



International Bank for Reconstruction and Development
 International Finance Corporation
 International Development Association



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Address to the U.N. Economic and Social Council
 by Mr. Robert S. McNamara,
 President of the World Bank,
 the International Finance Corporation,
 and the International Development Association,
 December 5, 1968: United Nations, N.Y.

Mr. President and Members of the Council:

This is my first opportunity for a general report to the Economic and Social Council of the United Nations, and it is highly welcome. Throughout its existence, the Council has presided over, and itself often has been the source of, the change and growth that have been an outstanding feature of our international system since World War II. In that time, there has been a steady broadening of the responsibilities entrusted to the United Nations organization and the specialized agencies associated with it.

We perhaps are now entering a new phase in the life of international organizations. The United Nations system has become more operational-minded, more practical in approaching the tasks assigned to it. The agencies have more and more come to realize that, despite their different specialties, they are attacking related aspects of common problems. They have been growing closer and closer together, through consultative and cooperative arrangements intended to avoid duplication and to bring about an effective focus of their skills.

No less than other elements in the United Nations family, the Bank has shared in this evolution. We have always been a practical organization, I trust, but now our efforts are more closely linked with those of sister agencies. I expect this bent to continue, and I expect the Bank's connection with the UN system will go on becoming more important.

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Our common enterprise is to drive back poverty, to lift living standards and to enhance the dignity of man. At present, the best one can say is that

the prospects for that enterprise are mixed. Only slow progress is being made toward enabling the less developed countries of the world to earn more in world trade. The availability of international finance for development programs still lags behind the growing ability of the poor countries of the world to put capital to good use.

Many capital-exporting countries are, indeed, increasing their assistance to the nations of the Third World. But their example, alas, is not being universally followed. The reduction in the development aid effort of the United States, in particular, is so severe as to offset what otherwise would be a rising trend.

In the World Bank Group, we regard this state of affairs as a challenge. We intend to take up this challenge by markedly increasing our own efforts. We will engage in more financing of development; and we will step up our efforts to help our member countries prepare and carry out more adequate investment programs.

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Our intention is that the World Bank Group during the next five years lend twice as much as in the previous five. At the same time, we expect to give our operations new geographical accents. Over the next five years, our lending in Asia -- already the largest recipient of Bank Group financing -- should increase to more than double its previous rate, and we aim to achieve this faster pace in Latin America also. In Africa, our lending should triple.

We believe our lending must take on new functional accents as well. The Bank has long been known for its investments in infrastructure. We have put big sums of money into big projects: power installations and road and rail networks above all. We intend to go on financing projects of this kind. They are essential to economic growth, and they depend almost entirely for their financing on public sources of funds like the Bank.

At the same time, if we have learned any lesson in the decades of the development effort, it is that we must reach further toward the object of all our efforts: the human being. Programs and projects must touch him more immediately, to bring him quicker benefits and to stir him to greater efforts of his own.

So it is that in the Bank Group we expect our lending to run more strongly toward a more human scale of operations, to show a greater concern to reach and affect the individual.

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We believe that this effort must begin on the land. In the less developed countries, there are more farmers than any other kind of worker, and about two-thirds of the people live on the soil. Yet these countries have to import \$4 billion of food from the high-income countries each year.

Even so, they are hungry. The number of people in the world living on nutritionally deficient diets today is certainly far over a billion; the number who suffer from an absolute shortage of food may be as high as half a billion. The consequence is that many millions are not able to work productively enough for adequate support of themselves and their families. Poor nutrition leads to disease and death; protein deficiency is a chief reason why child deaths run from ten to 40 times higher in poor countries than in Europe and North America.

The world now has it within its grasp to revolutionize the production of food. As we all know, research has developed new strains of wheat, rice and other foods whose yield, in proper combination with water, fertilizers, pesticides and so on, is two to four times higher than that of traditional varieties. The adoption of these strains is proceeding rapidly, especially in south and southeast Asia.

It will be an enormous and complex task, over large areas of the world, to supply and distribute new seed varieties and fertilizers, to conduct continuing research, to supply fertilizer, to improve water management, to institute adequate pest and disease control, to offer the necessary economic incentives, to improve marketing, to supply credit, and to improve extension services and the administration of agricultural policy generally.

These efforts will have to be undertaken with a driving sense of urgency. As against food production in the less developed countries equivalent to 650 million tons of cereal grain a year, annual production will have to reach nearly a billion tons by 1980 to keep up with population growth and to maintain the world in even its present unsatisfactory state of nutrition. To make up half the global deficiency in nutritional standards, it is estimated, would require a further increase in output of 100 million tons a year.

To reach only the more modest of these targets will require sharply mounting investment in agriculture. The total of international assistance to agriculture, now valued at something less than \$1 billion a year, should at least be doubled. In the Bank Group, we aspire to do still better than that. In the current fiscal year, we hope to process at least twice as many agricultural loans as last year, and the amount of our agricultural lending over the next five years should quadruple.

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In the general growth of Bank Group financing, we expect industry to share fully. We think that the Bank and the International Development Association, now providing industrial finance at the rate of about \$265 million a year, can increase the annual volume of their operations in this sector to more than twice that sum. We think that the Bank's other affiliate, the International Finance Corporation can double the amount of its financing for industry over the next five years.

As in the past, we expect to make loans and investments for industrial companies, for local investment institutions financing industrial development,

and to finance imports for industries of proven priority. We also are ready to turn our attention to new or neglected types of project -- for example, to industrial estates which combine both capital facilities and technical assistance for medium-sized and small industries. And we have begun to study the industrialization process intensively, in search of still other ways in which the Bank can play an active role.

I am glad to state that we have cast off a policy that in the past has restricted our approach to industrial development in our poorest member countries. The Bank and IDA are now ready to finance state-owned development banks. It should go without saying that we will do so only when we believe that they can be businesslike, self-supporting institutions.

This modification of practice does not in any way imply a lessening in the Bank's belief in the importance of mobilizing private capital, from both domestic and international sources. We continue to search for ways to induce a greater flow of private funds. We have, for instance, completed a preliminary draft of a charter for a multilateral agency to insure international private investment against non-commercial risks, and governments are now reviewing it.

In any event, we will greatly increase our support for development banks. Up to now, the Bank Group has invested close to \$750 million in these enterprises. They, in turn, have invested more than \$2 billion in the less developed countries. It is clear that they already are an important factor in the progress of several countries, and can become so in many others.

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A developing country, of course, does not simply need better farmers and more businessmen. It also needs engineers, administrators, judges, mechanics, lawyers, foremen, journalists and many other skilled people. Yet perhaps as much as three-fifths of the active population of the poor countries, far from having these skills, is unable even to read.

The poor countries of the world are trying hard to educate their rising generations. But they are struggling against odds. Teachers are in short supply. Equipment and construction costs are rising.

Our aim in the Bank will be to do everything within our means to improve the odds. We mean particularly to assist kinds of education that will make the best contribution to economic development, and to do so especially in pilot projects which will show the way for a more effective educational effort.

This will mean emphasis on educational planning -- the starting point for the whole process of educational improvement. It will mean assistance particularly in teacher training, at all levels, from primary to post-secondary schools. It will mean expansion of our support for a variety of other educational activities, including the training of managers and, of course, agriculturalists.

It is important to emphasize that education, although it usually is one of the largest industries in any country, is one of the few which has not undergone a major technological revolution. With the urgent and growing shortage of qualified teachers all over the developing world, we must make teachers more productive. This will involve investment in textbook production, in audio-visual materials and, above all, in the use of modern communications (radio, film and television) for teaching purposes.

To carry out this program, we would hope over the next five years to increase our lending for educational development at least threefold.

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The many tasks being undertaken by the developing countries -- in providing food, finding capital for industry, providing employment, education and the absolute necessities of life -- are in most of the poor nations made vastly more difficult by high rates of population growth. I fully appreciate that this subject is a controversial one, and I assure you that in taking it up here, as I have elsewhere, it is far from my purpose to create controversy. I treat it from a deep conviction that unrestrained population growth cripples economic growth, and thus in fact degrades the condition of man by depriving him of the elementary essentials for a fuller, happier life.

It is not, in most countries, the absolute numbers that are most disturbing. The world can still carry a larger population; and it can be argued that some countries have too few people. The trouble that we are in comes, in part, from the speed of growth. If population grows, as it does in many countries of the less developed world by 3 or 3-1/2 per cent a year, even an increase of gross national product of 4-1/2 or 5 per cent leaves far too small a balance available for investment.

In one poor country after another, the rising tide of population swamps the school system, literally eats away the margin of saving, and inundates the labor market. No power on earth can ensure that there will be such rapid economic progress that all today's children will grow up healthy, well educated and able to take their rightful place in a competitive world. If development efforts are to succeed -- not development of such abstractions as "the economy" or "the state," but development of human beings, of individuals and families -- we must put population policy at the center of our future strategy.

The emphasis to be placed in national policy on various methods of population control is the responsibility of governments. The choice of methods must be made by parents.

The World Bank, for its part, is not attempting to dictate population policies. But as a development agency, we must give priority to the problem. We must ask that governments which seek our assistance do so too, and that they evolve a serious strategy for stabilizing the rate of population growth.

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The targets we have set for the next five years imply faster progress by the developing countries themselves. We pledge that the Bank Group will work with them in the closest possible way to step up the pace. We will consult in detail with member countries as they work out development strategies and policies. We will increase our own work in helping to prepare programs and projects. In some countries, if asked, we may station missions of experts, ready to advise on a broad front of economic problems, as we have done this year in Indonesia.

We are ready to go deeper into the administration of policy and the execution of projects. We most particularly wish to add to the managerial skills that must be applied to development: for instance, by devising ways of providing, finding or training executives for government ministries, administrators for sector programs and managers for individual projects.

It will be essential to bring forth a growing number of development enterprises for financing. For this purpose, we already are closely linked with other parts of the United Nations system, and we expect these links to grow stronger and extend further.

Our collaboration with the United Nations Development Programme, as you know, is of long standing. Some \$700 million of World Bank loans and IDA credits have been preceded by, or related to, studies which UNDP has financed; this amounts to more than one-half of all external investment related to studies in the Programme. We also are teaming with UNDP, the United Nations Economic Commission for Africa and the African Development Bank in regular consultations looking toward the preparation and ultimate financing of regional projects for the development of transportation, telecommunications and electric power in Africa. We expect our collaboration with UNDP to result in substantially increased financing by the Bank Group in the near future.

In preparing projects for education and agriculture, the developing countries will have the benefit of a stepping up in the cooperative arrangements that exist for this purpose between the Bank and FAO and between the Bank and Unesco. Under these arrangements, as the delegates to the Council know, FAO missions help to identify and prepare projects for the development of agriculture, while Unesco missions do the same for educational projects. The flow of projects is increasing. In the past year, Unesco missions have explored or helped to prepare nearly 20 projects. FAO has been working on various phases of more than 50 projects, and we have asked FAO to double the size of the staff which we jointly finance.

These agreements do not exhaust the possibilities for cooperation between the Bank and other agencies. For example, if there is established within, or in conjunction with, WHO, an interdisciplinary unit to assist governments in formulating population policies and in working up family planning programs and projects, we would be prepared promptly to explore the feasibility of a cooperative program with WHO comparable to those with FAO and Unesco.

I believe that the program of the Bank Group can take the new directions and achieve the new dimensions I have suggested without departing from the high standards the Group has long observed. We will continue to insist that the projects we finance be of high priority in the development of a country, that they be efficiently administered, and that they bring an economic return commensurate with the investment involved. The Bank will continue to base its operations on realistic calculations of risk and repayment capacity.

For a portion of the funds it will need, the Bank Group can call on the capital markets of the world. In the past several months, it has been able to tap those markets to an unprecedented extent.

But the progress of most of the poor countries will be handicapped unless they are able to meet a larger part of their needs for development finance on better terms than are available from the World Bank or than they have been receiving under most bilateral programs of development assistance. The terms of that assistance, in fact, have deteriorated over the past three years. The burden of debt service laid on the backs of the poor countries continues to grow heavier.

The Bank Group's chief approach to this problem, as you know, is through the International Development Association (IDA) and the 50-year, interest-free credits which IDA extends to the poorer of the developing countries. The scale of IDA's operations has never been equal to the need but, until recently, the Association represented a growing asset to the low-income countries. After an experimental period, its average annual rate of lending reached a level of \$300 million annually in the fiscal years 1963-1967. The Governors of IDA then agreed, subject to necessary legislative approvals, to further contributions by member governments that, taken together with special contributions from members and transfusions from the Bank itself, would have enabled IDA to increase its rate of commitments by more than half.

This replenishment, however, is now more than two years overdue. For that length of time, IDA has been living on considerably less than half rations. It was able to lend only a little more than \$100 million last year.

The essential reason for this predicament is quite simple. The participation of the United States in the replenishment of IDA's resources is required to make the contributions of other governments effective, and the United States Congress has not yet acted.

The World Bank can cover some, but far from all, of the present acute deficiency in IDA's treasury. In October, out of its net income for the last fiscal year, the Bank made a grant to IDA of \$75 million. In the case of countries scheduled to receive a mixture of Bank loans and IDA credits, some projects which otherwise would have been financed by IDA will now be financed by the Bank, with lengthened terms of grace and maturity to ease the obligations as much as possible. While this will result in a temporary hardening of the blend of Bank Group assistance to the countries concerned, this can be reversed by the extension of additional IDA credits as and when sufficient funds become available.

In the past few weeks, there have been other encouraging developments. The Governments of Canada, Denmark, Italy, Norway and Sweden are taking action to make their participation in the proposed IDA replenishment effective in advance of action by the United States. Certain other governments have indicated that they may follow suit.

This keeps IDA alive; but it still leaves a wide gap in finance for the developing countries.

Early action by the incoming Administration and Congress of the United States is urgent.

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As we look forward to the 1970s it is clear that one of the most crucial problems facing the world is how it will organize to accelerate progress throughout the developing countries. The preparations for the Second Development Decade now taking place within the UN family are of great significance, and the Bank is glad to be playing its part in this important work.

But as we look back over the First Development Decade which is now drawing to its close, we must recognize that its weakest element was the lack of political will for development on the part of all too many nations -- both givers and receivers of aid. Above all there has been a growing disillusion with the effectiveness of the aid-for-development partnership, and a consequent drawing apart of the rich countries and the poor.

It is in this area particularly that I hope the Pearson Commission's work will help to lay the foundations for a development campaign running through the decades that remain in this century. I should emphasize that this Commission, though sponsored by the Bank, is completely independent of the Bank, and of governments. Its function is to examine the past aid efforts, and to see what lessons they teach for the future on both the political and economic level. The caliber of men that Mr. Pearson has chosen for the Commission ensures, in my opinion, that proper weight will be given to the necessity of having a firm foundation of political acceptance for the world's development efforts.

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Much of mankind, I am convinced, yearns for a new philosophy in the conduct of human affairs, for a re-ordering of our time, our skills and our material resources to build a more creative world order.

A danger of present economic trends is that they will add both to internal and global tensions. If the development of the poor countries lags, their sense of frustration will be an element threatening the stability of society, exacerbating conflict and hobbling progress. The growing contrast between the rich and poor countries in material achievements and ways of life will make dialogue between the two more and more difficult.

A creative world order will not be achieved unless many forces work for it. Development is not the only force, but it is the one force which seems to me to offer the greatest chance of bringing nations together in cooperation rather than conflict. An unceasing attack on the problems of poverty can move mankind along the way to a pattern of world relationships that will provide strong safeguards for peace. That is the belief which motivates the World Bank, and it is for this reason that this Council of the United Nations can be assured of our redoubled efforts in the months and years ahead.

NOTE: Mr. McNamara is ill with flu, and is not able to attend the Council session in person. In his absence, his address will be read by J. Burke Knapp, Vice President of the World Bank and the International Development Association.