal -- revisions needed, for example, to strengthen management arrangements, to reach an economic scale of operations, to achieve the greatest possible operating efficiency, or to use the most modern and suitable technical processes. These modifications, in turn, will influence the capital costs of the project and the capital structure of the enterprise.

Let us see how this method of operation was followed in a particular case. The case in question is that of NPK Engrais, a company established to make triple phosphate fertilizer in Tunisia.

As you know, Tunisia up to now has few major industries, few industrial entrepreneurs, little skilled labor and a relatively small amount of private capital. One of its important natural resources, however, is a rich deposit of phosphate rock. In 1959, a Swedish company, Forenade, one of the largest fertilizer companies in Scandinavia, began to explore the possibility of establishing a Tunisian subsidiary to manufacture triple superphosphate from Tunisian rock phosphate.

The Company successfully concluded preliminary negotiations with the Tunisian Government, which agreed to grant tax benefits for the new Tunisian company, to guarantee remittances in foreign exchange, to give assurances against expropriation or nationalization, and to arrange for supplies of rock phosphate to be obtained from government-controlled mines under a 25-year contract. Forenade alone, however, did not have available all the financial resources required to carry out the project, so the firm turned to IFC for assistance.

The Corporation's investigations of the project led to three important modifications. They strengthened the marketing arrangements, added a new element in the technical process, and recruited an additional partner for the enterprise.

The plant, originally designed to produce about 150,000 tons of triple superphosphate a year, was intended to supply overseas markets. IFC's survey of the project indicated that while the product could be sold at a price competitive with other superphosphate, the sales prospects were not entirely certain. The Corporation's survey of the world market indicated that there was a large demand in high-income countries and a great potential market in low-income countries of Africa, Asia and South America. The rate of growth in the latter markets was difficult to predict, however, and it was known that there were proposals for substantial increases of production elsewhere.

In order to protect the Tunisian company, Forenade itself was persuaded to enter into a long-term contract for the purchase and distribution in Scandinavia of a large part of NPK's output. Forenade also agreed to guarantee a minimum level of profits for the Tunisian company during the starting-up period of the plant's operations.

On the technical side, IFC also suggested modifications. The original plan had called for importing sulphuric acid to meet the needs of the factory. The Corporation's studies showed that it would be cheaper to produce the acid on the site of the project, using imported sulphur. IFC therefore urged that a sulphuric acid plant be included in the project, and this proposal was adopted.

The decision was clearly one of some importance, and considerably raised the cost of the project. Moreover, it introduced an additional technical process and one which, in our view, required an additional technical partner. To meet this requirement, IFC found an American company -- one of the world's largest producers of sulphur -- to participate in the project, providing the Tunisian company not only with technical advice but also with substantial additional loan and share capital.

In the end, financing of more than \$10 million was found for this project. The Swedish sponsor put up some \$5.1 million of loan and share capital, and the American partner put up another \$1.6 million. IFC, for its part, made a commitment of \$3.5 million, and found banking interests in the Netherlands, Sweden and the United States to take up some \$800,000 of this amount. The financial plan also looked forward to the time when Tunisian investors would be willing to venture capital for this project. One-tenth of the capital shares have been set aside for sale in Tunisia, and arrangements to begin these sales have now been completed.

* * *

NPK Engrais, among enterprises supported by IFC, is a highly unusual case, since it began without any participation by domestic investors. By choice, the great majority of IFC investments are in companies that have a strong local

element, and there are some cases among IFC's clientele of companies in which IFC itself is the only partner not domiciled in the country.

This domestic flavor is desirable for many reasons, but it is especially desirable in the case of development banks. Although these banks may be predominantly private in ownership, it is necessary that they have a national character, for they must be responsive to the needs of the economy of the whole country, and must operate consistently with the general development objectives of the government. Yet development banks, no less than other enterprises, can benefit from international infusions of capital and managerial skill. To bring in these international contributions and at the same time to preserve the essentially national identity of some of these institutions has been one of the more interesting contributions made by the operations of IFC.

One case in which IFC has played this kind of role is the Nigerian Industrial Development Bank (NIDB). NIDB is an outgrowth of the Investment Company of Nigeria (ICON), which was created in 1959 and owned almost entirely by British investors. Discussions looking toward the creation of the new institution began between the World Bank and Nigerian interests in 1961. IFC, offering both advice and finance, subsequently played a leading role in helping to transform ICON into NIDB, broadening its financial base and preparing it to become more Nigerian in character.

The principal aims of the transformation were to establish a new institution retaining ICON's essentially private nature but enlisting a larger participation by other investors, especially in Nigeria. To achieve this purpose, it was agreed to reserve a majority of voting shares for subscription by Nigerian investors and by institutions of which Nigeria is a member -- for example, the International Finance Corporation; and IFC agreed that when disposing of its holdings, it would sell only to Nigerian private investors.

The establishment of NIDB followed long and complex negotiations, assisted by IFC, between ICON and a steering committee composed of prominent Nigerians. The Federal Government of Nigeria gave the project its full support and agreed to make an interest-free advance of £N2 million to the new company.

In addition, NIDB has £N2.25 million of paid-in/capital. ICON shareholders agreed to convert part of their stock into some £N750,000 of NIDB shares -- £N250,000 of it not carrying voting rights. IFC was instrumental in obtaining another £N500,000 of share capital from German, Italian, Swiss, Japanese and American private banks. The remaining £N1.02 million of voting stock was taken up by the Central Bank of Nigeria, by Nigerian private investors and by IFC, whose subscription, like that of the Central Bank, amounted to just under £N500,000.

NIDB is designed to provide long and medium-term finance in the Federation of Nigeria. It concentrates its operations, as a matter of policy, in the industrial and mining sectors. It assists in the establishment and growth of productive private enterprises by supplying finance, and related services, in any form suitable to the needs of its clients. It encourages the participation of foreign capital in Nigeria's economic development, and seeks to widen the base of private participation in Nigerian industry by selling its investments in the domestic market, by sponsoring new share issues and by engaging in underwriting operations.

Nigeria's six-year development plan is already providing the framework for an expansion of the country's industrial capacity. As a result of the Government's policy of encouraging investment, by the adoption of such measures as tax-freedom for pioneer industries, liberal depreciation allowances, duty

concessions on imported raw materials and reasonable tariff protection, Nigerian industry is expanding quickly, though as yet it forms a small part of the country's total economic activity. The establishment of NIDB with adequate capital resources and with broad foreign connections has been an important step in assisting Nigeria's further industrial development.

The two examples I have given illustrate the variety of IFC operations. No two investments by the Corporation are alike; and in fact one of the most useful characteristics of IFC is its ability to fit its operations to special problems that may need to be solved before a private project can effectively be launched. Until recently, however, all IFC operations have been under the handicap of the relatively limited financial resources at IFC's disposal.

IFC was created with a capital of \$100 million. By revolving its investments through sales to other investors, it has had some \$190 million at its disposal. Nevertheless, it has had to operate on a rather modest scale, and the average size of its commitments to date has been around \$1.5 million.

Steps have now been taken to increase the resources of the Corporation considerably. By amendments to its charter and to that of the World Bank, the stage has now been set for Bank loans to the Corporation up to the extent of \$400 million. This puts IFC in a position to undertake substantially larger investments, with the upper limit for single projects rising to somewhere between \$15 million and \$20 million. This should open up new possibilities, particularly in capital-intensive industries such as petrochemicals or fertilizers or mining, to name a few. IFC is now in a strong position to increase both the size and the pace of its operations.

Among the areas in which it works, IFC considers Africa to have a high priority, and the Corporation is optimistic both about the possibilities of

development in Africa and IFC's own ability to help bring those possibilities to reality. There is much solid achievement among the new African countries, especially in the formulation and administration of economic development policy. African leaders have shown themselves not merely open to change but intensely eager to achieve it. From the history of the world in the past two centuries, we know that an essential of economic development is the ability to change and adapt; and of all the omens for Africa's future, the desire for change is one of the most important and promising.

We know, too, that Africa is not only the least economically developed area left in the world; it is also the area whose resources and potentialities are least known. After all, it was not long ago that the Sahara Desert was considered to be an empty waste; but now it is known to be a storehouse of mineral wealth. We are already familiar with most of the difficulties of developing Africa; but we are far from knowing what all the possibilities for advance may be. IFC is confident that its continuing study of African plans and prospects will result in an increasing number of opportunities to cooperate with private investors in the development of Africa, and that its operations on the continent will constantly grow in scope and usefulness.

July 11, 1966

DECLARATION DE M. ABDERRAHMAN TAZI
A LA REUNION DU GROUPE DES GOUVERNEURS
DIMANCHE LE 25 SEPTEMBRE 1966

Monsieur le Président,

Messieurs les Gouverneurs,

Messieurs les Délégués,

J'ai le plaisir de vous souhaiter la bienvenue à Washington, un séjour agréable et des contacts fructueux.

Au cours de cette session, notre groupe de pays s'est renforcé par l'adhésion de Singapour et, se renforcera davantage, je l'espère, par l'adhésion de l'Indonésie. La délégation de ce dernier pays assiste en tant qu'observateur à nos délibérations, et permettez-moi, en votre nom à tous, de lui souhaiter la bienvenue au sein de notre famille.

Tout au long de l'exercice écoulé, j'ai essayé de vous tenir informés aussi régulièrement que possible des activités du Groupe de la Banque Mondiale. Les rapports qui vous ont été adressés vous auront permis d'observer de façon constante l'évolution de la politique économique et financière de la B.I.R.D., de l'I.D.A. et de la S.F.I., dans tous les domaines.

Le rapport annuel officiel de la Banque et de ses institutions affiliées qui est en votre possession procède à une analyse systématique et exhaustive de leurs activités. La première partie du rapport de la B.I.R.D. et de l'I.D.A. comporte une analyse détaillée de l'exercice

financier 1965/66, la deuxième partie constitue une étude générale des tendances et perspectives en matière de développement, la dette extérieure, les termes de l'aide, les finances extérieures des pays en voie de développement, et quelques critères de mobilisation et d'emploi des ressources.

Avec votre permission, je me limiterai dans mon intervention, à retracer brièvement les activités de la Banque et de ses filiales en faveur des pays de notre groupe. Je vous exposerai ensuite certains problèmes et certaines tendances qui se sont fait jour au cours de l'exercice écoulé.

Les engagements du Groupe de la Banque Mondiale au cours de l'exercice financier en question se sont élevés à 1 milliard 160 millions de dollars, montant légèrement inférieur à celui du précédent exercice qui avait atteint le chiffre record de 1 milliard 360 millions de dollars. Ces nouveaux engagements ont été successivement de 839.200.000 dollars pour la B.I.R.D. (37 projets), 284.100.000 dollars pour l'I.D.A. (12 projets), et pour la S.F.I. 35.600.000 dollars (21 projets).

Comme par le passé, la grande part des prêts de la Banque Mondiale et de l'I.D.A. reste essentiellement orientée vers les secteurs des transports et des communications; l'énergie électrique et l'industrie viennent en deuxième position. Les interventions dans les secteurs agricoles et de l'éducation ont, dans une certaine mesure, augmenté. D'une façon générale, la Banque a continué à imposer une discipline rigoureuse dans la préparation et l'exécution des projets de développement.

Relations avec les pays de notre groupe

Je voudrais passer en revue l'activité de la Banque Mondiale pour le groupe de pays que j'ai l'honneur de représenter. Il est réconfortant de signaler que, pour la première fois, tous les pays membres de notre groupe ont pu inscrire à leur actif au moins une assistance technique, sinon financière, provenant de la Banque.

Afghanistan

Etude sur l'irrigation. La société d'études Sogreah a terminé l'enquête qu'elle avait entreprise afin de déterminer les possibilités d'irrigation dans le bassin du Kunduz. Un projet de rapport a été soumis cet été au Gouvernement afghan et à la Banque. Les dispositions à prendre pour mener une étude de préinvestissement dans cette région sont actuellement examinées avec le Gouvernement.

Entretien des routes. La Banque a retenu une société danoise pour fournir au Gouvernement afghan l'assistance technique envisagée pour cette étude, et un contrat a été conclu.

Crédit agricole. La FAO a envoyé à Kaboul une mission de préparation des projets en vue d'aider à préparer un projet que l'I.D.A. pourrait se charger de financer. Le rapport sera soumis prochainement.

Banque de développement. Une mission de la B.I.R.D. et de la S.F.I. est arrivée à Kaboul au début du mois afin d'aider à la création envisagée d'une banque industrielle de développement.

Mission d'étude économique. La Banque a accepté d'envoyer une mission d'étude devant examiner le projet du Troisième Plan.

Algérie

La Banque a envoyé en Algérie une importante mission d'étude économique en vue d'examiner l'économie du pays et d'aider à jeter les bases d'un éventuel plan de développement. Un projet de rapport a été établi et est actuellement examiné par le Gouvernement algérien et la Banque. Cette étude marquera, je l'espère, le début de relations actives entre l'Algérie et le Groupe de la Banque Mondiale.

Ghana

Outre l'assistance technique fournie par les missions d'études économiques de la Banque, celle-ci a envoyé au Ghana pour une durée de six semaines, un consultant devant analyser les besoins d'importations du pays pour 1967 et 1968.

Le Gouvernement a également demandé une aide pour l'application des recommandations formulées dans le rapport Waterston sur la planification, notamment pour la préparation des programmes de projets et de secteurs.

La Banque et l'I.D.A. ont plusieurs projets en vue dans les domaines suivants: distribution d'électricité, agriculture, compagnies financières, routes, approvisionnement en eau, construction d'égouts et éducation.

Indonésie

L'adhésion de l'Indonésie n'étant pas encore en vigueur, la Banque a quand même accepté l'envoi d'une mission d'experts pour examiner avec les autorités compétentes, les besoins en matières premières et pièces détachées devant être importées en 1967.

Laos

Au cours de la réunion qui s'est tenue le 11 mars 1965 au siège de la Banque, les représentants de neuf pays -- Etats-Unis d'Amérique, Australie, Canada, Danemark, Japon, Laos, Nouvelle-Zélande, Pays-Bas, Thailande -- et la Banque Mondiale ont étudié les conditions d'un Accord portant création du Fonds de Développement du Nam Ngum. Le Fonds servira à financer le projet de centrale hydro-électrique de Nam Ngum sur un affluent du Mékong, à environ 70 km de Vientiane, au Laos, et d'une ligne de transport la reliant à la Thailande.

A la demande des Nations Unies et des Gouvernements intéressés, la Banque a accepté de jouer le rôle d'Administrateur et de se charger de l'administration du Fonds et de la surveillance générale de l'exécution du projet.

Sept pays participants ont offert de fournir des subventions pour un montant total équivalent à 22,8 millions de dollars.

Libye

Depuis le mois de novembre 1963, M. Subhas Dhar remplit les fonctions de conseiller principal auprès du Ministère de la planification et du développement à Tripoli. Ses services sont mis à profit, en particulier pour les questions d'organisation, et cette affectation donne toute satisfaction. La Banque a décidé en 1965 de prolonger cette affectation pour une durée de deux ans.

Malaisie

Depuis la dernière Assemblée annuelle, la Banque a accordé deux prêts à la Malaisie, l'un de 45 millions de dollars à la fin de 1965 pour le projet d'irrigation de la Muda, l'autre de 37 millions de dollars en juillet 1966 au profit de l'Office national d'électricité. D'autre part,

diverses missions d'études de secteurs se sont rendues en Malaisie pour examiner les projets inclus dans le plan quinquennal malaisien pour 1966-1970, en vue de la réunion que le Groupe consultatif a tenue en mai. Ces missions ont porté sur l'agriculture, les transports, l'approvisionnement en eau, l'électricité et l'éducation. Les rapports des missions sur les transports, l'approvisionnement en eau, l'électricité et l'éducation ont été diffusés aux membres du Groupe consultatif. Une mission d'étude économique de la Banque s'est rendue en Malaisie vers la fin de 1965 pour examiner le Plan quinquennal. Le rapport de la mission a été diffusé aux membres du Groupe consultatif avant la réunion de mai.

Ces travaux devraient aboutir au cours des prochains mois à l'établissement d'un certain nombre de projets susceptibles d'être financés par la Banque. Les prêts destinés au projet d'irrigation de Kemubu et à la Malaysia Industrial Development Finance Ltd. (deuxième prêt) devraient être au nombre des premiers prêts qui seront octroyés et il est possible qu'un prêt soit accordé pour la première phase du projet d'aménagement du périphérique de Jengha.

Maroc

En November 1965, la Banque a approuvé un prêt de 10 millions de dollars à la Caisse Nationale de Crédit Agricole; les fonds mis à la disposition de cette institution contribueront à la modernisation et à l'amélioration du système agricole au Maroc. En mai 1966, la Banque marocaine de développement économique a bénéficié d'une seconde ligne de crédit de la B.I.R.D. d'un montant de 17,5 millions de dollars qui servira à couvrir les besoins en devises étrangères du secteur industriel privé pour les années 1966 et 1967. Enfin, un crédit de développement I.D.A. a été

octroyé au Maroc en Octobre 1965 pour l'éducation secondaire et technique.

La Banque de développement du Maroc et la S.F.I. ont financé conjointement, par des prises de participations et des prêts, le programme d'expansion de la Compagnie industrielle du Lukus; l'intervention de la S.F.I. se monte à 1,3 millions de dollars.

Le Groupe de la Banque Mondiale est actuellement saisi de demandes de prêts pour des projets dans les secteurs de l'agriculture, du tourisme et des communications.

Singapour

Singapour a adhéré à la Banque en août 1966. Presque aussitôt, un prêt de 15 millions de dollars était approuvé par le Conseil d'administration pour l'exécution de travaux portuaires. Vers la fin de 1965, une mission d'étude économique s'est rendue à Singapour.

Un second prêt pour l'énergie électrique est actuellement en cours de négociations. D'autres projets susceptibles d'être financés par la Banque pourraient être accordés au cours des prochains mois, notamment un projet d'approvisionnement en eau (deuxième prêt) et un projet pour les télécommunications.

Tunisie

La Société Nationale d'Investissement a obtenu en mai 1966 un prêt de la B.I.R.D. d'un montant de 5 millions de dollars. Dans le cadre de la réorganisation de cette banque de développement, la S.F.I. a pris une participation au capital de la S.N.I. pour l'équivalent de 570.000 dollars. La S.N.I. utilisera les ressources en devises étrangères mises à sa disposition pour aider au développement du secteur industriel, y compris l'industrie touristique. Tout récemment, la Tunisie a bénéficié d'un deuxième crédit I.D.A. d'un montant de 13 millions de dollars en faveur de l'éducation secondaire et technique.

Un certain nombre de projets sont actuellement à l'examen par le Groupe de la Banque Mondiale et intéressent l'agriculture, l'énergie électrique, l'adduction d'eau, etc.

Convention pour le Règlement des Différends relatifs aux Investissements entre Etats et Nationaux d'autres Etats

La Convention pour le règlement des différends relatifs aux investissements, signée par 46 pays et ratifiée par 21 d'entre eux, entrera en vigueur le 14 octobre, soit 30 jours après la 21ème ratification déposée le 14 septembre dernier.

Parmi les pays de notre groupe, la Malaisie, le Maroc, le Ghana et la Tunisie ont signé la Convention; la Malaisie, le Ghana et la Tunisie l'ont également ratifiée. Pour ces trois pays, la Convention entrera en vigueur le 14 octobre 1966. Pour les pays qui la ratifieront après le 14 septembre 1966, la Convention entrera en vigueur dans le délai de 30 jours après le dépôt de l'instrument de ratification.

L'Article 4 de la Convention prévoit la création d'un Conseil administratif composé d'un représentant de chaque Etat contractant. Un suppléant peut remplir les fonctions de représentant en cas d'absence à une réunion ou d'empêchement du titulaire. L'Article 4 prévoit en outre qu'en l'absence de dispositions contraires, chaque Gouverneur et Gouverneur suppléant de la Banque nommé par un Etat contractant remplit d'office les fonctions de représentant et de suppléant respectivement.

Coordination de l'aide

Les pays donateurs, les pays bénéficiaires et les institutions multilatérales, en particulier la Banque Mondiale, cherchent à coordonner plus étroitement les programmes d'aide au développement. C'est dans ce but

que la Banque a créé des consortiums pour l'Inde et le Pakistan, et organisé des groupes consultatifs pour certains autres pays recevant une assistance extérieure de sources multiples. Placés sous la présidence de la Banque, ces groupes consultatifs sont actuellement au nombre de sept, dont deux au profit de la Tunisie et de la Malaisie. Un autre est en voie d'organisation pour le Maroc. Par ailleurs, la Banque examine la possibilité d'en créer également pour le Ghana et l'Algérie.

Je crois qu'il est encore trop tôt pour savoir si les groupes consultatifs atteindront leur but tel qu'il est conçu actuellement, à savoir l'assouplissement des conditions des prêts, l'accroissement des montants effectifs qui peuvent être mis à la disposition des pays récipiendaires, et un meilleur usage des fonds. Ce qui est certain, c'est que la Banque désire vivement que ces groupes soient constitués pour tous les pays qui reçoivent une aide extérieure importante. Toutefois, le seul fait qu'un tel groupe existe ne garantit pas par lui-même que le volume de l'aide s'accroîtra et que les conditions auxquelles celle-ci est consentie s'amélioreront.

Il est intéressant de signaler que les banques régionales de développement, telles que la Banque asiatique et la Banque africaine, seront étroitement associées aux réunions des groupes consultatifs organisées pour les pays membres de la B.I.R.D. dans ces deux continents.

Emission d'obligations à deux ans : mars 1967

La B.I.R.D. envisage de lancer en mars 1967 une émission de 100 millions de dollars d'obligations à deux ans destinée aux banques centrales et autres organismes publics, comme ce fut le cas pour les trois précédentes émissions à court terme non encore venues à échéance. Le taux d'intérêt ne

sera fixé que vers le mois de février 1967, mais, en général, il est de 1/8 à 1/4 de 1 % au-dessus du rendement des fonds d'Etat américains ayant encore deux ans à courir.

Tous les pays de notre groupe, y compris Singapour, ont participé au moins à l'une des trois dernières émissions, à l'exception du Maroc, de la Tunisie et du Laos.

M. Woods estime que les pays en voie de développement pourraient apporter leur soutien à la Banque en souscrivant chaque fois qu'ils le peuvent à ces obligations. Je ne pense pas qu'il soit déraisonnable de suggérer aux pays de notre groupe qui ont recours à l'aide de la Banque, d'envisager sérieusement de contribuer, en retour, au soutien de cette institution.

La Banque Mondiale accueillerait très favorablement toute prise de participation de nos banques centrales aux émissions projetées.

Problèmes et tendances

A. Augmentation du taux d'intérêt de la B.I.R.D.

Le 10 février 1966, le Président de la Banque Mondiale, invoquant l'évolution des conditions du marché financier depuis l'année dernière, décidait de relever le taux d'intérêt minimum des prêts accordés aux pays membres. De l'avis de M. Woods, le taux d'intérêt usuel de 5-1/2 % pratiqué par la B.I.R.D. n'était plus en rapport avec le loyer de l'argent que les emprunteurs les plus solvables de la Banque doivent acquitter sur le marché; il a de ce fait décidé de le relever à 6 %.

Cette décision affecte très fâcheusement ceux de nos Etats qui sont éligibles aux seuls prêts de la B.I.R.D.

Si l'on considère que le volume annuel des prêts de la Banque atteindra 1,5 milliards de dollars entre 1967 et 1970, il faut s'attendre

à ce que, sur les 5 milliards de dollars que la Banque envisage d'octroyer à ses pays membres durant cette période quadriennale, une grande partie devra être procurée sur les marchés de capitaux privés. Or, ces marchés connaissent actuellement un sérieux rétrécissement, la demande d'argent dépassant considérablement l'offre provenant de l'épargne. Cette situation a engendré un accroissement sensible des taux d'intérêt dans le monde et il n'est pas surprenant que cette tendance continue dans l'avenir immédiat.

Il est impératif pour nos pays d'unir leurs efforts pour éviter que l'inquiétante escalade des taux d'intérêt enregistrée sur les principales places financières n'affecte à nouveau vers la hausse le taux pratiqué actuellement par la B.I.R.D.

B. Assistance technique - Financement des études

Dans le cadre de ses activités d'assistance technique, la Banque finançait, sous forme de dons, la part en devises étrangères des études de secteur et d'avant-projet. Ce n'était que reconnaître la nécessité obligatoire de venir en aide aux pays en voie de développement, pour leur faciliter l'identification et la préparation des projets rentables.

Le 3 décembre 1965, le Conseil d'administration fut saisi d'une proposition du Président Woods tendant à renoncer à la pratique de financer les études sous forme de dons et de les entreprendre, à quelques exceptions près, sur une base remboursable. Les exceptions retenues concernent les études dont le coût est égal ou inférieur à 200.000 dollars, et les études pour lesquelles l'aide est fournie avant tout sous forme de services en personnel.

Les raisons articulées par les dirigeants de la Banque pour justifier cette modification du principe du financement à titre gratuit étaient de différents ordres. On considérait que c'était là un moyen rentable de diriger une partie des bénéfices de la Banque vers des secteurs de développement plus productifs et que cela permettait aussi une répartition plus rationnelle des tâches entre la Banque et l'UNDP.

Il convient de recommander à la Banque de revenir à l'ancienne pratique plus conforme aux intérêts des pays en voie de développement.

C. Portugal et Afrique du Sud

Le Secrétaire Général des Nations Unies avait attiré l'attention du Président de la Banque sur les résolutions de l'Assemblée Générale de l'O.N.U., invitant les institutions spécialisées à suspendre toute assistance financière et technique au Portugal et à l'Afrique du Sud aussi longtemps que ces deux pays poursuivront leur présente politique africaine.

Dans sa réponse au Secrétaire Général U Thant, M. Woods, s'appuyant sur les stipulations de l'Accord de 1947 entre les deux organismes, qui laisse à la Banque entière liberté de jugement dans l'octroi de ses prêts, fit remarquer que seules les considérations d'ordre économique sont justifiées dans ses décisions.

Il a par conséquent, malgré les arguments présentés par les administrateurs de certains pays en voie de développement, accordé le 9 juin 1966 deux prêts totalisant 30 millions de dollars au Portugal, et le 28 juillet 1966 un prêt de 20 millions à l'Afrique du Sud.

La Banque, en tant qu'institution spécialisée des Nations Unies, devrait tenir compte des résolutions de l'Assemblée Générale de l'O.N.U.

D. Augmentation des ressources de l'I.D.A.

L'augmentation des ressources de l'I.D.A. constituera sans aucun doute le thème principal de cette Conférence annuelle.

En effet, les pays en voie de développement, comme les pays industrialisés, ainsi que les responsables de la Banque Mondiale, ne manqueront pas de reconnaître la situation grave dans laquelle se trouve cette institution.

L'I.D.A. a disposé jusqu'à présent pour ses engagements, d'une somme totale de près de 1 milliard 682 millions de dollars. Jusqu'à fin juin de cette année, cette institution a consenti à 29 pays et 3 Territoires non-autonomes, des crédits se montant à 1 milliard 365 millions de dollars. En se basant sur le rythme actuel d'octroi des crédits de l'I.D.A., on peut estimer que les fonds dont elle dispose encore, c'est-à-dire 367 millions de dollars environ, seront probablement employés au cours des prochains mois. Pour continuer ses opérations de prêts, à partir de 1967, l'I.D.A. devra s'assurer de l'augmentation de ses ressources.

Le Président de la Banque propose qu'au moyen de leur reconstitution par les pays membres industrialisés, les ressources de l'I.D.A. soient portées du niveau actuel de 250 millions par an à 1 milliard par an pendant trois ans. Ce montant viendrait s'ajouter à tous les transferts que la Banque pourrait faire chaque année à l'I.D.A. à partir de ses bénéfices nets (75 millions de dollars pour l'exercice écoulé).

Il est inutile d'insister sur le rôle essentiel de l'I.D.A., surtout en faveur des pays moins fortunés ayant un revenu par habitant égal ou inférieur à 250 dollars et connaissant une aggravation de leur dette extérieure. C'est conscient de ce rôle que le Président Woods a lancé aux

18 nations exportatrices de capitaux auxquelles incombe la charge principale de soutenir l'I.D.A., un appel éloquent et courageux afin qu'elles empêchent l'I.D.A. de sombrer dans l'inaction par manque de moyens financiers.

Les pays en voie de développement membres de cette institution se doivent, à mon avis, ensemble et séparément, de renforcer et appuyer l'appel lancé par M. Woods aux pays industrialisés.

L'autre aspect préoccupant de l'I.D.A. concerne la répartition des ressources disponibles. L'Inde et le Pakistan ont bénéficié d'au moins 73 % du total des crédits consentis. Les autres pays de l'Extrême Orient et ceux du Moyen Orient près de 8 %, les pays d'Afrique environ 11 %, et ceux d'Amérique latine 8 % approximativement. C'est là une étrange et inégale distribution des fonds de l'I.D.A., pour ne pas dire une discrimination dans le choix des bénéficiaires.

Cette situation a été dénoncée périodiquement, et je suggère à nos Gouverneurs de soulever également ce problème à l'occasion de leurs contacts avec les instances supérieures de cette institution.

E. Nomination de vice présidents

Le Président de la Banque a procédé à la nomination de deux vice présidents, l'un pour la S.F.I. l'autre pour la B.I.R.D. Il s'agit, respectivement, de M. Raj, de nationalité indienne, qui a pris ses fonctions à partir du 6 juin 1966, et de M. Shoaib, ancien Ministre des Finances du Pakistan, à partir du 15 septembre 1966. Ces deux nominations constituent une étape constructive vers une répartition géographique plus équitable du personnel dirigeant de ces organismes.

F. Financement des entreprises étatiques

Le peu d'empressement de la Banque à consentir des prêts aux établissements publics semble vouloir s'atténuer. En février dernier, le Président M. George Woods a déclaré au Conseil économique et social des Nations Unies que, bien qu'il doutât de l'efficacité des gouvernements à administrer l'industrie, il admettait que la Banque ait pu constater que différentes entreprises publiques présentaient une gestion satisfaisante, et que le Groupe de la Banque serait disposé à considérer favorablement le financement de ces entreprises. L'opinion de M. Woods et de ses collègues, est que les entreprises publiques ne devraient pas, par amour-propre, hésiter à demander aux pays industrialisés des conseillers techniques et des gestionnaires experts. De l'avis de M. Woods, une entreprise bien administrée attire les capitaux, et le Groupe de la Banque pourrait être alors parmi les investisseurs éventuels. C'est là une saine évolution des positions parfois rigides et doctrinaires de cette institution, et elle sera, j'en suis sûr, accueillie favorablement par les entreprises publiques dans certains de nos pays membres.

G. Financement du tourisme

Une des orientations des plus intéressantes vers laquelle le Groupe de la Banque Mondiale semble vouloir se diriger, et qui se révélera certainement d'une grande importance pour nos pays, est l'encouragement direct au tourisme. En tant que source de devises étrangères, le tourisme peut avoir de profondes répercussions sur le développement économique d'un pays. Grâce à l'aide de la Banque, de l'I.D.A. et de la S.F.I., je pense que nous allons assister à une expansion considérable de ce secteur, non seulement dans le domaine de l'infrastructure, mais directement sur le plan du tourisme proprement dit, tel l'investissement que vient d'effectuer la S.F.I. pour le financement d'un hôtel touristique et de pavillons de chasse au Kenya.

Le Groupe de la Banque assiste également le tourisme par le canal des banques de développement et des sociétés de financement qu'il aide par des prises de participations ou des prêts. En principe, la B.I.R.D. ne s'oppose plus à l'utilisation d'une partie des lignes de crédits mises à la disposition des banques de développement pour le financement du secteur touristique. Les prêts récents de la B.I.R.D. aux compagnies financières du Maroc et de la Tunisie se sont trouvés justifiés en partie par les demandes de capitaux en faveur du tourisme.

Monsieur le Président, Messieurs les Gouverneurs, Messieurs les Délégués, j'ai cru utile de vous donner cet aperçu des principaux problèmes que posent ces institutions et dont l'importance pour nos pays est évidente. Je vous suggère, au cas où vous le jugeriez utile, de les mettre en valeur au cours de votre intervention à la Conférence des Gouverneurs qui s'ouvre demain, ainsi qu'au cours de vos contacts avec les responsables de ces organismes.

Speech prepared by Mr. Lone for Mr. Taji, Ex-Dra,
to be given in Malaysia (copy to Paris)

April 28, 1967

To the professionals of the international development business, Malaysia stands today as one of those countries whose relative success in growth and economic management in the last decade marks them out among nations of the developing world. Even since 1960, when the world price of rubber began to turn so drastically against Malaysia, your country has maintained an average real growth rate of nearly six per cent a year. If one goes back a couple of years further, into a period when returns from your major export commodities were more favorable, the average growth rate -- say between 1958 and the present time -- rises to something above six per cent a year. To me this is a remarkable performance, especially when one considers that, for the bulk of the period I am talking about, your export production had to keep running faster and faster just to keep your total level of returns from the world market from falling.

Malaysia's achievement in maintaining a more-than-respectable growth rate in the face of forced stagnation in a large and traditional export sector to my mind provides the development profession with a case-book study of wise and flexible development strategy at work. In the face of export stagnation, significant structural change in the economy has been promoted: a vigorous and well-planned public investment program has provided essential underpinning for an upsurge in private enterprise production for the domestic market. Public and private endeavor have moved handsomely hand-in-hand in an internal development program which has already significantly reduced Malaysia's overall vulnerability to fluctuations in an export market beyond its control. Manufacturing, building and construction, fish and poultry products and a group of service industries now account for about 39 per cent of net output in Malaysia compared with 33 per cent only five or six years ago.

In your current plan program for the period 1966-70, I note that this basic development strategy continues, but this time with an increased emphasis on

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diversified agricultural development and more intensive land use, especially for food production. To this end one major World Bank loan has been committed already to the Muda River irrigation scheme to permit double cropping of rice over some 262,000 acres of land. Negotiations for Bank assistance have, I understand, reached a final stage on a rather similar project -- the Kemubu irrigation scheme in Kelantan State, and around May 18 next a mission is expected to arrive to appraise the Jengka Triangle land settlement project in Pahang State.

This increased emphasis on home market agricultural productivity is, of course, fitting. In any developing nation the principal sectors of the economy must grow in balance with one another; otherwise overall growth cannot be sustained for very long. But in Malaysia's particular situation -- faced as it is with the prospect of continuing subdued returns from its major export commodity -- increasing home agricultural productivity is vital. Without it, increasing food imports could exert such balance of payments pressures as to seriously limit your growth capacity. But with it, increased income generated in the farming sector can both strengthen the home market for your industries and provide some of the increased savings necessary for the high rate of capital investment you are going to need to sustain your growth.

To varying degrees, most countries in the developing world find themselves in the situation of having to pursue internal development against the constraint of low returns from traditional primary exports and limited opportunities for diversification into new export lines. Thus for reasons I have already mentioned in speaking of your own development plans, increased attention to the efficiency and productive capacity of home agriculture is -- or should be -- a basic part of growth programs in these cases. Unfortunately, in too many areas in the recent past this ingredient of balanced growth has received far too little attention -- it lacks the glamor and political appeal of industrial

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development; there is nothing of the spectacular about it, as there is, say, in new hydro dams and new sports palaces.

The problems generated by the oversights of the past on basic agriculture have been compounded to the point of crisis now in some countries by another factor -- an acceleration in the rate of growth of population to a point where output of food per head is actually falling. In these countries the consequent need for increased food imports has squeezed hard on external balances and thus on internal growth capacity. And the prospect of rising rural incomes providing new markets for home industries and a new source of savings for investment has sadly diminished.

This situation is, of course, of enormous concern to the World Bank and to its affiliated institutions, the International Development Association and the International Finance Corporation. Of necessity, the World Bank Group is turning an increasing amount of its attention and financial resources toward the task of lifting the efficiency of traditional agriculture to levels at which its output is rising more rapidly than population growth. Because of this new emphasis within/spectrum of the World Bank Group's activities, and because of Malaysia's increased emphasis on domestic agriculture within her own development drive, I have chosen to devote the bulk of my time with you today to constructing something of a theme drawn from the Bank's experience as an international developer in agriculture.

At the outset let me have one or two things established. The kind of investment operation required to convert the traditional subsistence farmer to a commercial producer is not only less spectacular, and with less short-term political appeal, than say a steel mill or a power plant, it is also infinitely more complicated and more difficult. Successful intensification of peasant

agriculture involves a great deal more than physical investment in dams, irrigation canals, new transport arteries. Sometimes it involves a capacity to intrude, tactfully and constructively, upon cultures and rhythms of life that have prevailed unchanged for centuries. But even when a climate favorable to new departures has been established, the task of sustaining major advances in this field remains probably/most complicated in the whole investment process.

One must work with a large and diverse number of individuals, each an entrepreneur, or potential entrepreneur, in his own right. This is quite unlike what is involved in a factory, a mine, a railroad, or a power plant under single management and direction. In the kind of agricultural promotion I am talking about, the variables, the unknowns, the complexities involved are far greater. We must deal here with the operation of biological factors under widely varying conditions of soil, climate and rainfall. We know much less about these conditions and their inter-action in specific geographic areas than in the case of the factory, where we deal with mechanical and chemical processes occurring in a controlled physical environment which is essentially the same in Port Swettenham, Pittsburgh, London and Bombay. Investment for successful agricultural development therefore involves not only the psychological and technical conversion of the traditional farmer, but the provision of local research capacity geared to the needs of the different environments, the training of substantial numbers of extension workers capable of linking the farmer with this local research, and so on.

It is essential that we meet the extraordinary challenge involved in this type of investment. I do not think it is an exaggeration to say that, in major areas, the whole of the development push depends upon it. We in the World Bank Group are endeavoring to rise to our part in the assault. We learn a great

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deal more about what we are dealing with here as we go along. We adapt and apply what we learn. We find that successful intervention in the traditional agriculture sectors of developing economies requires the careful tying together of a diverse package of factors, each coordinated with the other; some involving assistance from outside the country concerned, others involving efforts which only the country itself can pursue successfully.

The package required will differ, of course, from situation to situation, from country to country. But the evidence we have coming in now from diverse parts of the developing world suggests that there are sufficient broad components common to most situations to allow us to do some theorizing about it. And, I should add, this evidence indicates sanguinely enough, as well, that where we -- meaning the Bank Group and the Governments with whom we are working -- can do our part in getting the package together successfully, we need not have too much worry about him buying it. The peasant farmer is no fool, whether he be in Malaysia, Kenya, France, India or Italy. If he is to change traditional ways -- if he is to sacrifice some of his visits to the cockfights and the temple fairs to put in, say, a second crop of rice -- he has to be fairly certain that this is all worthwhile; that it will not simply result in some middleman or rentier being better off and him being deeper in debt. But where, from his end, the possibilities are clear enough and the rewards sufficient, he will respond and take his part enthusiastically in the pattern of balanced economic growth.

Happily enough, I can illustrate much of what is involved in this co-ordinated package approach to agricultural development by drawing first on experience culled from the Muda River scheme right here in Malaysia. You will recall that the Government began a / pumping scheme around 1959 as a bid to introduce

double cropping of rice on some 33,000 acres of what had been a rather poorly watered, low-yielding traditional farming area. By early 1965, the World Bank was sufficiently impressed with results to be ready to finance a much more extensive project, providing for capacity to double crop some 262,000 acres. The Bank made a loan of \$45 million toward an \$83 million irrigation project, and the Malaysian Government undertook to put up the rest. The project is well underway, scheduled for completion in 1970.

Meanwhile, not long before I came out here I had a report from ^aBank officer recently returned from a routine visit to the region. He told me that in areas where the double cropping was first introduced some six or seven years ago, rice production has just about tripled -- the big increase coming not only from the extra crop sown each year, but also from significantly higher yields on both the old crop and the new. In his opinion, if something even approaching this performance can be maintained throughout the Muda Scheme and in the Kemubu project, Malaysia will be well on its way toward self-sufficiency in rice production, and this, of course, via an easing of balance of payments pressure, would be a significant contribution to your whole growth capacity.

Now ours is a business in which we learn and build from experience -- what is gleaned in one country will be of value elsewhere. It is not sufficient for us to know that a project such as the Muda scheme is going well and that some relatively poor farmers are becoming intensive and prospering rice producers. It is important to analyze what is happening here and to try to identify the components of success. Broadly, we can list the following:

First, an administration able to set out a country's priorities in line with its economic needs -- able to identify, prepare and pursue projects aimed

at meeting these priorities, and to have access to the capital needed for them to be efficiently carried through and built upon.

Next, the presence of research capacity capable of drawing upon the results of research pursued elsewhere on such matters as seed varieties, soils, pesticides, fertilizer use, cropping patterns and so on, and capable of adapting these results to local conditions and needs. In the Malaysian case, great hopes are being placed in the adoption of a high-yielding seed variety first developed at the International Rice Institute at Los Banos in the Philippines, a basic research institution supported by the Ford and Rockefeller Foundations.

Thirdly, the presence of a sound extension service capable of providing a strong line of communication between local research capacity and the farmer in the field, of actively demonstrating to him the messages of the new technology and persuading him that these new methods can profoundly influence the material position of himself and his family.

The fourth portion of the package here has been the farmer's ready access to the inputs which the extension officer tells him he needs -- fertilizer, pesticides, farm machinery, adequate irrigation when he needs it and improved seed. This requires freedom from import controls and other bureaucratic blocks to the supply of necessary inputs.

Vital at this point, too, is the availability of credit. Once successful double cropping has begun, the credit situation becomes easier: the farmer's demonstrated productive capacity becomes a "bankable" proposition and in Malaysia we found that almost everybody -- from the village storekeeper to the fertilizer and farm equipment supplier -- then would be ready to lend him money.

Some of this he will use to finance his daughter's wedding; but this he would have done anyway. What is important here is that he should have access, on reasonable terms, to sufficient credit to finance the tractor services,

fertilizers, seeds and pesticides he needs to move to high-yielding double cropping. I am gratified to hear that the Malaysian Government, in collaboration with the World Bank, is moving to improve this most important credit part of the package.

The fifth element of success here has been the existence of access to commercial markets capable of returning a fair and attractive price to the farmer. In Malaysia's case, although structural improvements are required, this has been less of a problem than in other areas: due to Malaysia's soundly based internal development effort, growth in real income and demand has been high. There is an expanding demand for food in the towns and the development program has included the construction of roads and storage facilities to link the farmer with his markets. And the establishment now of a Federal Agricultural Marketing Authority, well aware of the problems still to be overcome in paddy marketing, is a rational and timely further development.

Of course, merely to run over this combination of factors and to say that this package is about what we need to convert a static traditional paddy farmer to a commercial operator rapidly advancing his productive capacity, is to vastly over-simplify the problems involved. The combination of factors I have mentioned involves pretty well every facet of the task of international development: it involves external capital assistance to provide roads, irrigation works and other components of a basic infrastructure; it involves the will to self-help on the part of national governments; the existence of education systems capable of providing local skills through from the sophisticated level of research to the workshop level of the farmer; it involves the creation of modern credit systems in areas where little other than the village money lender has existed for centuries.

With these and several other variables before us, all needing to be co-ordinated for successful agricultural development, it is inevitable that progress must be slow -- often in the manner of two steps forward, one step backward. But I think it is important to know that we are mastering the co-ordination of the many elements involved here; that we are beginning to see results in diverse settings which should allow the developing world, and those working with it, renewed confidence in prospects for balanced development.

Let's look at another case in this region. In Thailand the Bank has been engaged now for a number of years in projects aimed at controlling the network of waters feeding the great Thai Central Plain, so as to allow more intensive cultivation of the area by reducing the hazard of regular flooding and, in effect, converting floods to irrigation water which can be held over for use in the dry season. Through this water control program, the productive capacity of the area has been -- and still is being -- greatly increased. The remaining elements of the package are not yet so readily available -- things like home-grown research, the extension officer channel between research and the farmer in the field, the increased use of fertilizer, expanded use of improved seeds, and the farmer's access to attractive market returns. However, even though the combination may be still below its potential, early results have been quite remarkable.

From a situation of stagnant yields in the fifties, the production of Thai paddy fields has approximately doubled in recent years, from about five million tons in 1957 to nearly 10 million tons now. Water control and expansion of irrigated land have been the main factors here, with expanding use of improved seeds, increased fertilizer use and second cropping beginning to make their impact. Expansion into new uplands crops, resulting from the introduction of Thai farmers to profitable export marketing possibilities outside rice, has also

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produced quite phenomenal results: corn output has risen from no more than 137,000 tons in 1957 to a crop of 1,000,000 tons in 1965; tapioca production shot up from about 400,000 tons in 1957 to 2,340,000 tons in 1965. The Thai farmer has already proved beyond doubt that if the limits of his expectations can be raised, he has, in plenty, the initiative that is needed to respond to new possibilities.

In most cases it takes time -- usually a considerable time -- to bring together in suitable combination the package of factors which will furnish the difference between stagnation and dynamic agricultural growth. Often it is a seemingly simple factor which eludes the promoters. It may be a gap in research -- we still know far too little about basic soil and climatic conditions in individual developing countries and about the plant strains that will thrive there. Or it may be some structural factor which saps incentive on the part of the individual farmer. This often takes us into the difficult area of land tenure and the need in many countries for basic agrarian reform.

Consider, for example, experience in Kenya, where early efforts to stimulate native African agriculture had rather disappointing results. At this time, rights to land farmed by the average African were vested in some kinship or residential grouping: the individual African farmer had little security of tenure and little or no incentive to husband the soil and improve his temporary and often fragmented holdings. For a long time, the Colonial Government of Kenya was reluctant to break down this tribal system. But the outbreak of the Mau Mau rebellion among the Kikuyu tribe in the early fifties revealed the deep-seated land hunger existing among the younger elements of the tribe. In the wake of the Mau Mau uprising, the Government adopted land tenure reform.

The Colonial Government (and soon thereafter the Government of the newly independent Kenya) enlisted the cooperation of the tribal authorities, and set about the task of consolidating and demarcating land into individual holdings and of registering the titles to these holdings. Each new holder was backed by extension services geared to individual farm development plans. Work on water supply, feeder roads and market outlets was intensified. The World Bank entered the picture in 1960 with a loan to help finance the last three years of this program. By 1962 some 2½ million acres had been consolidated into registered holdings, and about a quarter of a million farm families were settled on them.

This process of consolidation, settlement and development has continued since then, with further financial and technical support coming from the World Bank and the International Development Association. One of the more important results of this agrarian reform has been the development of a thriving new smallholder tea growing industry in Kenya geared to the export market and turning out a quality product considered superior in many cases to the product of the established large-scale plantation industry. Altogether the gross value of agricultural output marketed by African farmers in Kenya has risen from some \$15 million in 1955 to some \$41 million in 1965. The increase would have been greater had it not been for a decline in world market prices for some commodities during this period.

I don't want to leave you with the impression that the scope for substantial success in what one might call "package development" of farming in developing lands is somehow confined to cropping. I might review briefly, for example, our experience in Uruguay, where animal production based on grassland is the backbone of the economy, but where wool and meat production



per acre was at low and static levels in the years after World War II. As early as 1950 a joint World Bank-FAO mission had recommended a comprehensive livestock development program, requiring fundamental changes in the techniques of pasture improvement and management, and involving substantial investments in seeds, fertilizers, fencing, water supplies and technical services. It took years of effort, however, to bring the various parts of the package required here together. Eventually, in 1959, a working basis for a demonstration scheme was ready. An initial World Bank loan covered most of the foreign exchange costs of a program providing technical and financial assistance to selected livestock owners widely distributed in every province of the country. Pasture and soil fertility were improved by fertilizing and reseeding, farms were sub-divided and fenced to permit controlled rotational grazing, and improved control of livestock disease was introduced.

The results have more than matched our hopes. Throughout the country's farming community, word has spread of the three to fourfold increases in livestock production in the pilot areas, and the impact effect on production outside the selected demonstration farms has been widespread. With demand for credit rising from livestock farmers, the Bank recently made a new loan to spread the program more widely in the country. Within another three years, a quarter of the grassland farmers of Uruguay will have acquired enough practical experience to develop their own properties and to extend advice to their neighbors.

Nowhere is this problem of renovating agriculture in order to achieve balanced growth more urgent and important than it is in the populous nation of India. Pressed as she is by rising population and a limited capacity to increase export earnings, India must revolutionize the productive capacity of

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of her home agriculture if she is to enjoy economic health. Inadequate progress in Indian agriculture up till now has produced already a problem of forbidding dimensions: in this calendar year, the country faces a gap of some 10 million tons of grain in her capacity to meet the basic food needs of her 500 million people. At this point, of course, the problem goes well beyond that of avoiding a balance of payments squeeze on growth: ten million tons of grain is the very minimum which must be provided from the outside in 1967 if an already rampant inflation in Indian food prices is to be held somewhere near existing levels, and if the threat of famine is to be held at bay.

A great deal of the attention of those concerned with assisting India's longer-term fight for self-sufficiency has turned now toward assembling the combination of factors needed to establish the Indian peasant farmer as a high-yielding intensive grain producer. Up till recently the absence of sufficiently high-yielding varieties of wheat, rice and other grains, suitable for intensive cultivation under Indian conditions, has been a barrier. In the past, you see, there was a relative abundance of practical research into tropical plantation cropping geared to markets in the industrialized countries (and hence, today, we are not exactly short of coffee and cocoa). But up till recent years, far too little has been done on indigenous agriculture geared to the basic diets of the populations of the less developed lands themselves.

However, here, too, I am glad to be able to strike a note of cautious optimism for a new style of balanced growth in India, beyond the immediate crisis. A dwarf variety of wheat developed in Mexico and adapted in India has shown itself capable of at least doubling existing wheat yields when combined efficiently with irrigation, fertilizer, plant protection materials and



other inputs. The same great promise emerges from practical farming tests of new varieties of rice developed in Taiwan and at the Los Banos International Rice Institute in the Philippines, and the same can be said of varieties of hybrid maize, sorghum and millet developed in India, principally under a Rockefeller Foundation program.

These new seed varieties could provide a breakthrough of enormous potential consequence in India, but only if combined efficiently into a package of factors largely similar in kind -- though, of course, vastly different in quantity -- to those which I outlined in connection with the Muda River scheme in this country. The promise of the new seed varieties could collapse unless the Indian farmer has ready access to the fertilizer, pesticides, water control, credit, extension services, stable market outlets, etc., which must go with them. And in the case of an entity as huge as India, ensuring even minimum supplies of some of these inputs, particularly fertilizer, is going to require massive technical and financial support from the richer nations, as well as from institutions like those of the World Bank Group.

The costs of carrying through this whole new strategy for Indian agriculture are going to be great; but the costs of failure will be infinitely greater. And if this bid for agricultural revolution in India succeeds, we can, for the first time, look forward with confidence to food grain output rising substantially faster than the rate of population growth in this largest and most challenging of all the developing nations in the free world.

I do not want to leave you with the impression that the World Bank Group has begun now to stress agricultural promotion to the exclusion, say, of industry and other sectors of the growth pattern. There is no question of this. Apart from anything else, an efficient agriculture requires the balance of a

growing industrial sector to absorb its product and the labor it releases, and to provide farmers with more consumer and capital goods. What we are concerned with, as a matter of urgency in many areas, is to help correct the imbalance that has been allowed to occur in precisely the other direction: because of a failure in the past to move with the emphasis and sophistication that is required, slow development in traditional agriculture is dragging back capacity for industrial growth and in some areas its tendency to fall behind population growth has already reached crisis point.

Correction of this imbalance is one of the most crucial tasks facing the developing world in the next five to ten years. Malaysia's case is hardly typical, but even here, in the food production sector, considerable skill and effort will be required to keep up the early promise of the Muda scheme. And what I have tried to demonstrate in these few, widely ranging case-book examples, is that the challenge can be met, perhaps quite spectacularly, provided we can identify and combine the many relevant factors in each situation and keep them moving forward in unison. Almost invariably, this means that at least as much attention has to be given to effective local research, to capacity for technical education, to institutional reform in marketing, credit supply, land tenure and other fields, as is given to the volume/physical investment in dams, irrigation schemes, land clearance and the like. This kind of direct investment may be worse than useless unless it is accompanied by appropriate human investment and institutional reform.