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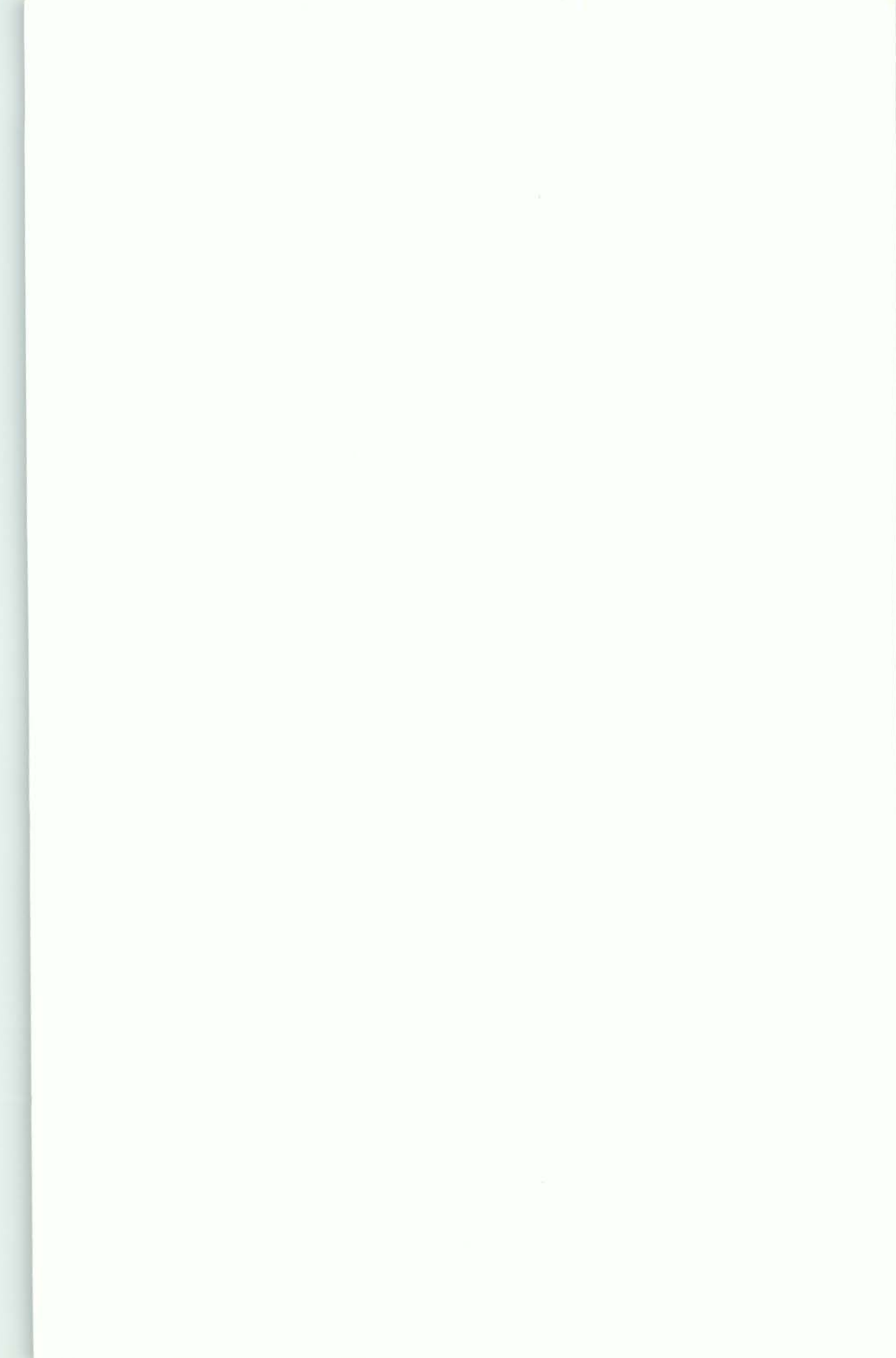
ADDRESS to the BOARD OF GOVERNORS

BY

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**Washington, D. C.
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This is my first public speech as President of the World Bank, and I speak to you with some diffidence as a newcomer with only half a year's experience in this post—but perhaps the half year in my whole life in which I have felt myself most challenged by the prospect before me.

I have always regarded the World Bank as something more than a Bank, as a Development Agency, and when I came here six months ago I was not entirely a stranger to the problems of World Development. As American Secretary of Defense I had observed, and spoken publicly about, the connection between world poverty and unstable relations among nations; as a citizen of the world I had begun to sense the truth in Pope Paul's dictum that "Development is Peace." Yet I was uneasily aware that as the peoples of the world looked at the sixties—the United Nations' Development Decade—they felt a deep sense of frustration and failure. The rich countries felt that they had given billions of dollars without achieving much in the way of Development; the poor countries felt that too little of the enormous increases in the wealth of the developed world had been diverted to help them rise out of the pit of poverty in which they have been engulfed for centuries past.

How far is this mood of frustration and failure justified by the events of the past decade? I have sought to find out the truth about this, but, though there have been many voices

only too anxious to answer my question, each with a panoply of statistics to prove its point, there is no agreed situation report, nor any clear joint strategy for the future.

There have been successes: many billions in aid have been forthcoming from the developed world, and as a result of that aid and of their own increased capacity to manage their affairs, the economic growth of the poorer countries has been stimulated.

Let us make no mistake; Aid does work, it is not money wasted, it is a sound investment. Even the ultimate goal of the Development Decade, an annual rise in national incomes in the poorer countries of 5 per cent by 1970 is likely to be achieved: the average annual growth thus far has been 4.8 per cent.

And yet . . . you know and I know that these cheerful statistics are cosmetics which conceal a far less cheerful picture in many countries. The oil rich nations of the Middle East have prospered economically; so have some small states in East Asia. But for the nations of Africa and South Asia—nations with a population of over one billion—the average increase in national income is, at most, 3½ per cent, and much of the growth is concentrated in the industrial areas while the peasant remains stuck in his immemorial poverty, living on the bare margin of subsistence.

Casting its shadow over all this scene is the mushrooming cloud of the population explosion. If we take this into account, and look at the progress for human beings rather than nations, the growth figures appear even less acceptable.

The annual growth of per capita income in Latin America is less than two per cent, in East Asia only about two per cent, in Africa only one per cent, and in South Asia only about half a per cent. At these rates, a doubling of per capita income in East Asia would take nearly 35 years, in Latin America more than 40 years, in Africa almost 70 years and in South Asia nearly a century and a half. Even in the most progressive of these areas, the amount of improvement would be imperceptible to the average citizen from year to year.

Such a situation cries out for a greater and more urgent effort by the richer countries to assist economic growth in these poorer countries. It is clear they are financially capable of such action. During the Development Decade so far, they have *added* to their *annual* real incomes a sum of about \$400 billion, an addition itself far greater than the *total* annual incomes of the underdeveloped countries of Asia, Africa and Latin America.

But I found, and I need hardly tell you this, that while the requirement for assistance was never higher, the will to provide it was never lower in many, though not all, of the countries which provide the bulk of economic aid.

And the disenchantment of the rich with the future of development aid was fed by performance deficiencies of many of the poorer nations. Blatant mismanagement of economies; diversion of scarce resources to wars of nationalism; perpetuation of discriminatory systems of social organization and income distribution have been all too common in these countries.

This then was the picture of the development world which I found in my first weeks at the World Bank. A confused but sharply disappointing picture, in which it was difficult to see what had gone wrong in the past (though something clearly had), or what was the right path ahead for us.

In these circumstances, I turned to a suggestion which had been put forward by my predecessor, Mr. George Woods—one of his many bits of wise advice from which we all, and I especially, have benefited. This was that we should establish a commission of men well versed in world affairs, and accustomed to influencing them, who would survey the past aid effort; seek out the lessons it can teach for the future; and then examine that future to see what needs to be done by rich and poor, developed and underdeveloped alike to promote the economic well-being of the great majority of mankind. As you know, Mr. Lester Pearson, formerly Prime Minister of Canada, has agreed to lead such a survey, which will now proceed independently of the Bank.

The Pearson Commission will be turning our eyes to the long future, marking out guidelines not just for a decade but for a whole generation of development that will carry us to the end of this century. But here are we now, living in 1968, with much that we can and must do today and tomorrow. It is already clear beyond contradiction that during the first four-fifths of the Development Decade the income gap between the developed and the less developed countries has increased, is increasing and ought to be diminished. But it is equally clear that the political will to foster development has weakened, is weakening further, and needs desperately to be strengthened.

What can the Bank do in this situation? I have been determined on one thing: that the Bank can and will act; it will not share in the general paralysis which is afflicting aid efforts in so many parts of the world. I do not believe that the Bank can go it alone and do the job of development that needs to be done around the world by itself; but I do believe that it can provide leadership in that effort, and can show that it is not resources which are lacking—for the richer countries amongst them have resources in plenty—but what is lacking, is the will to employ those resources on the development of the poorer nations.

We in the Bank, therefore, set out to survey the next five years, to formulate a "development plan" for each developing nation, and to see what the Bank Group could invest if there were no shortage of funds, and the only limit on our activities was the capacity of our member countries to use our assistance effectively and to repay our loans on the terms on which they were lent.

As a result of this survey, we have concluded that a very substantial increase in Bank Group activities is desirable and possible.

It is toward this objective that I shall attempt to guide the Bank's activities in the next few years. In doing so I shall need the advice and support of you gentlemen, our Governors, expressed through the Board of Executive Directors.

Therefore I think it prudent and fitting that I should now present to you an outline of my thinking.

Let me begin by giving you some orders of magnitude: I believe that globally the Bank Group should during the next five years lend twice as much as during the past five years. This means that between now and 1973 the Bank Group would lend in total nearly as much as it has lent since it began operations 22 years ago.

This is a change of such a degree that I feel it necessary to emphasize that it is not a change of kind. We believe that we can carry out these operations within the high standards of careful evaluation and sound financing that my predecessors have made synonymous with the name of the World Bank.

Our loans will be for projects as soundly based and appraised as ever in our history. However, more and more, in looking for projects to support we shall look for those which contribute most fundamentally to the development of the total national economy, seeking to break strangleholds on development; to find those growth opportunities that stimulate further growth. And our help will be directed to those poor nations which need it most.

This, I believe, to be sound development financing, but it is not riskproof; nor do I believe that the utter avoidance of risks is the path of prudence or wisdom. For instance, I recently visited Indonesia where, for good reasons, the Bank has never made a loan of any sort in the past. What I found was the sixth largest nation in the world, rich in natural resources, striving in the wake of the most terrible disasters, both economic and political, to set itself straight on the path to development. Without external help Indonesia faces certain disasters; by giving help (as we have begun to do through the International Development Association and through the establishment of a permanent mission) we are running some risks. I do not believe you would wish it otherwise.

The parable of the talents is a parable about power—about financial power—and it illuminates the great truth that all power is given us to be used, not to be wrapped in a napkin against risk.

But if we are to lend at double the level of the past, can we raise the money? I will not speak now about the soft loan money which is raised by Government contributions—you all know how essential these funds are—but about the money we raise by bond issues in the capital markets of the world. I am confident that the money is there, because I have confidence in the immense capacity of the economies of the developed world; no country need fear bankrupting itself because it plays its full part in development.

There are, of course, certain constraints resulting from balance of payments difficulties, but I am fully aware that the balance of payments difficulty is a problem of balance among the rich economies and not of balance between those countries as a group and the rest of the world—very little of the money lent in aid stays in the developing countries, almost all of it returns quickly in payment for the goods purchased in the richer countries. It is our job in the World Bank to look at the world money markets as a whole, and see where there are surpluses, where there are reserves that can be tapped. Following this line we have gone to the Middle East, and successfully raised funds there, as well as in the more conventional markets of the world—in particular Germany and America.

As a result, in the past 90 days the World Bank has raised more funds by borrowing than in the whole of any single calendar year in its history.

I would stress that in doubling the Bank Group's lending activities we shall not depart from our high standards of investment policy. But I would not want you to think that our policy is simply "more of the same."

6 Our five year prospect calls for considerable changes in the allocation of our resources, both to geographic areas and

to economic sectors, to suit the considerably changed circumstances of today and tomorrow.

First as to area: in the past the Bank Group has tended to concentrate its effort on the South Asian subcontinent. Much has been achieved—the harnessing of the waters of the Indus River system for power and irrigation for instance—and much remains to be achieved. I believe World Bank lending to Asia should rise substantially over the next five years. But it is not to Asia alone that our new effort will be directed. It is to Latin America and Africa as well, where in the past our activities have been less concentrated, and to some countries in great need of our help, such as Indonesia and the United Arab Republic, where our past activities have been negligible.

In Latin America, I foresee our investment rate more than doubling in the next five years. But it is in Africa, just coming to the threshold of major investment for development, where the greatest expansion of our activities should take place. There, over the next five years, with effective collaboration from the African countries, we should increase our rate of investment threefold.

Further changes will flow from our shift to a greater emphasis on Africa and Latin America. The states of these two continents are smaller than the giants of Asia. There will be many more but smaller projects, demanding much more staff work per million dollars lent than in the past.

The work of the Bank will also be increased because in many of the countries in which we will now be investing, there is no well established Development Plan or Planning Organization. We shall try, in conjunction with other sources of funds, to help these countries to develop plans and to adopt wise and appropriate policies for development—in some cases by establishing resident missions as we have done in Indonesia—but always remembering that it is their country, their economy, their culture and their aspirations which we seek to assist.

In particular, we will exert special efforts to right one

upside-down aspect of Bank Group operations: the fact that many of our poorest members, despite their greater need, have had the least technical and financial assistance from the Bank Group. About ten of these have had no loans or credits at all. This is largely because of their inability to prepare projects for consideration. In these cases we will provide special assistance to improve economic performance and to identify and prepare projects acceptable for Bank Group financing.

With the doubling of Bank Group lending and with the increase in the complexity of our operations, there will clearly be need for an increase in the total professional staff of the Bank, as well as for some streamlining of our procedures. We are now engaged in a worldwide recruiting drive to find people with the high standards of expertise and dedication that have always been the attributes of its staff. I am anxious that this should really be an International Bank, in fact as well as in name, and I intend to ensure that we move steadily in the direction of the widest possible distribution in the nationalities of our staff.

Not only should our lending double in volume and shift geographically, but we can foresee, as well, dramatic changes among sectors of investment. Great increases will occur in the sectors of Education and Agriculture.

Education is a relatively new field for the Bank on which my predecessor George Woods, with his wise sense of priorities, began to place increased emphasis. In recent years the Bank has been seeking, hesitantly but with a growing sense of urgency, to find its optimum role in this field.

We are aware of the immense numbers of illiterates in the developing world: about 30 per cent in Latin America, 60 per cent in Asia, 80 per cent in tropical Africa. We know too that education is relevant to all aspects of development: it makes a more effective worker, a more creative manager, a better farmer, a more efficient administrator, a human being closer to self-fulfillment.

The need is clear, but it has been less clear how the Bank's resources can be brought to bear on this labyrinthine problem. Now, after some years of collaboration with Unesco, we believe we see a way ahead for increasing Bank investment in education—investment which we hope will call forth further investment by the governments of the developing countries themselves.

Our aims here will be to provide assistance where it will contribute most to economic development. 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 university. It will mean expansion of our support for a variety of other educational activities, including the training of managers, entrepreneurs and of course of agriculturalists.

It is important to emphasize that education, normally one of the largest employers in any country, is one of the few industries which has not undergone a technological revolution. We must help to move it out of the handicraft stage. With the terrible and growing shortage of qualified teachers all over the developing world we must find ways to make good teachers more productive. This will involve investment in text books, in audio-visual materials, and above all in the use of modern communications techniques (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.

But the sector of greatest expansion in our five-year program is Agriculture, which has for so long been the stepchild of development. Here again there has never been any doubt about its importance. About two-thirds of the people of the developing world live on the soil, yet these countries have to import annually \$4 billion of food from the industrialized nations. Even then their diet is so inadequate, in many cases, that they cannot do an effective day's work and, more

ominous still, there is growing scientific evidence that the dietary deficiencies of the parent are passed on as mental deficiencies to the children.

The need has stared us in the face for decades past. But how to help?

In the past, investment in agricultural improvement produced but a modest yield; the traditional seeds and plants did better with irrigation and fertilizer but the increase in yield was not dramatic. Now, as you know, research in the past 20 years has resulted in a breakthrough in the production of new strains of wheat and rice and other plants which can improve yields by three to five times. What is more, these new strains are particularly sensitive to the input of water and fertilizer; badly managed they will produce little more than the traditional plants, but with correct management they will give the peasant an unprecedented crop.

Here is an opportunity where irrigation, fertilizer and peasant education can produce miracles in the sight of the beholder. The farmer himself in one short season can see the beneficial results of that scientific agriculture which has seemed so often in the past to be a will-o'-the-wisp tempting him to innovation without benefit.

Our task now is to enable the peasant to make the most of this opportunity and we, with the continuing assistance of FAO, intend to do so at once and in good measure. Irrigation schemes, fertilizer plants, agricultural research and extension, the production of pesticides, agricultural machinery, storage facilities—with all of these we will press ahead in the immediate future. Indeed in the coming year we plan to process more than twice the value of Agricultural loans as in the last, and our Agricultural dollar loan volume over the next five years should quadruple.

There is an element of risk in all this, of course. The seeds were issued before all the tests had been completed; the resistance of the crops to local diseases or pests cannot yet be assured; the splendid harvests in India and Pakistan this year cannot all be attributed to the new seeds. But I have no

doubt, though setbacks may lie ahead, that we are now on the brink of an Agricultural revolution as significant as any development since the Industrial revolution. It is one that gives us a breathing spell in the race between man and his resources.

This leads me to yet another area where the Bank needs to take new initiatives—the control of population growth. This is a thorny subject which it would be very much more convenient to leave alone. But I cannot, because the World Bank is concerned above all with economic development, and the rapid growth of population is one of the greatest barriers to the economic growth and social well-being of our member states.

This is the aspect of the population problem with which I shall deal, because it is this aspect which most closely concerns the World Bank and its members. It makes it impossible for any of us to brush the subject aside, however strong our inclinations to do so may be.

I do not need before this audience to deal with the terrifying statistics of population growth as a whole which show that, although world population totaled only one-quarter billion in the first century AD and required 1650 years to add another quarter billion, it added one billion in the next 200 years; a second billion in the following century and a third billion in the next 30 years. It is now expected to add three more billion by the end of the century. By then, at present rates, it will be increasing one billion each eight years. Nor do I need to deal with the personal tragedies and dangers to health of unwanted births, though these were suddenly illuminated for me by an item in a newspaper last month which recorded that in the two largest cities of one European country live births were outnumbered by illegal abortions which imperiled the life of each unhappy mother.

As a development planner, I wish to deal only with the hard facts of population impact on economic growth. Recent studies show the crippling effect of a high rate of population increase on economic growth in any developing country. For

example, take two typical developing countries with similar standards of living, each with a birth rate of 40 per thousand (this is the actual rate in India and Mexico) and estimate what would happen if the birth rate in one of those countries, in a period of 25 years, were to be halved to 20 per thousand, a rate still well above that in most developed countries. The country which lowered its population growth would raise its standard of living 40 per cent above the other country in a single generation.

In terms of the gap between rich countries and poor, these studies show that more than anything else it is the population explosion which, by holding back the advancement of the poor, is blowing apart the rich and the poor and widening the already dangerous gap between them.

Furthermore these economic studies show that this drag of excessive population growth is quite independent of the density of population. This is something that needs emphasizing in view of the fact that many policy makers in the developing countries attach only minor importance to reducing population growth. It is a false claim that some countries need more population to fill their land or accelerate their economic growth. There are no vacant lands equipped with roads, schools, houses, and the tools of agricultural or industrial employment. Therefore, the people who are to fill those lands, before they can live at even the current low standard of living, must first eat up a portion of the present scarce supply of capital—it is this burden which defeats a nation's efforts to raise its standard of living by increasing its population.

No one can doubt then that very serious problems of population growth face most of the developing nations today; what are the chances of their being mastered by natural causes? The answer lies in understanding the nature of the population explosion. It is not caused by an increase in the birth rate, but by a dramatic drop in the death rate due mainly to medical advances. It is this death control which has created the present emergency, and I do not believe that

anyone would wish to reintroduce pestilence—or any other of the four horsemen of the apocalypse—as a “natural” solution to the population problem.

We are therefore faced with the question of what action we at the Bank, as a Development Agency, should take to lift this burden from the backs of many of our members. I propose the following three courses:

First: to let the developing nations know the extent to which rapid population growth slows down their potential development, and that, in consequence, the optimum employment of the world’s scarce development funds requires attention to this problem.

Second: to seek opportunities to finance facilities required by our member countries to carry out family planning programs.

Third: to join with others in programs of research to determine the most effective methods of family planning and of national administration of population control programs.

With these three proposals for immediate action, I hope we may contribute to the success of the U.N. system which is already working in this field, and to the well-being of the developing nations.

Gentlemen, I have spoken long enough. Let me conclude by saying that in the next few days, while we examine the innumerable and daunting problems which face you who exercise control over so much of the world’s financial and economic power, I hope that none of us will yield to despair as we see how much there is to do, how little time in which to do it.

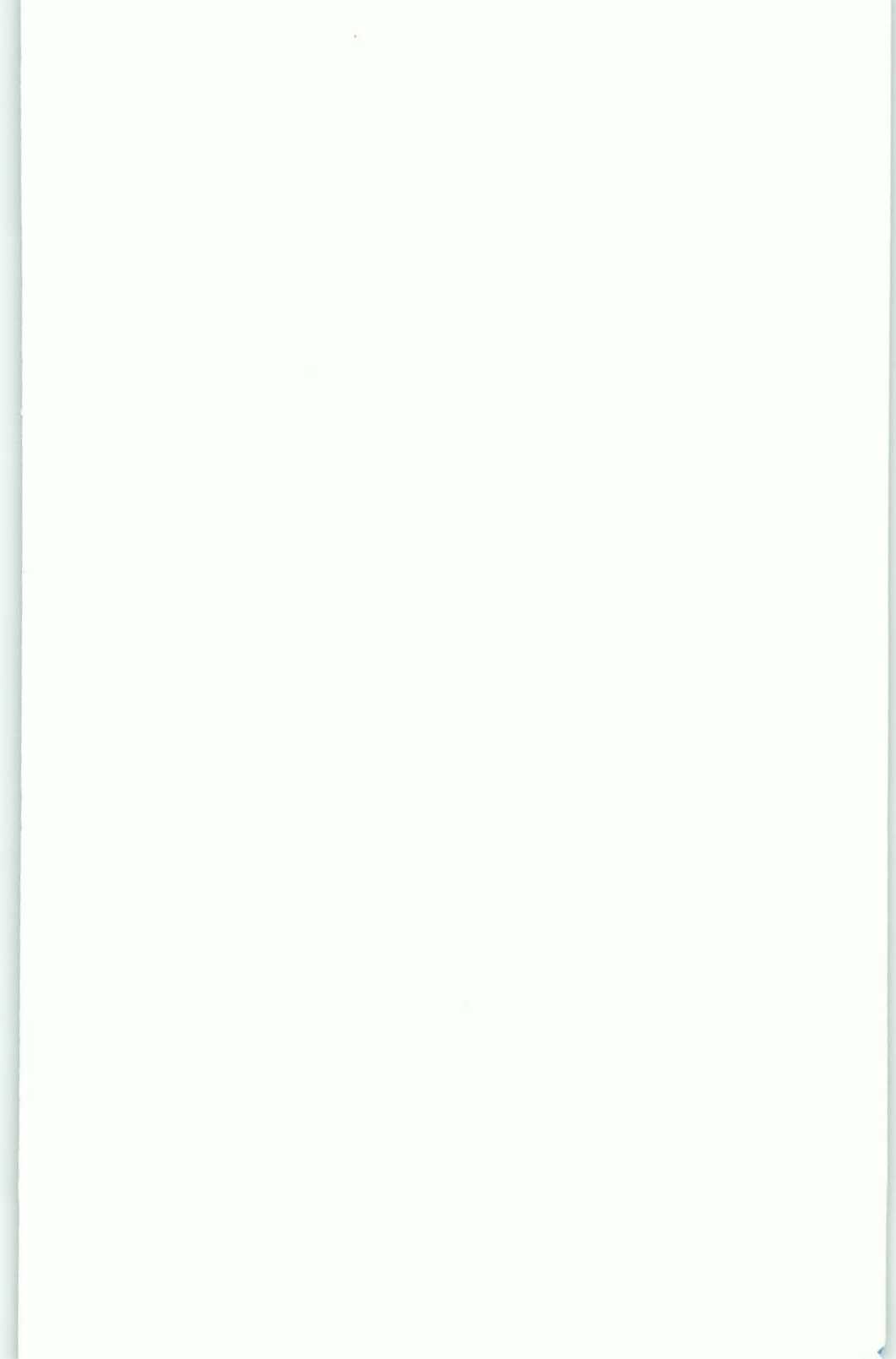
There is no cause for despair. There is every reason for hope. In the past few generations the world has created a productive machine which could abolish poverty from the face of the earth. As we lift up our eyes from contemplating our troubles, who can fail to see the immense prospects that lie ahead for all mankind, if we have but the wit and the will to use our capacity fully.

I am not despondent about the difficulties that lie ahead

because I have faith in our ability to overcome them. That is why I have proposed a program of greatly increased activity by the World Bank Group, so that by taking a lead in development assistance we may encourage all those, rich and poor alike, who have begun to lose heart and slacken their pace.

If we in the Bank are able to double our effort, this could be the signal for others to rally again to the struggle, determined to use our overwhelming strength for the betterment of all mankind, and the fulfillment of the human spirit.





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