

# Editorial

THE WORLD BANK is an institution of which Americans should be proud. At Bretton Woods it was the United States that proposed the creation of the Bank, being more interested in the Bank than in the International Monetary Fund. The United States was also largely responsible for its Articles of Agreement. The President of the Bank has always been an American citizen, a large number of Americans are among its competent staff, and the headquarters is in Washington. At its establishment in 1945 it was the United States that provided the largest contribution to its capital, namely 37 per cent of the total.

Named the International Bank for Reconstruction and Development, the Bank was intended to provide funds for the reconstruction of the war-torn areas of the world and for economic reconstruction. Thanks to the provision of Marshall aid, post-war recovery was fairly rapid, and the attention of the Bank was then directed to the economic development of the third world. In this task it shortly became clear that sufficient assistance for the poorest countries would not be forthcoming from the Bank in view of the absence of credit-worthiness on their part. It was therefore proposed (again by the United States) that there should be created in 1960 an affiliate of the Bank, to be named the International Development Association (IDA), which would operate within the same framework as the Bank, but have the power to grant "soft loans" on easy terms to those countries not able to repay at market rates, or for projects necessary as part of the infrastructure of a country.

From the beginning the objective of the Bank was to select projects which would be of practical significance in the field of development, and to this end there had to be a proper evaluation of their worth and viability, as well as means to ensure that the funds advanced were properly applied. This meant that the officials of the Bank were economists and development experts rather than bankers. They now number nearly 6,000, of which 2,800 are regarded as high-level staff, and come from 110 different countries. Not only is the staff highly skilled in the selection, analysis and supervision of the projects, but it has the difficult task of negotiating with the recipient governments and advising them as to what can best be done. The staff must also deal with other donors involved, either on a multilateral or bilateral basis, and see the projects through to a satisfactory conclusion. The Bank also undertakes much study and research on a long term basis, with access to a broad range of statistics and information.

At the start much emphasis was placed on major projects such as transport, power and irrigation schemes, but this has largely given way to less ambitious operations involving agricultural and rural development, education and technical assistance. During the era of Mr. Macnamara the emphasis was laid on the relief of poverty, and now much attention is being paid to population control, in view of the projection of the Bank that in present circumstances the population of Africa will nearly double its 1982 figure by the end of the century. In addition to these activities, the Bank has instituted a rigorous system of operations evaluation and internal auditing as a means of improving its own effectiveness.

Special attention has been given to the consequences of the famine in Africa, and the Bank has recently published a third report on the subject, entitled *Toward Sustained Development in Sub-Saharan Africa*, which is a joint programme of action directed to the international community. As Mr. Clausen, the President of the Bank, says in his foreword, "no doubt much of the efforts to secure improvements will have to be shouldered by the

peoples of Sub-Saharan Africa, with the governments of these nations having to make difficult, yet vitally necessary policy changes". The report also makes it clear that there needs to be better co-ordination among donors, both in the public and private sector, but the main conclusion is that there is a pressing need for further financing if the present famine is not to become a permanent feature.

In these circumstances it is to be regretted that the United States has refused to contribute more than \$2.25 billion (out of an expected \$3 billion) to the seventh IDA replenishment for the financing of IDA for the years 1985-87. By an antecedent agreement between the United States, France, Germany, Britain and Japan, these countries have undertaken to maintain a constant relative ranking in the shareholding of the Bank, with the result that the U.S. shortfall produces a total shortage of \$3 billion. The defection of the United States has left a large gap, but there is a hope that this may be filled at least in part through the good intentions of other contributors.

The World Bank, in its *Annual Report* for 1984, refers to the meeting in Washington last January of all thirty-three donor governments and states:

*All other donors repeated the concern they had expressed at an earlier meeting in Paris that the unchanged U.S. position on its contribution to IDA-7 would result in limiting IDA-7 to \$9 billion, an amount which they strongly felt to be inadequate in view of the pressing needs of the poorest countries for development assistance. They expressed regret and disappointment that the U.S. had not responded to their concern. (emphasis added).*

Coming from the bland pages of an official report, this is a strong and unanimous condemnation. The amount itself is trivial for the United States, and as for the principle, it is sad that the present administration in Washington is not willing to give more support to one of the best international institutions to which the United States has in the past contributed so much.

The U.S. administration has recently expressed misgivings over the propriety of granting multilateral aid, and also criticized the policy of the Bank, complaining that countries such as India were being provided with assistance from the IDA whereas they were well able to afford loans on commercial terms from the Bank, and that countries antipathetic to the United States were benefiting from the American contributions. It does not seem however that the United States can legitimately complain of the Bank's behaviour. The United States is very well placed to express criticism of the Bank's activities from within. It was at its behest that the executive directors of the Bank, who are responsible for much of its activities, should be representatives of governments and not international civil servants. Although the increased contributions from other member countries have reduced the voting strength of the United States, the latter still has 19.5 per cent of the total votes, out of a developed countries total of 63.4 per cent, compared to the developing countries total of 36.6 per cent. This is not a case where the Americans may complain that there has been mismanagement or that the policy has been misconceived, for management and policy is, and always has been, fairly and squarely in the hands of the developed countries, among which the influence of the United States is not inconsiderable.

The World Bank is the spearhead of the multilateral assistance given to the developing world, and its achievements have been immense. A change of mind on the replenishment issue by a President who has just received an overwhelming new mandate would surely be an act combining generosity with wisdom.