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PROVIDING FOR ADDITIONAL U.S. CONTRIBUTIONS
TO THE ASIAN DEVELOPMENT BANK AND THE
INTERNATIONAL DEVELOPMENT ASSOCIATION

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HEARINGS

BEFORE THE

SUBCOMMITTEE ON INTERNATIONAL FINANCE

OF THE

COMMITTEE ON BANKING AND CURRENCY

HOUSE OF REPRESENTATIVES

NINETY-THIRD CONGRESS

FIRST SESSION

ON

H.R. 11354

A BILL TO PROVIDE FOR INCREASED PARTICIPATION
BY THE UNITED STATES IN THE INTERNATIONAL DE-
VELOPMENT ASSOCIATION

H.R. 11355

A BILL TO PROVIDE FOR INCREASED UNITED STATES
CONTRIBUTIONS TO THE SPECIAL FUNDS OF THE ASIAN
DEVELOPMENT BANK

H.R. 11666

A BILL TO PROVIDE FOR UNITED STATES PARTICIPA-
TION IN INCREASES IN THE ORDINARY CAPITAL AND
SPECIAL FUNDS RESOURCES OF THE ASIAN DEVELOP-
MENT BANK

NOVEMBER 14; DECEMBER 3 AND 6, 1973

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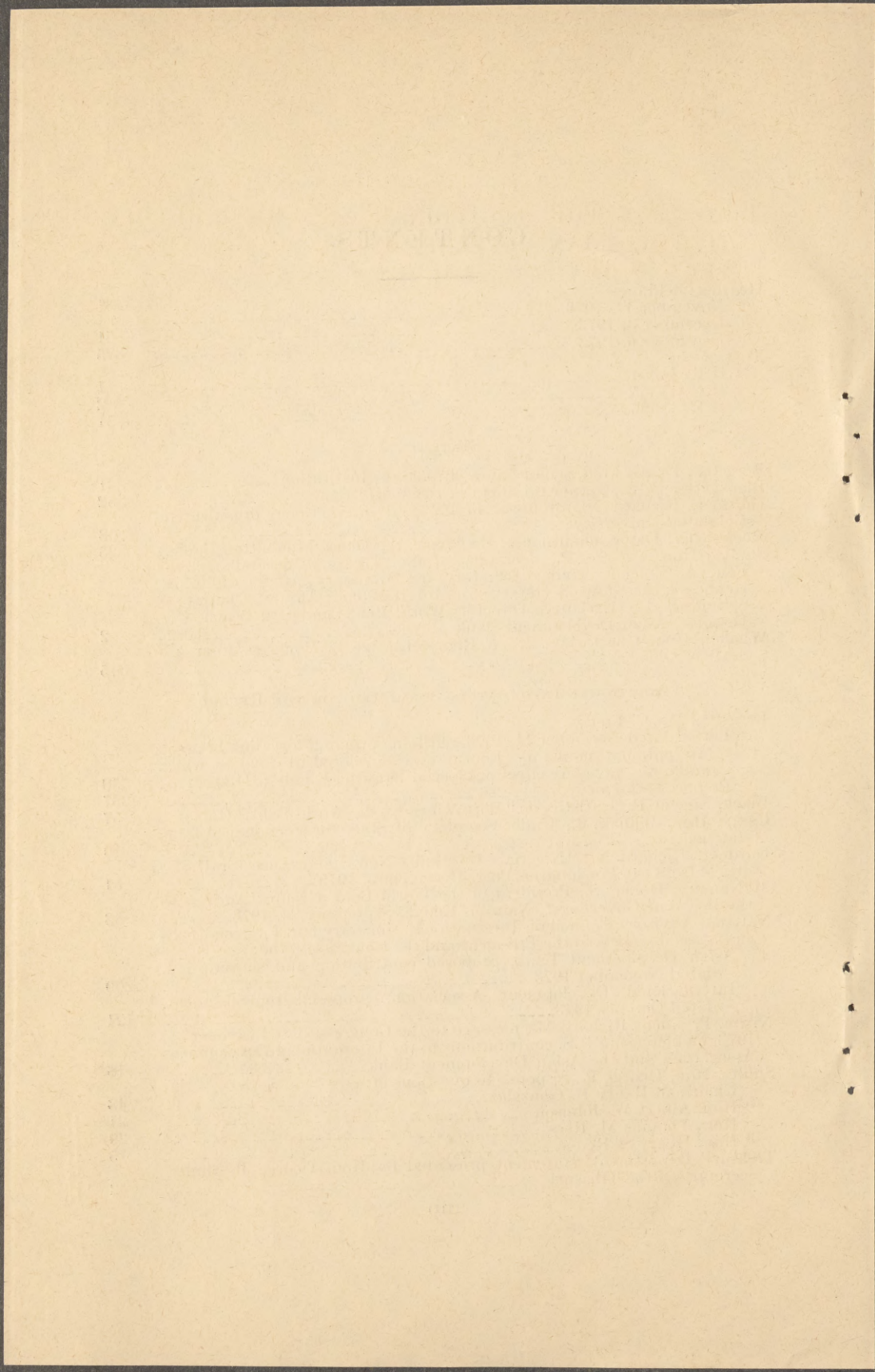
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PROVIDING FOR ADDITIONAL U.S. CONTRIBUTIONS TO THE ASIAN DEVELOPMENT BANK AND THE IN- TERNATIONAL DEVELOPMENT ASSOCIATION

WEDNESDAY, NOVEMBER 14, 1973

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL FINANCE
OF THE COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10 a.m., in room 2359, Rayburn House Office Building, Hon. Henry B. Gonzalez [chairman of the subcommittee] presiding.

Present: Representatives Gonzalez, Reuss, Rees, Hanna, Fauntroy, and Johnson.

Mr. GONZALEZ. The subcommittee will come to order.

If it is all right with the membership here I will proceed with a prepared statement.

This hearing is to consider bills for further U.S. participation in multilateral lending institutions.

H.R. 11354 provides for further U.S. contributions to the International Development Association for its fourth replenishment, in the amount of \$1.5 billion. This amount would be made available without fiscal year limitation.

H.R. 11355 provides for a further U.S. contribution of \$50 million to the special funds of the Asian Development Bank, also to be made available without fiscal year limitation.

Without objection, these bills will be entered into the hearing record at this point.

[The text of H.R. 11354 and H.R. 11355 follows:]

[H.R. 11354, 93d Cong., 1st sess.]

A BILL To provide for increased participation by the United States in the International Development Association

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the International Development Association Act (22 U.S.C. 284 et seq.) is amended by adding at the end thereof the following new section:

"SEC. 14. (a) The United States Governor is hereby authorized to agree on behalf of the United States to pay to the Association \$1,500,000,000 as the United States contribution to the Fourth Replenishment of the Resources of the Association.

"(b) In order to pay for the United States contribution, there is hereby authorized to be appropriated without fiscal year limitation \$1,500,000,000 for payment by the Secretary of the Treasury."

[H.R. 11355, 93d Cong., 1st sess.]

A BILL To provide for increased United States contributions to the special funds of the Asian Development Bank

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Asian Development Bank Act, as amended (22 U.S.C. 285-285p), is further amended by adding at the end thereof the following new section:

"SEC. 21. (a) The United States Governor of the Bank is hereby authorized to agree to contribute on behalf of the United States \$50,000,000 to the special funds of the Bank. This contribution shall be made available to the Bank pursuant to the provisions of Article 19 of the Articles of Agreement of the Bank.

"(b) In order to pay for the United States contribution to the special funds, there is hereby authorized to be appropriated without fiscal year limitation \$50,000,000 for payment by the Secretary of the Treasury."

Mr. GONZALEZ. Before we proceed further, I would like to advise members of the subcommittee that I plan a further hearing on these bills on December 6, when our witnesses will be David Rockefeller, chairman of the Chase Manhattan Bank, and Fred Bergsten, distinguished fellow of the Brookings Institution. I hope also to hear from Eugene Black, a former President of the World Bank, and perhaps also from Arthur Burns, Chairman of the Federal Reserve Board.

I have also solicited the views of the Department of State on these bills. Our witness this morning is the distinguished Secretary of the Treasury, the Honorable George P. Shultz.

Welcome, Mr. Secretary; unless there are comments from other members at this time, I suggest that you proceed. But certainly if you have or care to make any statements at this time we certainly recognize you. If not, you may enter your statement into the record or summarize it, as you see fit.

With unanimous consent and without any further ado, we recognize you, Mr. Secretary, and you may proceed as you think best. You may wish to read your prepared statement, you may wish to summarize it, but you certainly have the floor.

STATEMENT OF HON. GEORGE P. SHULTZ, SECRETARY OF THE TREASURY, ACCOMPANIED BY PAUL A. VOLCKER, UNDER SECRETARY FOR MONETARY AFFAIRS; JOHN M. HENNESSY, ASSISTANT SECRETARY FOR INTERNATIONAL AFFAIRS; CHARLES O. SETHMESS, U.S. EXECUTIVE DIRECTOR, WORLD BANK; AND REX BEACH, U.S. DIRECTOR, ASIAN DEVELOPMENT BANK

Mr. SHULTZ. Thank you. I appreciate that flexibility. I think I would like to read it because we have worked on it and we think it is well to emphasize it.

I have with me, as you know, Paul A. Volcker, the Under Secretary of the Treasury for Monetary Affairs, and John M. Hennessy, the Assistant Secretary who supervises this area of our work, and we also have here present the U.S. Executive Directors of the World Bank, Charles O. Sethmess and Rex Beach of the Asian Development Bank. So if you wish to get into some more detail on these organizations they are here to respond to your questions.

Mr. GONZALEZ. Fine.

Mr. REUSS. If I could interrupt. How long have the two executive directors been in office?

Mr. SHULTZ. They have been in office since early this year. They can give us the date. When was your confirmation?

Mr. SETHMESS. The confirmation was June 30. I took office July 24.

Mr. BEACH. I took office July 24 as well.

Mr. REUSS. Thank you.

Mr. SHULTZ. Mr. Beach was the alternate director for—

Mr. BEACH. Roughly a year prior—

Mr. SHULTZ [continuing]. Prior to this. I might say that we have made quite an effort to strengthen our managerial capacity and input to all of the international financial institutions. We have been strengthening our work. Mr. Larsen is here as the Deputy Assistant Secretary that is working on that. We have, we believe, first-class executive directors who are working hard on the managerial side of these institutions so that we can be as sure as we can that things are being done in a professional way and with the right background of thinking from the U.S. Government and with a good strong liaison with the Treasury Department, which is the link between the administration and these institutions. Both these people are outstanding, we think.

I am happy to be here this morning to support the President's requests for new funding authority for the International Development Association (IDA) and the Asian Development Bank (ADB). My statement will deal principally with the broad framework of international economic cooperation within which the President put these requests forward in his message of October 31. For further background, you have before you the special reports of the National Advisory Council on the IDA and the ADB proposals, respectively.

This hearing is the culmination of the important new process we are carrying out with the subcommittee and the other relevant committees of Congress to involve you and your concerns fully in the formulation of U.S. policy and participation in all of the international development lending institutions: The World Bank group, the Inter-American Development Bank, and the Asian Development Bank. I pledge to you that this effort will continue beyond this hearing, so that we may mutually benefit from a greater flow of information and an ongoing, frank dialog. Many of you were members of our delegation to the World Bank and Monetary Fund meeting in Nairobi in September and we discussed at length our participation in these institutions. Your counsel was invaluable. In a real sense the proposals to be discussed today are the result of this consultative process.

I might say I think this is a very important development because we are constantly in the position where we are negotiating with other nations. We are working with these organizations and we have to somehow have an ability to speak as a government. At the same time, we recognize the independence of the Congress and the executive branch but we feel if we can develop this consultative process well we can each express ourselves and come to some sort of consensus and be able to do business internationally and it is very important, therefore, to develop this process.

The advantages of a multilateral approach to development are well understood by this subcommittee. In the proposals before you today, financial contributions will be provided to these two banks first of all

on the basis of a fair share from each of the developed country members—shares that have been renegotiated to reflect equitably the present relative economic strengths of industrial nations.

Second, all assistance will be provided in the form of loans which will finance sound development projects in developing nations—particularly in the poorest of those nations. The money will be spent not only for highways, dams, farming, and industrial developments but for programs such as health, education, and population programs that directly work with and for the people of poverty-stricken nations.

Third, because of their long experience, unmatched pool of technical expertise drawn from all countries, and freedom from political considerations, the International Development Association and the Asian Development Bank are in a strong position to influence developing countries to become both more productive and more self-reliant, by improving their overall economic programs and policies.

Finally, these institutions form a part of an international system of cooperation and agreed upon rules of economic behavior, which we are attempting to improve and strengthen.

Most of you will recall this as a principal theme sounded by President Nixon here in Washington at the 1972 meeting of the World Bank and Monetary Fund. He pointed out clearly that a new international economic order—based on updated rules, international cooperation and a stronger institutional framework—is a basic part of creating a secure structure of peace.

International monetary reform, international trade and investment, and improving the quantity and quality of international development assistance are all aspects of the same problem of constructing an enduring system of economic intercourse. Because they are inextricably linked, because we must negotiate in all these fields with the same countries and frequently with the same individuals, what the United States does or does not do in regard to sharing the international responsibility for assisting the developing nations will inevitably have a profound impact on what we are able to accomplish in the remaining fields. The stakes in monetary reform, trade and investment are simply too high for us to do less than is required in the area of development.

I fully recognize that new questions—good questions—have arisen about the role the United States can and should play in foreign assistance. There is a feeling that the United States has been called on to do too much over too long a time, and a feeling that too many domestic needs are still unmet to permit providing our resources overseas. Pressures on our balance of payments and on the dollar have tended to reinforce these feelings.

In the end, these are questions of appropriate priorities. They have led to a searching review within the Congress and the administration. I firmly believe that the legislation before you has been carefully analyzed in terms of consistency with our priorities—domestic and foreign—and represents the right policy for the United States in the period ahead. Let me explain the reasons for this conclusion.

The world economy and the U.S. role within it have undergone rapid change. We are no longer so large relative to the rest of the world. Others should pick up more of the burden in such fields as development assistance. Under the proposals before you they are

doing so. Indeed, healthy international development lending institutions—and they cannot be healthy without our participation—are one of the best assurances we can have that others will bear an equitable portion of the common responsibility.

Internationally, after a long period of decline and erosion, our competitive position is now benefiting from major changes in exchange rates. Recent balance of payments figures are encouraging, and prospects are good for our external sector to become a strong plus factor generating more jobs and higher incomes in the domestic economy. Looking ahead—and the money being requested today will not be spent for some years—I believe we can handle the programs I am describing today without damage to the dollar, and indeed with the expectation that they will help to generate international business for us.

Our domestic economy has now been relieved of the burden of a long and costly war. Our fiscal situation is moving to better balance. We can carry out these programs with fiscal responsibility. Our support for the multilateral lending institutions of course involves a significant amount of money. But as a small fraction of our resources and our budget—actually a smaller fraction than that of most other developed countries—these programs have been fitted into our overall financial and budget planning in a manner that reflects, I believe, an appropriate balance among competing demands.

All of these circumstances help provide a solid foundation for the commitments we request, which in turn are an essential element in our overall foreign economic policy.

Our relations with developing countries are important to the United States economically and politically. The developing countries provided a \$14.6 billion market in 1972 for U.S. goods and services. In fact, as a group, they purchase more from us than we do from them. Perhaps more important, they provide us with one-third of our raw material imports, and that proportion will only grow in the future. All nations are facing today the problems of inflation. More raw materials and products from the developing countries will help abate that problem. It makes good sense for us to utilize proven vehicles such as the international development lending institutions, for aiding the growth of nations that are at the same time such important sources and markets for us. Our benefits need not be at the expense of others' losses, for with growth all parties can be better off.

Beyond these economic benefits to the United States, the multilateral lending institutions—as President Nixon noted in his message—also play an important role in American foreign policy. There is a wide chasm between the wealth of the United States and other industrialized countries on the one hand, and the extremes of poverty in developing countries on the other. The developing countries must be given hope in their efforts to reduce the disparity and must be encouraged to seek to do so as part of outward-looking, more market-oriented economies, where a premium is placed on efficient use of funds.

These international development banks are well equipped to offer this hope and this encouragement. Conversely, a renewed U.S. commitment to multilateral development can give needed assurance to the world that the United States is not turning inward, and that it is prepared to help tangibly—that we will maintain a leading position in

global affairs. Secretary Kissinger agrees fully with the importance of these institutions in the spectrum of our foreign relations and a representative from the Department of State will appear before your subcommittee at a later date to elaborate on this concern.

This, then, is the general background for today's specific proposals. In presenting them to you, I want to say we have taken special care to emphasize to other donors that we could not make—and would not desire to make—international commitments to these institutions without congressional participation and assent. You will find explicit language in the respective reports of the Directors of IDA and the ADB that affirms the principle that no commitments arise until legislative approval is obtained.

At the same time, I also must underscore the fact that these proposals have been arrived at only after intensive discussions with other countries, in which we have elaborated and emphasized the concerns of Congress against the background of our earlier consultations.

In the end, the interests of the various donor countries have been carefully balanced. What they do is inevitably dependent on what we do. A unilateral effort to reduce the amounts or institute other major changes would inevitably pose difficult problems in negotiating a satisfactory arrangement, and greatly impede the continuity of the institutions' operations. If the United States should reject the proposal, the practical effect would, in my judgment, be the rapid unraveling of the effort we have made over the years to build these institutions, which have become so central to the international development assistance effort.

For all these reasons, the proposals have the strongest support of the President, evidenced by his personal message to the Congress. As I promised you at Nairobi, the administration will press as hard as possible for their approval. Let me turn now to the proposals themselves.

The International Development Association (IDA) was established in 1960 as the concessional lending arm of the World Bank. It makes long-term loans to countries with a per capita annual income of \$375 or less. Twenty-five nations contribute funds for its operations, which are carried on in 70 countries located in all the major regions of the developing world. Contributions are mobilized for 3-year replenishment periods, the latest of which, the third replenishment, runs through June 30, 1974.

Specifically, the IDA proposal before you calls for total contributions from all donors of \$4.5 billion over 3 years, which would permit IDA to make credit commitments during the period fiscal years 1975-77. The most salient feature of this fourth replenishment of IDA is the reduction in the U.S. share from 40 percent to 33⅓ percent. This would result in a U.S. contribution to the total replenishment that is lower by \$300 million than it would have been had our traditional share been maintained. Based on national income and other measures of financial capacity, a one-third share for the United States is entirely reasonable.

It is contemplated that countries will generally make payment under this replenishment in three equal payments beginning in fiscal year 1975. However, options would be provided, with the practical effect

of permitting us to commence our payments in fiscal year 1976—after our final payment in fiscal year 1975 under the current third replenishment, which was delayed by a year, as you know, and to divide our payments over 4 years instead of 3. Our present intention is to make use of these options. However, we would welcome the guidance of the Congress about this question, and we have drafted the proposed legislation so as to provide maximum flexibility.

On an annual basis, our contribution under the 4-year payment option would be \$375 million per year, compared to our present annual contribution level of \$386 million. Our original commitment to contribute annually \$320 million has been increased by \$66 million as a result of maintenance of value obligations resulting from devaluation.

Payments would be made in noninterest bearing letters of credit, to be drawn down over an extended period of years. Accordingly, we anticipate virtually no budgetary impact in the early years of our contribution, and the ultimate impact will be spread out over a number of years.

IDA's present resources will be fully committed by June 30, 1974. Its lending operations—which heavily emphasize social and economic improvement for urban poor, for small businessmen and small farmers—would terminate at that time. Consequently, time is an important factor. I therefore urge early subcommittee action on this item, which is the centerpiece of international development efforts for the world's poorest countries.

Mr. Chairman, there is a very difficult problem in knowing when we can appropriately sign up with congressional approval. We have this problem of the authorizing process and the appropriating process and we recognize how important it is to go fully through these. I think that since our time is fairly short the more promptly we can see action on the authorizing side of this the better able we will be to see what can be done to meet this mid-1974 problem, which is a very acute problem for the Bank.

Mr. GONZALEZ. If I may interject and interrupt you momentarily. As you know, the President sent the message up quite recently and I introduced the bills less than 10 days after.

I believe that you can rest secure in the knowledge that this at least the subcommittee is going to proceed with real deliberate speed and we hope the full committee. As we have discussed before, our big problem will be the successful presentation to the full House, but I think that with the cooperation of the administration, particularly with energetic and strong leadership on the part of the President himself, that we should be able to get approval. I am sure that on the subcommittee and committee level, we have more than just a reasonable chance to act expeditiously and successfully shortly after the December 6 hearings. I see no reason why we should not.

Mr. SHULTZ. Well, that is very welcome information and we do appreciate the way in which this has moved so promptly from the President's message to the introduction of the bills and setting this hearing and the followup hearings that you have scheduled which certainly will expose the subcommittee and through the subcommittee the whole House to the views of the people who have reflected on this problem deeply and whose views, I think, are very well worth having.

Mr. GONZALEZ. Thank you.

Mr. SHULTZ. Thank you.

The Asian Development Bank, established in 1966, is a regional development bank modeled on the World Bank-IDA group. Its membership includes the developing nations of Asia, together with the developed countries of Europe, Asia, and North America. Like the World Bank, it makes hard loans on conventional terms from its ordinary capital window. Like IDA, it makes concessional loans from its special funds. It has developed in a few short years into a respected borrower in international financial markets, and an important provider of financial and technical assistance to the developing countries of the Asian region.

There are two Asian Development Bank proposals before you today. The first relates to the Bank's concessional lending operations through a new Asian Development Fund to which the United States would make available \$150 million. However, recent international negotiations made clear that other nations will agree that \$100 million of funds already authorized by the U.S. Congress and now awaiting appropriation can be used for this purpose. Consequently, our request for new authority for this purpose is limited to \$50 million.

Although the United States was a founding member of the Asian Bank, we have never contributed to its concessional lending resources. Over a period of 3 years other nations have contributed about \$250 million. Now, those funds are largely committed. Thus, the Asian Development Bank will run out of funds for concessional lending by the turn of the year.

The proposed Asian Development Fund will avoid a cessation of concessional lending operations, and sustain lending over a planned 3-year period.

The funding by all donors is proposed to amount to approximately \$525 million. The suggested U.S. share of the new fund of \$150 million would thus amount to 29 percent. However, as I indicated earlier, other donors in a genuine spirit of cooperation and willingness to look forward in a constructive way, have indicated that the United States may credit toward its contribution to the new fund \$100 million that has been authorized for Asian Bank concessional lending in 1972 and that is now pending appropriation. The new replenishment of \$525 million, therefore, would require only \$50 million additional funds from the United States—less than 10 percent of the total. It is that \$50 million for which authorization is now being requested.

This proposal seems to me to meet and even exceed any reasonable test of burdensharing. Other countries have already contributed over \$250 million for concessional lending by the Asian Bank. With the \$100 million already authorized and the additional \$50 million now requested on a cumulative basis, our overall share of Asian Bank special funds would be only about 20 percent.

Moreover, our \$100 million portion is, by agreement with the other donors, tied to procurement of U.S. goods and services, insuring direct benefits to U.S. suppliers and facilitating U.S. entry into key markets in Asia.

The second proposal relates to U.S. participation in a replenishment of the Bank's ordinary capital, for which I transmitted draft legislation to Congress on July 10 of this year. This would require a new

authorization of \$362 million over 3 years, largely in the form of guarantee capital without budget impact.

The proposal is important from two standpoints. First, it will enable the United States to retain a voting position and influence in the Bank commensurate with our financial and policy interest in the Bank and in the region. Second, the resources it will provide the Bank in support of its lending operations—in this case, nonconcessional or “hard” loans—can and will be effectively used in areas of priority need.

I would emphasize that other member countries have already provided their share of a planned proportionate capital increase for the Bank. We have delayed our request, because we believed other contributions—including the \$100 million in concessional funds for the Asian Bank—deserved immediate priority. As a consequence, the voting strength of our shares was reduced from 17 percent to 8 percent. This is inadequate if we wish to have an ongoing, effective voice in the Bank.

Our relative position can be restored at a small budgetary cost. Of three annual installments of approximately \$121 million each, only \$9.7 million a year would be cash. A further \$14.5 million would be in letters of credit to be drawn down over time. The bulk, some \$97 million a year, would be callable or guarantee capital. Contributions of callable capital are not expected to have any cash or budgetary impact, but they do provide a backstop guarantee for the Bank's borrowing in private capital markets.

Although much smaller than IDA, the ADB is an increasingly important institution on the Asian political-economic scene. While it is a vehicle for expressing continued U.S. interest and support for the region, the main responsibilities are properly carried by the Asians themselves. Japan has been by far the largest contributor, particularly to the soft funds. But neither the Japanese themselves, nor other Asians, want Japan to dominate the institution. Despite Japan's heavy contributions, I believe that is not the case today. But we and other members do want to maintain an appropriate balance. Today's legislative proposals are essential to maintaining an appropriate U.S. presence.

The authorization requests for these programs are a critical step in a complex process. Equally important will be the followthrough in terms of timely and adequate appropriations. The President has urged quick action on pending appropriation requests, noting that we are behind schedule in providing our contributions to all of the institutions. I would hope that, within the structure of the Congress, appropriate and innovative techniques might be worked out that would facilitate the handling of the multiyear funding programs that are essential to the orderly conduct of the business of the international development lending institutions. A solution to this problem must be, after the authorizations themselves, the highest item on our legislative agenda relating to the international banks.

Working with the Congress, I believe we have in the past year increased the flow of information to, and interchange of, ideas with the Congress at both Member and staff levels. We benefited greatly by contacts with you and with other Members of the Congress in preparing for negotiations with other countries. We have made plain to others

that we view U.S. participation in these institutions as a partnership of the Congress and the administration, and we could not commit the United States before the Congress has had an opportunity to consider and act on the proposals. These policies will continue. My hope is that the Congress itself will not only support this legislation, but will provide assurances, at the earliest feasible date, that necessary appropriations will be forthcoming.

The most appropriate note for me to close on is President Nixon's summation in his October 31 message:

All nations which enjoy advanced stages of industrial development have a grave responsibility to assist those countries whose major development lies ahead. By providing support for international economic assistance on an equitable basis, we are helping others to help themselves and at the same time building effective institutions for international cooperation in the critical years ahead. I urge the Congress to act promptly on these proposals.

Thank you, Mr. Chairman.

As I said earlier, Mr. Volcker, Mr. Hennessy, our executive directors, are all here, and if you have any hard questions they will be able to answer them, and I will try to deal with them, too.

Mr. GONZALEZ. Without objection, I will insert in the record at this point the statement received by the subcommittee of the Honorable William J. Casey, Under Secretary of State for Economic Affairs.

[The statement referred to follows:]

STATEMENT OF HON. WILLIAM J. CASEY, UNDER SECRETARY OF STATE FOR
ECONOMIC AFFAIRS

Mr. Chairman and Members of the Subcommittee: I appreciate the opportunity to submit for the Committee's record the State Department's strong support of the Administration's request for authorization of funding for the fourth replenishment of the International Development Association and the Special Funds of the Asian Development Bank. I would like to preface my remarks on the individual requests with some general observations on the role of development assistance in U.S. foreign policy.

The world has changed in many ways during the past two decades when U.S. relations with less developed countries could be defined primarily by aid programs loosely related to foreign political policy. The U.S. currently finds itself in the process of transition from an era of self-sufficiency to one of rising dependence on foreign sources of energy and raw materials with a concomitant need for expanded access to foreign markets and for investment income to pay for these imports. Despite research on alternative sources of energy and other conservation measures, U.S. imports of minerals and fuels are expected to rise drastically in the future, with known reserves found mainly in developing countries. Currently, nearly a third of all U.S. exports find markets in developing countries, while U.S. private investment in the less developed countries amounts to over \$25 billion and is growing at 10 percent per year.

The international economic order on which international trade rests can run into difficulties, and political order can be jeopardized, if the poorer countries are not brought into successful participation in a reformed economic system and given the opportunity to achieve development aspirations.

The risks of international friction are increased if large masses of the world's population live in frustration, unable to achieve basic economic necessities, living under conditions of poverty, malnutrition and illiteracy.

The World Bank Group, of which the International Development Association is a part, and the Asian Development Bank have evolved into significant factors in the economic aspirations of less developed countries throughout the world. Economic development is the language of politics for the leaders of the less developed countries. Hence, the U.S. attitude toward these institutions becomes, in the eyes of these leaders, one important symbol of the extent of U.S. sympathy for their economic development hopes.

In this world of growing economic interdependence, the U.S. self interest requires that we play a significant role and provide our "fair share" in support

of the development process. To do otherwise would jeopardize our political and economic relations with both developing and developed countries.

The way in which we play this role, however, must reflect realities of recent important developments in the world economic system. We have long realized that multilateral aid programs can achieve some goals which bilateral programs can not. The U.S. support for the creation of the multilateral framework followed from our desire to share the development burden to a greater extent by tapping the resources—both official and from private markets—of other industrialized nations. Through the World Bank and the Asian Development Bank a greater flow of assistance can be stimulated from other donors to less developed countries of interest to us than would be the case in a world of purely bilateral aid.

The best overall index of the burden-sharing effect of multilateral aid is the pattern of bilateral and multilateral Official Development Assistance flows, as measured by the Development Assistance Committee of the OECD. The U.S. share of total multilateral aid has consistently been lower than the U.S. share of total bilateral aid. In 1972, for example, the U.S. provided about one-third of total aid from OECD members through multilateral institutions, compared to 40 percent of total bilateral aid by OECD member countries. In other words, the multilateral channel attracts relatively more official foreign funding for each U.S. dollar invested than does an equivalent of U.S. bilateral aid.

There international financial institutions also serve to reduce the element of bilateral political confrontation with less developed countries on development issues. In conformity with the U.S. desire to reduce our overseas staffs, these institutions provide scope for developing countries to assume greater responsibility for their programs. The banks themselves enjoy an impartial and objective observer status due to their multinational membership. Because their staffs are also composed of many nationalities, the development appraisal process is more of an interchange among equals rather than a lecture from a rich uncle. Consequently, the banks can make recommendations to borrowing countries on difficult domestic economic reforms which would cause strains in our relations if such recommendations come only from the U.S. The receptivity of borrowing countries to suggestions from the multilateral institutions is great: questions of sensitive national pride are minimized when recommendations come from a prestigious international financial institution rather than from any single bilateral aid donor.

From the U.S. standpoint, one of the major foreign policy benefits of the banks has been their contribution to a development strategy based in great part on Western-oriented economies. The institutions' methodology of country and project analysis has gained general acceptance in most of the developing world, and encourages borrowers to cast their priorities within a Western-oriented framework. This type of methodology focuses on macroeconomic conditions and on concepts such as fiscal responsibility, monetary responsibility, sound foreign exchange management, rate of return, and maximum free international movement of goods and capital.

It should be noted that our bilateral aid program complements the multilateral assistance institutions with each contributing in its way to the attainment of specific U.S. political and economic objectives. The U.S. bilateral assistance program can be used as a flexible instrument of national policy focusing resources on countries and development problems of particular interest to the United States. By using both types of aid the U.S. more efficiently achieves the basic purpose of aid which is to help the less developed countries mobilize their domestic resources to improve living standards and to pursue rational economic policies.

The International Development Association, the window of the World Bank which lends on long term at low interest rates, has asked donor countries for a replenishment of \$4.5 billion in order to be able to continue its full program of activities after June 1974. Those who benefit most from the International Development Association's resources are the world's poorest countries. In 1973, for example, over 70 percent of the International Development Association's credits went to countries whose per capita GNP was \$120 or less. The International Development Association's contribution to the development needs of these countries has been substantial, and could not be made up from other sources were the International Development Association to go out of existence. This lending record is even more remarkable when one considers that many of these countries

are short of both basic economic infrastructure and trained manpower. In these circumstances putting together that volume of good development projects represents an impressive achievement both for the International Development Association and for borrowing countries.

At the Nairobi annual meeting of the World Bank it was agreed by the donor countries that the proposed U.S. share of the fourth International Development Association replenishment would drop from the 40 percent of previous replenishments to 33 percent or \$1.5 billion. This is done in recognition of the changed world economic picture. For every dollar the U.S. contributes during the replenishment, the other donor countries will contribute two. This is impressive financial leverage. To the developing world as a whole, U.S. participation in the fourth International Development Association replenishment is an important indication of our interest and willingness to cooperate in their plans for development.

The Nairobi agreement requires the Executive Branch to present the proposed commitment to the Legislative Branch for its approval and to vigorously seek its enactment. It was made clear to the other donor countries by the U.S. representatives that no binding commitment could be made prior to Congressional approval.

The Asian Development Bank is primarily an Asian institution which has in itself contributed to the important U.S. policy goal of encouraging national and regional self-reliance for the states in the area. At the same time, the Bank's success in marshalling resources for Asian development from non-regional countries has been significant. The United States, Canada and thirteen European countries have joined Japan, Australia and New Zealand in contributing to the Bank's Special Funds.

Indeed, the willingness of other members—particularly Japan—to augment their support for the Bank has now proceeded to the point where U.S. participation may be diminishing to a level which could be detrimental to our political and economic objectives in the region.

We are convinced that the Asian Development Bank effectively supports United States interests in Asia. Through its lending programs, the Bank is contributing significantly to the economic development and well-being of many of our Asian friends and allies. I might note that the Republic of China, Korea, the Philippines, Pakistan, Thailand, Malaysia, Singapore, and Indonesia received over 88 percent of Asian Development Bank lending over the last ten-year period. The Asian Development Bank also has made development loans in recent years to the Indochina countries. I believe the Bank will continue to operate in a manner fully compatible with U.S. interests, provided it has adequate resources at its disposal. Therefore, the need for further contributions is great and, in our opinion, crucial to the effectiveness of the Bank as an instrument for stability in the region.

The proposed U.S. contribution would bring the U.S. share of Special Funds from zero to about one-fifth of the total, as compared to over 40 percent for Japan. With the Fund's ability to commit resources soon to be severely constrained in the absence of new contributions, and with the relative preponderance of Japanese financing becoming a source of concern to the Japanese Government as well as our other Asian friends, the importance of this U.S. contribution is even greater today than it was a year ago.

I would like to insert one background note on the \$100 million already authorized in FY 1972 but not yet appropriated by Congress. This entire sum which would be tied to U.S. procurement could be applied toward the U.S. contribution to the new Special Funds thus doing "double duty". If we add the \$50 million in the request currently pending, other donor countries will match our total contribution with \$375 million in new contributions.

The new U.S. contribution, together with the contributions from other countries which it will stimulate, will largely determine what kind of an institution the Asian Development Bank will be in the coming years. Without full U.S. participation, it will be a financially weak bank, with one dominant donor—Japan—and with only very limited resources available for the concessional lending which is so badly needed by its poorest borrowers. This would make it difficult, if not impossible, for the Asian Development Bank to play the role it should in the economic development of Asia. It would leave the Asian Development Bank unable to undertake more than a token responsibility for what may be the most important task facing its area, the reconstruction of the war-torn economies of its member countries in Indochina.

On the other hand, the U.S. contribution, and with the expected contributions from other donors, the financial base of the Asian Development Bank would be greatly strengthened, as would its political grounding. These are indispensable prerequisites to the kind of broad multilateral effort we would like to see applied to the pressing economic development needs of Asia in the nineteen-seventies.

In sum, these international financial institutions have proven themselves to be viable and responsible. They provide an effective set of Western-oriented rules and a framework for fruitful dialogue and cooperation between the industrialized world and the development countries. To ensure the continued positive contributions of these institutions, I strongly urge that the Congress approve the proposed funding for the fourth International Development Association replenishment and the Asian Development Bank Special Funds.

Mr. GONZALEZ. Mr. Secretary, with unanimous consent I am ready to recognize Mr. Reuss, who has an appointment with the dentist at 11 o'clock.

Mr. REUSS. Could I ask one question. Is there a bill dealing with the ordinary capital of the World Bank? I did not see it in H.R. 11354.

Mr. GONZALEZ. The two pending bills before you are the ones that are actually in. I was hoping that we could get cosigners and reintroduce the bill.

Mr. VOLCKER. The bill has been submitted to the committee but I don't know if it has been introduced. I think it was submitted to the full committee.

Mr. GONZALEZ. Also that brings to mind the fact that I must comment on the last part of your statement, Mr. Secretary, because it was one of the things I was going to ask later in the morning and I think it is important to state for the record at this time that when we received the message on July 10, I thought a bill would be forthcoming, but one was never presented and, of course, you answered that in your statement, but I know I never was approached about any legislative action on our level since the July 10 message and now the question is that it is related with our ability to act expeditiously because it may be that given the importance you attribute to it, which I share, I am not trying to quibble, it may be that we will have to make a policy decision here as to whether or not to proceed on the basis of not only the \$50 million for the special fund but also the other based on the July 10 message.

Mr. HANNA. Would you yield at this point?

Mr. GONZALEZ. Certainly.

Mr. HANNA. But I think we would be remiss if we did not congratulate Mr. Shultz because I know it was not anybody on this subcommittee that got the President to urge quick action or to recognize that we are behind schedule. I can remember 2 years ago asking Mr. Reuss if we could not move ahead and he said without any help from the White House it would be not very productive to move ahead, and I think you recall that, Mr. Reuss, when we were talking about trying to catch up. So if you have brought the President around to this point, Mr. Shultz, I personally congratulate you.

Mr. GONZALEZ. That is true. But we still have an immediate and very practical problem as to whether or not it might be best to increase the concept of the July 10 message and add the ordinary capital to that in one bill instead of just trying to proceed immediately on the \$50 million proposition. It is a matter of policy here. We will have to evaluate that.

But, I must point out for the record that I have not had any consultation or any request and I do not know that anybody else has. As far as I know Chairman Patman has not either. But you have answered part of the questions that I intended to ask in your statement, because you say as a matter of policy you had delayed on that followthrough.

Mr. SHULTZ. We may have made a slip-up of some kind. We are very sorry about it and we certainly want to work with you and the subcommittee to get this whole package moved and we will see how this may be best worked out.

Mr. GONZALEZ. I am sure that on this level and even perhaps on the subcommittee level, you have friends and sympathizers, but it is when we go into the impenetrable legislative nobody's land where we will have very hard questions, maybe we can discuss later.

Mr. REUSS.

Mr. REUSS. Thank you, Mr. Chairman.

I just want to add to what has been said. I congratulate you on a very impressive presentation here, Mr. Secretary, and, as you know, I am in favor of the measures before us.

I am going to do my best, and I know others who believe in the legislation will do their best, to get a majority of Democrats favorably disposed. I think the President can do the same, get a majority of people on his side of the aisle, if he will put into the legislative tactics the same effort he has on some of the veto overrides in recent months, notably the minimum wage. I would just hope that he would see fit and that you make it clear to him that that is what he has to do on the occasion of these IDA and Asian Bank bills.

Would you agree that it does take every legitimate pressure?

Mr. SHULTZ. It takes strength on all sides and I think that we look for leadership from the President, from the administration, and we want to give it all of the push we can.

Before we made these submissions, I have discussed them with the President, with the Secretary of State, who was not the Secretary of State at the time, I discussed it with Secretary Rogers, but with Henry Kissinger in his NSC role, and managed to have everybody see that if we are going to do this, we think this is right, let's do it. But then we have to stand behind it because it will not be the easiest legislation to pass. We know that, but we think it is important for all sorts of reasons, which I have tried to outline here and which you are all familiar with, and everyone is determined to do everything possible to see that this does go through.

Mr. REUSS. Good. I could not ask for a better answer and I certainly will cooperate. I had asked the Treasury to prepare some special statements on balance of payments impact and effect on U.S. exports. I am under the impression that those have been prepared and will be filed with the subcommittee?

Mr. SHULTZ. Yes, I am sure that is right.

Mr. REUSS. Those would be helpful to us. Finally, I have about six detailed questions about past U.S. policy in the Bank and I think it would be most useful if I presented them to you to farm out to the executive directors or whoever is knowledgeable.

Mr. SHULTZ. We will answer those questions in the record at this point.

Mr. REUSS. I ask unanimous consent.

Mr. GONZALEZ. Without objection, so ordered and we will present to the reporter at this point.

[The following are written questions submitted by Mr. Reuss to Secretary Shultz, along with Secretary Shultz' answers:]

Question 1. In the light of the devaluation of the dollar, what is likely to be our procurement experience under IDA IV as compared to IDA III?

Answer. We would expect the U.S. procurement share under IDA operations to increase as a result of the recent exchange rate realignment, inasmuch as U.S. goods and services are now more price competitive in international markets.

From June 1969 through June 1973, the average U.S. procurement share was 17.5 percent. Due to technical accounting factors, the effects of the 1972 exchange rate changes are not reflected in this share. In the future years of the IDA IV replenishment then, the effects of both the 1971 and 1973 realignments will begin to take hold and be reflected in the data.

In percentage terms, the cumulative exchange rate advantage of the dollar is about 29 percent against the yen, about 37 percent against the Swiss franc, about 41 percent against the Deutschemark, and about 26 percent against the French franc. Given such significant exchange rate changes against these and other major currencies, we would expect that the U.S. share of procurement under IDA IV operations will improve significantly over the performance level of recent years.

The absolute levels of IDA-financed procurement in the United States should also rise under IDA IV since IDA will be operating at a significantly higher direct lending level. Accordingly, IDA should, under the Fourth Replenishment, make a large contribution to the receipts side of our balance of payments than under the Third Replenishment. Illustratively, if IDA disbursements rose from the 1973 level of \$500 million to \$900 million during the Fourth Replenishment, and if the U.S. share of procurement rose by 5 percent from the recent average of 17.5 percent to 27.5 percent, U.S. receipts would increase from \$87.5 million to \$202.5 million.

Question 2. Will IDA loans to developing countries "free up" some of their hard cash to purchase particular projects in the U.S. and thus make domestic shortages worse?

Answer. IDA credits are not grants for financing consumption imports such as food and other agricultural commodities that the United States exports. To the contrary, IDA credits are for particular investment projects, frequently ones that promote increased food production in the borrowing country. Given the chronic shortage of capital in the extremely poor countries that IDA lends to, IDA credits are very unlikely to substitute for national financing of development projects, thereby releasing funds for consumption goods. In such countries, investment funds tend to be whatever is left after urgent food imports are covered. The overwhelming likelihood is that IDA resources will increase total investment, rather than increase consumption imports.

Question 3. What is the U.S. position and how has it voted on continued World Bank lending to relatively rich countries, e.g., Finland, Greece, Iceland, Israel and Spain? Are there regular procedures for terminating lending to countries when they reach certain levels of development?

Answer. For the last several years the U.S. has taken the position that the IBRD should taper off or phase out lending to its relatively rich borrowers. We have preferred to deal with this issue as policy matter rather than to take a negative stand on individual loans. While we have not voted against such loans to relatively rich borrowers, we have consistently raised questions about the propriety of Bank lending to countries like Ireland, Finland and New Zealand, as well as about loans to less rich and still relatively affluent countries like Spain and Venezuela in sectors other than those of social significance.

The Bank has been responsive to U.S. representations concerning Bank policy on lending to the relatively rich countries. In 1972, the Bank decided to hold further lending to rich countries to relatively small amounts and to phase out lending to most of these countries over the next several years.

In formulating the position we have taken with the Bank, relatively richer members of the Bank are increasingly in a position to meet their external capital requirements from alternative sources, including Euro-capital markets.

It should be pointed out, however, that the Bank's Articles of Agreement do not mention income level in relation to eligibility for borrowing but do instruct the Bank to supplement private investment when private capital is not available on reasonable terms. The U.S. thus is in a better position to question lending to marginal countries when we are able to make a convincing case that the country should be able to raise the needed capital in private markets.

There is no agreement among Bank members as to an appropriate automatic cut-off income level at which countries should "graduate" from the World Bank. The judgment as to termination of Bank assistance is a complex one involving more than just per capital income levels.

Our guidelines for determining when we think countries should be phased-out as borrowers, consequently, are based more on the availability of alternative sources of finance than level of development, but we also take income levels and other factors such as the level of foreign exchange reserves into account.

Question 4. What is the U.S. position on the Bank's goal of promoting a more equitable income distribution through its projects? Has the U.S. Government ever voted against a World Bank loan which does not appear to fulfill this objective?

Answer. The U.S. supports the Bank goal of promoting a more equitable income distribution through its projects. It must be recognized, of course, that the pattern of income distribution in most countries is a sensitive political issue, and that the ability of an international institution to exert influence over it depends to a very large extent on the policies and attitudes of national authorities. Nevertheless, we believe that to the maximum extent possible the Bank should concentrate its lending activities on projects which, in addition to contributing to economic development, foster a more equitable distribution of income by raising incomes and expanding employment opportunities for the poor. The importance of expanding productivity should be emphasized, since it is only in this way that the lives of the poor can be effectively bettered and self-sustaining growth of the borrowing countries effectively achieved.

The U.S. Executive Director has never had occasion to vote against a Bank loan on income distribution grounds. Last year, however, he did join with four other Directors in abstaining on a livestock loan to a Latin American country which entailed the provision of credit to relatively well off ranchers on subsidized re-lending terms. The rate of return foreseen for the project was high, but due to this element of subsidy, the distribution of its benefits was open to question. As a result of the questions raised in the Board on this loan, the Bank is now giving especially careful consideration to the income distribution aspects of livestock projects.

Question 5. The U.S. has recently endorsed the Bank's orientation toward development which will benefit the maximum number of people. This policy may best be fulfilled by more labor intensive projects and greater reliance on local currency financing. How consistent is this objective with present U.S. concern that the Bank finance primarily foreign exchange costs?

Answer. It is quite true that in many of the developing countries particularly the poorest, the kinds of projects which can be of maximum benefit to the largest number of people are projects having high local cost components. It is also true that the ability of these countries to finance local cost expenditures from their own savings tends to be extremely limited. Under such circumstances we support having the World Bank assist the implementation of such projects through willingness to finance local costs. This is not inconsistent with one belief that the Bank financing going into any project in the first instance should be concentrated on the foreign exchange component. We believe also that all projects must command the full commitment of the borrowing country, and that to assure this, the country should be required to make a financial contribution to the project from its own resources to the extent its financial capabilities make feasible. However, where this contribution of necessity falls short of the financing required to cover the local costs of meritorious projects, the U.S. supports Bank readiness to finance the remaining amount. This is consistent with the institution's Articles of Agreement which permit the financing of local costs where justified by special circumstances.

Question 6. How has the U.S. Government applied its expropriation policy in cases such as Ecuador, Iraq, Lebanon, Peru and South Yemen?

Answer. Investment policy issues have arisen in the following situations:

Ecuador: in 1972 and 1973 Ecuador nullified several concession agreements to which U.S. companies or their affiliates were parties, and expropriated land

owned by a subsidiary of a U.S. company. The U.S. voted in favor of IBRD and IDB loans in the summer of 1973 because negotiations were in progress aimed at a settlement of these disputes.

Iraq: On June 1, 1972 the Government of Iraq nationalized Iraq Petroleum Company, in which U.S. companies held a minority (about 24%) interest. Under the President's expropriation policy, the U.S. voted against a June 1972 IBRD loan to Iraq because it did not appear at that time that reasonable steps toward compensation were being taken. When a \$40 million loan to Iraq came before the Bank some six months later, the U.S. abstained because it did not believe that sufficient progress had been made toward providing compensation. Subsequently the expropriated companies were able to reach a satisfactory settlement of their claims.

Lebanon: Lebanon had seized certain facilities of the Iraq Petroleum Company in the spring of 1973. In April 1973, the U.S. Government supported a \$33 million IBRD loan to Lebanon because good faith negotiations were in progress aimed at a settlement consistent with international law.

Peru: In April 1973, the United States abstained on an IDB loan to Peru to indicate our deep concern about numerous unsettled investment disputes, and to make it clear that it stood ready to consider a reasonable settlement. In August and September, 1973, the U.S. voted in favor of one IBRD loan and two IDB loans to Peru in light of the announcement that the U.S. and Peru had initiated negotiations to settle these disputes. On November 13, 1973, the United States abstained on an education loan to Peru, intending our vote to reflect both the progress that had been made in negotiations and our concern that a settlement had not yet been reached.

South Yemen: In November 1969 the South Yemen Government nationalized certain assets of Caltex, Mobil, Esso, and American Life Insurance Company. The South Yemen Government then made an offer in settlement, and the three of the four firms presented claims to the government totalling about \$200,000, \$400,000, and \$1,000,000, respectively. None of the companies involved requested U.S. assistance in this matter. The U.S. has been in contact with each to ascertain the relevant facts. The U.S. supported an IDA credit to South Yemen in 1972 in view of the fact that the U.S. interests were not significant in amount, the companies had not requested U.S. assistance, the government had accepted responsibility for payment, and the companies were engaged in negotiations aimed at settlements consistent with international law.

Expropriation problems have occurred in other cases, including:

Panama: In the spring of 1972 the Government of Panama "occupied" the Panama Power and Light Company, in which a U.S. company held a majority interest. In June the U.S. voted in favor of a IDB loan to Panama because good faith negotiations were in progress. This dispute was eventually settled to the satisfaction of both parties.

Syria: In 1965 the Government of Syria nationalized the marketing facilities of two U.S. companies, and on June 1, 1972 it nationalized certain of the facilities of the Iraq Petroleum Company. The U.S. abstained on a 1973 IDA credit to Syria because at the time of voting the U.S. did not have sufficient assurances that a settlement would be forthcoming.

Question 7. What is the U.S. position on Bank lending to military dictatorships? E.g., Chile, Greece and South Vietnam? Why was no lending undertaken to countries with strong leftist or national governments, for example, Algeria (1964 to 1973), Chile (1969 to 1973), Peru (1971 to the present)?

Answer. The World Bank has been and must remain a non-political development institution. In order to work effectively with a wide range of both donor and recipient countries, the Bank must remain free from political pressures. Its loans are made to member countries on the basis of objective economic criteria, such as creditworthiness of the recipient, contribution of the project to overall development plans, and rate of return of the project.

It would be inappropriate for the United States Government to ask that the Bank add political acceptability to its economic criteria when deciding on country eligibility for a loan. Indeed, we doubt that the Bank would long survive if it were to attempt political judgments on the eligibility of its loan recipients. Any such attempt on our part to break this basic rule of international relations would be resented by most of the members of the Bank.

In the case of the countries mentioned, the Banks came to the conclusion that the normal conditions such as creditworthiness and appropriateness of overall economic policies were not being fulfilled. In some of these cases, the

economic policies that were being followed led the Bank Managements to the conclusion that the countries involved were not following sound economic policies and could not use development assistance effectively. In other cases, the governments had expropriated foreign-owned property without making prompt and effective compensation.

The World Bank has a long-standing policy of not lending to countries that expropriate foreign-owned property without making compensation unless reasonable steps are being taken to settle the dispute. This policy derives from both the World Bank's Charter obligation to promote the role of private capital in the development process and because the Bank itself encourages a favorable investment climate due to its dependence on private capital markets for much of the funds it lends to developing countries. These policy objectives have been strongly supported by the Congress and, in fact, have been the subject of either policy expressions in legislation or legislative requirements relative to all the Banks.

It is for these economic and financial reasons that the Bank has withheld lending in the cases cited and not because of the political nature of the government involved.

Question 8. In countries where World Bank loans represent a sizable proportion of foreign financing, what effort does the Bank make to review overall country economic policies to determine if a country is making a sufficient contribution to its development effort? e.g., Brazil, Colombia, India, Iran, Korea, Mexico and Turkey.

Answer. The World Bank Group makes a very sizable effort to evaluate borrowers' economic development efforts and progress. Periodic missions are made to the borrowing countries for the purpose of reviewing broad economic policies and performance as well as particular development issues. Among other things, these reviews take fully into account the extent of self-help displayed by the borrower. The Bank is concerned particularly that efforts to raise savings and investment levels are adequate, that policies affecting resource allocation are not fundamentally misconceived, and that realistic prices are maintained for public services. For those countries which are large borrowers from the Bank Group, these reviews are carried out on a yearly basis. Extensive reports are prepared as a basis for subsequent decisions which have to be made on specific lending operations. In some of these countries the Bank maintains resident missions which monitor progress and advise the Government on a more or less continuous basis.

In addition to this, each Bank project is appraised and developed within the context of the effectiveness and efficiency of Government policy in its sector. As a requirement for effectiveness the Bank often requires alterations in Government policy to insure that Bank-financed projects are self-sustaining, and otherwise soundly implemented. Unless the domestic stake in the success of a particular project is sufficiently high the Bank will not participate.

MR. GONZALEZ. I would like to insert in the record at this point the President's message of October 31, 1973, on the subject of our hearing.
[The President's message follows:]

To the Congress of the United States:

As their role in conveying financial assistance to developing countries has steadily enlarged in recent years, multilateral lending institutions have become vital to our hopes for constructing a new international economic order.

One of the most important of these institutions is the International Development Association, a subsidiary of the World Bank that provides long-term loans at low interest rates to the world's poorest nations. During the 13 years of its operation, IDA has provided over \$6.1 billion of development credits to nearly 70 of the least developed countries of the world. Two dozen countries have contributed funds for this effort.

By next June, however, the International Development Association will be out of funds unless it is replenished. As a result of an understanding reached in recent international negotiations, I am today proposing to the Congress that the United States join with other major industrialized nations in pledging significant new funds to this organization. Specifically, I am requesting that the Congress authorize for future appropriation the sum of \$1.5 billion for the fourth replenishment of IDA. Initial payments would be made in fiscal year 1976 and the full amount would be paid out over a period of years.

I am also requesting that the Congress authorize an additional \$50 million for the Special Funds of the Asian Development Bank. The bank is one of the major regional banks in the world that complements the work of the International Development Association and the World Bank.

Legislation for both of these authorities is being submitted to the Congress today by the Secretary of the Treasury.

STRENGTHENING THE INTERNATIONAL ECONOMIC SYSTEM

Just over a year ago, in September 1972 at the annual meeting in Washington of the International Monetary Fund and the World Bank, I stressed the urgent need to build a secure structure of peace, not only in the political realm but in the economic realm as well. I stated then that the time had come for action across the entire front of international economic problems, and I emphasized that recurring monetary crises, incorrect alignments, distorted trading arrangements, and great disparities in development not only injured our economies, but also created political tensions that subvert the cause of peace. I urged that all nations come together to deal promptly with these fundamental problems.

I am happy to be able to report that since that 1972 meeting, we have made encouraging progress toward updating and revising the basic rules for the conduct of international financial and trade affairs that have guided us since the end of World War II. Monetary reform negotiations, begun last year, are now well advanced toward forging a new and stronger international monetary system. A date of July 31, 1974, has been set as a realistic deadline for completing a basic agreement among nations on the new system.

Concurrently, we are taking the fundamental steps at home and abroad that will lead to needed improvement in the international trading system. On September 14, while meeting in Tokyo, the world's major trading nations launched new multilateral trade negotiations which could lead to a significant reduction of world trade barriers and reform of our rules for trade. The Congress is now considering trade reform legislation that is essential to allow the United States to participate effectively in these negotiations.

ESSENTIAL ROLE OF DEVELOPMENT ASSISTANCE

While there is great promise in both the trade and monetary negotiations, it is important that strong efforts also be made in the international effort to support economic development—particularly in providing reasonable amounts of new funds for international lending institutions.

A stable and flexible monetary system, a fairer and more efficient system of trade and investment, and a solid structure of cooperation in economic development are the essential components of international economic relations. We must act in each of these interdependent areas. If we fail or fall behind in one, we weaken the entire effort. We need an economic system that is balanced and responsive in all its parts, along with international institutions that reinforce the principles and rules we negotiate.

We cannot expect other nations—developed or developing—to respond fully to our call for stronger and more efficient trading and monetary systems, if at the same time we are not willing to assume our share of the effort to ensure that the interests of the poorer nations are taken into account. Our position as a leader in promoting a more reasonable world order and our credibility as a negotiator would be seriously weakened if we do not take decisive and responsible action to assist those nations to achieve their aspirations toward economic development.

There are some two dozen non-communist countries which provide assistance to developing countries. About 20 percent of the total aid flowing from these countries is now channeled through multilateral lending institutions such as the World Bank group—which includes IDA—and the regional development banks.

These multilateral lending institutions play an important role in American foreign policy. By encouraging developing countries to participate in a joint effort to raise their living standards, they help to make those countries more self-reliant. They provide a pool of unmatched technical expertise. And they provide a useful vehicle for encouraging other industrialized countries to take a larger responsibility for the future of the developing world, which in turn enables us to reduce our direct assistance.

The American economy also benefits from our support of international development. Developing countries today provide one-third of our raw material im-

ports, and we will increasingly rely upon them in the future for essential materials. These developing countries are also good customers, buying more from us than we do from them.

NEW PROPOSALS FOR MULTILATERAL ASSISTANCE

Because multilateral lending institutions make such a substantial contribution to world peace, it must be a matter of concern for the United States that the International Development Association will be out of funds by June 30, 1974, if its resources are not replenished.

The developing world now looks to the replenishment of IDA's resources as a key test of the willingness of industrialized, developing nations to cooperate in assuring the fuller participation of developing countries in the international economy. At the Nairobi meeting of the World Bank last month, it was agreed by 25 donor countries to submit for approval of their legislatures a proposal to authorize \$4.5 billion of new resources to IDA. Under this proposal, the share of the United States in the replenishment would drop from 40 percent to 33 percent. This represents a significant accomplishment in distributing responsibility for development more equitably. Other countries would put up \$3 billion, twice the proposed United States contribution of \$1.5 billion. Furthermore, to reduce annual appropriations requirements, our payments can be made in installments at the rate of \$375 million a year for four years, beginning in fiscal year 1976.

We have also been negotiating with other participating nations to increase funds for the long-term, low-interest operation of the Asian Development Bank. As a result of these negotiations, I am requesting the Congress to authorize \$50 million of additional contributions to the ADB by the United States—beyond a \$100 million contribution already approved. These new funds would be associated with additional contributions of about \$350 million from other nations.

MEETING OUR RESPONSIBILITIES

In addition to these proposals for pledging future funds, I would point out that the Congress also has before it appropriations requests for fiscal year 1974—a year that is already one-third completed—for bilateral and multilateral assistance to support our role in international cooperation. It is my profound conviction that it is in our best interest that the Congress move quickly to enact these pending appropriations requests. We are now behind schedule in providing our contributions to the International Development Association, the Inter-American Development Bank and the Asian Development Bank, so that we are not keeping our part of the bargain. We must show other nations that the United States will continue to meet its international responsibilities.

All nations which enjoy advanced stages of industrial development have a grave responsibility to assist those countries whose major development lies ahead. By providing support for international economic assistance on an equitable basis, we are helping others to help themselves and at the same time building effective institutions for international cooperation in the critical years ahead. I urge the Congress to act promptly on these proposals.

RICHARD NIXON.

Mr. GONZALEZ. Mr. Johnson.

Mr. JOHNSON. Thank you.

Mr. Shultz, we are delighted, of course, to have you here this morning. We had a very delightful and very informative presentation here yesterday by Mr. Volcker.

Mr. SHULTZ. Mr. Volcker lives up here.

Mr. JOHNSON. He sure does.

Mr. SHULTZ. He is going to take up an office.

Mr. REES. He and Arthur Burns.

Mr. JOHNSON. I want to compliment you on your statement. I think it gives us some help, let us say.

You first of all delineate the problem that we will face on the floor, those of us who are for this type of program. I never used to be but

I am convinced that we must do it, we have to share our wealth with these less fortunate nations.

We will, of course, have the argument, as you state in your statement, that we should do our charity at home rather than abroad, and we must overcome that argument. You have pretty well set forth the fact that by our joining in to these institutions we will profit greatly from an economic standpoint, and you point out that the developing countries provided a \$14.6 billion market in 1972 for U.S. goods and services.

I am just wondering, in those statements that Mr. Reuss says they are going to put into the record, will they give us some support, let's say, if one of us want to get up on the floor and point out that we feel a \$14.6 billion market in 1972 and here is what we can plan on in the future by reason of these developing countries being given the power to help themselves and give us raw materials and demand more of our products?

Mr. SHULTZ. We will try to make projections but they are always tenuous. We dislike speculating on what the future holds, but we can state as a fact the amount of exports that has taken place. We can point to that as a fact. Nobody can say that is somebody's imagination and there it is and presumably that is going to grow and the question is how and with what composition, and I think there is also the other side of the coin, our need for imports of the raw materials produced in these countries, which is very important to us, and so both sides of the trade are very important. We will try to provide as solid as we can projections out ahead if that would be helpful to you.

[In response to the request of Mr. Johnson, the following information was submitted for the record by Secretary Shultz:]

IMPORTANCE TO THE UNITED STATES OF LDC'S AS EXPORT MARKETS AND SOURCES OF RAW MATERIALS

U.S. exports to the LDCs in 1972 totalled \$14.6 billion, close to 30 percent of total U.S. exports. U.S. imports from these countries were \$14.4 billion, roughly 26 percent of the U.S. total (Table 1). The net trade balance with the LDCs was still positive at a time when the U.S. had a \$6 billion trade deficit overall. (Table 2).

U.S. exports to the LDCs have grown at more than a 7 percent annual rate over the past decade, nearly the same rate as total U.S. exports. The trend over this period has been fairly steady, and the share of U.S. exports going to the LDCs has consistently been in the range of about 30-33 percent. *If this trend were to continue the LDC market for U.S. goods and services would be nearly \$26 billion by 1980.* Extrapolations of this sort are only tenuous, however, since past trends can be altered by price changes and by exogenous factors which may not be foreseen.

On the import side, the share of U.S. imports from the LDCs declined from about 37 percent in the early 60s to about 25 percent in the 70s. The increasing importance of LDCs as suppliers to the U.S., however, is better indicated by statistics on imports of key raw materials. In this regard, LDCs supply the U.S. with 99 percent of imports of natural rubber; 53 percent of imports of hardwood lumber; 37 percent of iron ore imports; 79 percent of copper ore imports; and 98 percent bauxite. In the case of petroleum the LDCs (including Arab states which have currently suspended shipments) constitute 62 percent of U.S. imports and 48 percent when the Arab states are excluded. Table 3 details this information by country.

TABLE 1.—U.S. EXPORTS AND IMPORTS TO LDC'S, 1960-72

[Dollar amounts in billions]

Year	Exports to LDC's			Imports to LDC's		
	Amount	Total	Percent	Amount	Total	Percent
1960.....	6.4	20.6	31.1	5.6	15.1	37.1
1961.....	6.7	21.0	31.9	5.7	14.6	39.0
1962.....	7.05	21.7	32.3	6.1	16.5	37.0
1963.....	8.1	23.4	34.6	6.3	17.3	36.4
1964.....	9.0	26.7	33.7	6.7	18.8	35.6
1965.....	9.0	27.5	32.7	7.2	21.4	33.6
1966.....	10.1	30.4	33.2	7.8	25.6	30.5
1967.....	10.0	31.6	31.6	7.7	26.9	28.6
1968.....	10.8	34.6	31.2	8.9	33.2	26.8
1969.....	11.3	38.0	29.7	9.4	36.0	26.1
1970.....	13.0	43.2	30.1	10.5	40.0	26.3
1971.....	13.3	44.1	30.2	11.6	46.6	24.9
1972.....	14.6	49.7	29.4	14.4	55.6	25.9

Source: Direction of Trade (IMF).

TABLE 2.—U.S. TRADE BALANCE OVERALL AND WITH LDC'S

[In billions of dollars]

Year	Overall U.S. trade balance	U.S.-LDC trade balance	Year	Overall U.S. trade balance	U.S.-LDC trade balance
1960.....	5.5	0.8	1967.....	4.7	2.3
1961.....	6.4	1.0	1968.....	1.4	1.9
1962.....	4.2	.9	1969.....	4.8	1.9
1963.....	6.1	1.8	1970.....	3.2	2.5
1964.....	7.9	2.3	1971.....	-2.5	1.7
1965.....	6.1	1.8	1972.....	-5.9	.2
1966.....	4.8	2.3			

Source: "Direction of Trade" (IMF).

TABLE 3.—PRINCIPAL LDC SUPPLIERS TO UNITED STATES OF KEY RAW MATERIALS, CALENDAR YEAR 1972

[Amounts in millions of dollars]

	Amount	Percent of total United States
Natural rubber (SITC 231.1):		
Total, United States.....	\$200.3	-----
Mexico.....	2.8	1.4
Guatemala.....	1.0	.5
Sri Lanka.....	2.9	1.4
Thailand.....	8.2	4.1
Malaysia.....	77.5	38.7
Singapore.....	17.3	8.6
Indonesia.....	60.2	3.1
Nigeria.....	2.6	1.3
Liberia.....	22.5	11.2
Zaire.....	2.5	1.2
Malagasy Republic.....	1.0	.5
Total, LDC.....	198.5	99.1
Lumber, hardwood (SITC 243.3):		
Total, United States.....	88.8	-----
Nicaragua.....	1.5	1.7
Colombia.....	2.0	2.3
Ecuador.....	2.7	3.0
Brazil.....	10.1	11.4
Thailand.....	2.2	2.5
Malaysia.....	10.3	11.6
Singapore.....	1.7	1.9
Philippines.....	4.7	5.3
Republic of Korea.....	1.0	1.1
Republic of China (Taiwan).....	4.2	4.7

TABLE 3.—PRINCIPAL LDC SUPPLIERS TO UNITED STATES OF KEY RAW MATERIALS, CALENDAR YEAR 1972—Con.

[Amounts in millions of dollars]

	Amount	Percent of total United States
Lumber, hardwood (SITC 243.3)—Continued		
Total, United States		
Japan	1.6	1.8
Ivory Coast	2.2	2.5
Ghana	1.8	2.0
Nigeria	1.0	1.1
Total, LDC	47.0	52.9
Iron ore and concentrates (SITC 281.0):		
Total, United States	415.9	
Venezuela	100.0	24.0
Peru	15.0	3.6
Chile	2.9	.7
Brazil	12.0	2.9
Mauritania	1.0	.2
Nigeria	1.0	.2
Liberia	22.7	5.5
Total, LDC	154.6	37.2
Copper ore (SITC 283.1):		
Total, United States	49.0	
Peru	8.9	18.2
Philippines	29.7	60.6
Total, LDC	38.6	78.8
Bauxite (SITC 283.3):		
Total, United States	163.4	
Jamaica	93.9	57.5
Haiti	4.6	2.8
Dominican Republic	15.3	9.4
Trinidad and Tobago	1.1	.7
Guyana	13.0	8.0
Surinam	32.0	19.6
Total, LDC	159.9	97.9
Petroleum—Crude and partly refined (SITC 331.0):		
Total, United States	2,607.0	
Mexico	15.3	.6
Panama	1.9	.1
Bahamas	26.5	1.0
Trinidad and Tobago	41.7	1.6
Netherlands Antilles	53.5	2.1
Colombia	5.0	.2
Venezuela	489.4	18.8
Ecuador	14.5	.6
Brazil	1.0	.04
Malaysia	2.8	.1
Indonesia	119.1	4.6
Algeria	97.6	3.7
Nigeria	245.0	9.4
Angola	12.3	.5
Iran	114.5	4.4
Arab States which have suspended shipments:		
Iraq	4.8	.2
Kuwait	43.0	1.6
Saudi Arabia	172.7	6.6
Qatar	5.0	.2
United Arab Emirates	25.8	1.0
Oman	2.4	.1
Bahrain	2.3	.1
Libya	113.6	4.4
Egypt	7.4	.3
Total, LDC	1,626.1	62.4
Total, LDC (less Arab States)	1,249.1	47.9

Source: "General Imports, Commodity by World Area," 1972 (U.S. Department of Commerce: FT150-72).

Mr. JOHNSON. It seems to me that the best argument that we can possibly have is the fact that with the rather small contributions that we are making to these banks the economic benefits to us will be so tremendous and so far transcend the contributions making that it is very justifiable that we vote to provide these funds. Isn't that correct?

Mr. SHULTZ. Yes.

Mr. JOHNSON. Isn't that about the best argument we have?

Mr. SHULTZ. That is hitting it right on the head. I think also we want to help people too. I think there is nothing wrong with that.

Mr. JOHNSON. That is right, we should do that. You also say that by doing what we are doing it is a great instrument in furthering our foreign relations. I didn't happen to go to Nairobi, but of course, read the newspaper dispatches and it seems to me one of the greatest handicaps that you had there and items that you had to continually explain away was the fact that we, the United States, have been a country that has been lagging on our participation in these multilateral—multinational banks, and had you been able to have behind you our contributions up to date you would not have had to spend so much time explaining away why Congress had not done the job that you hoped they would have done. Isn't that true?

Mr. SHULTZ. That is true. At the same time I would say we felt we could brag on the United States too a little bit without being presumptuous about it, but it is still the case that 40 percent of the concessional aid from OECD countries as of the most recent figures available came from the United States. Some people were telling us how terrible we were and we said we are terrible all right but not all bad. But I do think that when there is a legitimate expectation that we are going to pay in on a certain schedule and we don't pay in by that schedule, it is disappointing and we should not be in that position.

Mr. JOHNSON. I have another minute. I want to ask you a question about gold if you don't mind.

Mr. SHULTZ. Listen to this carefully now, Mr. Volcker.

Mr. JOHNSON. We will address it to Mr. Volcker. I think it is a very comforting thing that the United States has some \$13 billion worth of gold at Fort Knox, and I think a country that does not have gold is a poor country. I think in times of a famine when you want to buy something from abroad and if your money is not good your gold is. I'm thinking of an oil famine. We may get to the point in order to keep warm we may need gold to buy oil with. I think it is a wonderful thing that we have this gold on hand and I was hoping the United States would think twice before they would start selling any of our gold, even though you could get \$100 an ounce for it.

Who would make the decision, if the United States decided they wanted to sell gold?

Mr. SHULTZ. First of all, our announcement was that the agreement that had been in effect meant that central banks or governments would not buy or sell gold in the private market, that that agreement was dissolved and from our standpoint we return to the IMF articles which say that you can sell gold into the private market when the private market price is above the official price, as it now is, as we all know, but you can't buy gold under those circumstances. You can buy gold under the fund rules when the private market price is below the official price.

I guess nobody thinks it is going to get below the official price in the near future. So for all practical purposes this means we are free to sell and we do not have any intention of buying.

Now, that is a position that we feel is consistent with the position we have taken on international monetary reform. We believe that gold should not be seen as the centerpiece in the system and should be phased down in its importance.

Now insofar as the decisionmaking process is concerned, we have had for, well, practically ever since I became Secretary of the Treasury, as we started working on the subject of monetary reform, an informal group consisting of the Secretary of State, the Chairman of the Council of Economic Advisers, the Director of the Council on International Economic Policy, the Secretary of the Treasury, as the informal chairman, and, of course, the Chairman of the Federal Reserve. It is the Federal Reserve and Treasury that tend to work most closely together on all of these matters. Mr. Volcker and Mr. Bennett, who is his Deputy, have been key in providing inputs on this general subject. So that group is the group that discusses these things and forms a judgment. Before we took a step of this kind we, of course, consulted with the President about it. This particular step that was announced yesterday is something that we have wanted to do for some time and we found the timing propitious and we were able to carry it out.

Now, as far as making any sales is concerned, that is a subject that we have decided we would not make any comments on as to when, whether and so on, and we retain complete flexibility in this market. Insofar as who is involved in the decisionmaking process, it's as I described, and depending upon the particular thing being discussed, if it is a matter of negotiation, Mr. Volcker has been our negotiator in many of these settings and in this particular case it was the Central Bank agreement that had been negotiated. Dr. Burns was our point man in the discussion.

Mr. JOHNSON. Thank you very much. My time is up.

Mr. GONZALEZ. Do you care to ask another question or two. We can be liberal.

Mr. JOHNSON. I may come back to it.

Mr. GONZALEZ. We are going to be liberal with them, too.

Mr. Hanna.

Mr. HANNA. Thank you, Mr. Chairman.

I personally want to commend the decision that was made relative to gold. I think the effect it had on the speculators was a most joyous one to behold and I certainly was one that did not go to bed with a wet pillow at all last night over those fellows who might have lost following your decision.

Mr. SHULTZ. Funny, nobody likes speculators. They do perform an essential function though in many markets. We need them.

Mr. HANNA. I would like to ask you specifically about something; now I would like to have your terse comments on.

First of all, do you personally see any reason or is there any indication that we have a policy that would indicate that we are anxious to get the Chinese of Taiwan out of the World Bank?

Mr. SHULTZ. Well, that issue has been raised by the People's Republic of China.

Mr. HANNA. I know who it has been raised by.

Mr. SHULTZ. It is now a question being discussed in the Fund—
Mr. HANNA. I know it has been discussed.

Mr. SHULTZ. In the World Bank at the executive director level and we are taking part in that discussion.

Mr. HANNA. I know we are taking part in the discussion.

Mr. SHULTZ. We have certain realities before us which we are struggling with. I don't know.

Mr. HANNA. If you don't know, does that mean we don't have a policy?

Mr. SHULTZ. Well, I don't know whether there is a real purpose served in our stating here precisely what we are trying to do and how and so on.

Mr. HANNA. Well, I am just trying to find out if we have a policy. It is one that you don't think we can state now; is that what your statement is?

Mr. SHULTZ. I would rather not go into it at this point.

Mr. HANNA. Let me ask you another question then. Do you believe yourself or is there anybody in the State Department with whom you have discussed that believes that the People's Republic of China is prepared to come into the World Bank or to participate in its arrangements?

Mr. SHULTZ. One of the questions that is being explored by Mr. Witteveen and Mr. McNamara is precisely that: What are their intentions? They have sent this communication to the organizations, which you know, and the organizations, among other things, are trying to find out what is the purpose, do they seek membership or do they just seek Taiwan not be a member, or what? That is one question that is being explored and we do not know the answer to it.

Mr. HANNA. I have asked you both of these questions to point out to you as far as I am concerned if you have no indications that the People's Republic of China are prepared to or desire to become members of the World Bank, or members of IDA. I would certainly think there would be no compulsion on the part of the United States as such to push for an early confrontation with that question. That is what I want to make clear. If that is what we are doing, I am not going to be very happy with that kind of an approach. I hope I make myself clear.

Mr. SHULTZ. We have not been pushing for early confrontation on that question; others have. We have sought to have it considered in the context of the executive directors rather than coming up, say, at the Nairobi meeting, or whatever, to be voted on. So that a careful and deliberate process could be gone through and that is what we are trying to do.

Mr. HANNA. I hope you get that message through our representatives in the World Bank that that is what we are trying to do. I hope that is getting to the head of the World Bank. That is all.

Mr. GONZALEZ. Mr. Fauntroy.

Mr. FAUNTROY. Thank you.

Mr. Secretary, I, too, want to commend you for the steps you have taken to renew our commitment to multilateral development of undeveloped nations. It certainly gives not only the world but those of us in this country reassurance that we do still understand ourselves to be our brother's keeper and that we do not intend to turn inward.

I certainly agree with the President that all of the nations have a great responsibility to assist those countries whose major development lies ahead and I am particularly interested in our influencing those developing countries to become both more productive and more self-reliant.

It is for all these reasons that I just have a brief series of questions on the African Development Bank and the problems on that continent.

At the end of this month I plan to take a delegation of heads of churches in this country, at the invitation of President Diiori of Niger, to look at the drought-stricken area along the Sahel with the view hopefully of returning with these clergymen to raise funds at the private level to relieve the serious drought situation there. At the same time I am concerned that we make an investment in that part of the world so that this kind of crisis—famine and drought—will not confront us every year.

I understand, for example, that at the present rate of the level of rainfall the desert is creeping south at a rate of 10 miles a year and yet in these countries there are development opportunities, apparently. One company, which is assisting these ministers in going, is searching for oil, for example, in Chad. To make my point specific I would just like to know why we do not include in this effort the African Development Bank. I do intend, for example, on my trip to speak to Mr. Labidi and talk about the prospects of some investment in that area to make it more self-sufficient and less dependent upon the kind of economy that is obviously doomed in that area.

Why not the African Development Bank and, if not, what must be done by either this country or by the bank to make it possible for us to make a similar contribution to the development of those drought-stricken countries?

Mr. SHULTZ. Well, I think your approach is very constructive. Regarding the African Development Bank legislation which I believe Senator Humphrey has been sponsoring in the Senate, we have supported that legislation and so our position is favorable. We felt in making this presentation here that to a degree we have some institutions that we helped get started and played a very strong role in getting them started and we are not giving them the support that, as your question brought out, they have properly expected. So let us first do right by the institutions that we have and in the meantime we are supporting the African Bank and we will support efforts you make in the House to be a member. We would like to be sure when we become a member of a new international institution that we will follow through and we will appropriate the money, having led people to expect that we would. So in a sense a test of that lies here in our request for the Asian Bank and the World Bank and the IDA as well as of course of the appropriations for the Inter-American Bank.

Mr. JOHNSON. Would the gentleman yield on that point?

Mr. FAUNTROY. I would be happy to yield.

Mr. JOHNSON. I have been on this subcommittee a lot longer than you have, and have been in on the inception of the request of the African Bank for Development. The reason that we have not funded the African Bank for Development is they only want us to contribute to a special fund, they don't want to sell us any equity in the Bank. They have a policy of Africa for the Africans. That is a good policy if you

can afford it. The Asian Bank for Development, their policy is not Asia for Asians. We have equity capital in the Asian Bank of Development and we are on the board of directorship, we are a partner in the Bank, and I think it is going to be hard to sell this subcommittee and the American people on the idea of just distributing to a special fund that they can spend any way they want to and the United States has no representation on the Bank board. If they would create an issue of preferred stock, let's say, and let us buy that and give us some voting representation on the bank and put somebody on the board of directors and make us in effect a partner with them, they won't have any trouble with this subcommittee, but your problem is that we have not been invited to be a part of it and that is what is wrong with it, if you want to know. If you can go there and tell them to change their ways and amend their charter and create a new issue of stock, preferred stock is just a polite way to borrow money and it does not look bad if we have somebody on the board of directors, who has something to say about running that bank. That is the problem.

Mr. FAUNTROY. Mr. Secretary—

Mr. JOHNSON. It is not that we are against the African Bank for Development but we have just as much love for them as we do the Asian Bank. That is my opinion. I could be wrong.

Mr. FAUNTROY. Thank you.

Mr. Secretary, does that situation create a problem from your point of view?

Mr. SHULTZ. I think those are good points. I would point out Mr. Volcker called my attention to the fact that IDA, of course, is a major lender in Africa and something like 28 percent of the IDA funds have gone there. So that the flow that we are talking about here is not without relevance to the problems in Africa that you mentioned.

Mr. FAUNTROY. I am more specifically really concerned about these struggling nations in that area, in Sahel, and I am just anxious to see that we work out a way of assisting in the development of those countries, particularly inasmuch as there is some speculation going on as to other economically viable and useful raw material production possibilities in the countries.

Mr. SHULTZ. Right.

Mr. FAUNTROY. I think that would be consistent with our interest and if somehow we could see to it that those funds be made available to the Bank whether on a concessional basis or in terms of hard loans, could be directed at those areas in Africa.

Mr. SHULTZ. Yes. Mr. Volcker just also called my attention to the fact that on November 13, 1973, IDA has extended a \$14 million credit to the Sahelian countries to finance a drought-relief project for the six affected countries. The credit will concentrate on rehabilitation and construction of water supply and storage facilities. So that goes a little more directly at your point but still I think the African Development Fund is worth working at and it seems to me the points raised by Mr. Johnson are points to consider.

Mr. FAUNTROY. Thank you. I yield back the balance of my considerable time.

Mr. GONZALEZ. Thank you very much.

Mr. Rees.

Mr. REES. Thank you, Mr. Chairman.

It's good to see you, Mr. Secretary. Mr. Volcker has been very kind to us with his time. He was with us yesterday and I think all of us appreciated his testimony.

I see Rex Beach in the audience, who is our executive director to the Asian Bank. I was wondering who is the new director for the World Bank? I understand Mr. Wieczorowski has left.

Mr. SHULTZ. Mr. Sethmess, whom I identified earlier.

Mr. REES. Good to meet you. I hope we'll have more of a chance to talk about the World Bank and about what we might do in this subcommittee to be of help.

I am very much interested in the Asian Development Bank, because I think our future is there. I don't think this is the year of Europe; I think it might be the century of Asia because that is where the growth is and where I think our future market is. Of course I speak as a Californian who is more attuned to Asia.

If you might come up with some market projection as to what U.S. exports will be 5, 10, 15 years from now in these countries of Southeast Asia and the subcontinent, I think this would be of great help in convincing many of our members; it would also be helpful to know what the projected population growths are and what potential exports we might have from the State of Louisiana. Most of our problems are in the Appropriation Committee. I know they produce a lot of rice in Louisiana, and I hope to God they are exporting it to Asia right now.

Mr. HANNA. They are.

[Laughter.]

Mr. SHULTZ. You would not want us to cook our estimates, would you?

Mr. REES. Just a little bit.

Mr. SHULTZ. We do not do that in the Treasury.

Mr. REES. They also have oil there. You might work that over a bit—or hot sauce.

[In response to the request of Mr. Rees, the following information was submitted for the record by Secretary Shultz:]

ASIAN EXPORT AND POPULATION PROJECTIONS

U.S. EXPORTS

During the 1960s and 70s U.S. exports to developing countries in Asia grew at a 7½ percent annual rate—virtually the same rate as that of total U.S. exports for the period—to an annual level of \$4.3 billion in 1972. The pattern for countries in Southeast Asia, however was significantly different from that of the Indian subcontinent, as U.S. exports to Southeast Asia grew at an annual rate of over 11 percent while those to subcontinent declined somewhat from the 1960 level. (Table 1).

Projections of U.S. exports to these regions, based on extrapolations, are also included in Table 1. If past trends were to continue, U.S. exports to Asian LDCs would be about \$10 billion in 1980 and \$16 billion in 1985. According to these figures most of the U.S. exports to Asia would be channeled to Southeast Asia (\$8.7 billion in 1980 and \$15 billion in 1985), with a much smaller amount (about \$1 billion) going to the subcontinent (i.e., Afghanistan, Bangladesh, Ceylon, India, Nepal and Pakistan).

Some caution, however, should be exercised in making projections of this sort:

1. Part of the difference in the pattern of U.S. exports to Southeast Asia and to the subcontinent can be explained by the fact that exports of India and Pakistan grew at a much smaller rate compared with countries in the subcontinent (Table 2). The poor record on export earnings for these countries, in turn, meant that their ability to purchase imports was limited. India and Pakis-

tan also tended to pursue "import substitution" policies, while many of the countries of Southeast Asia followed a more "export oriented" strategy of development. Changes in economic policies in the developing countries, thus, can have a direct impact on their ability to earn foreign exchange and, thereby, to purchase U.S. goods.

2. The pattern of U.S. exports to these countries is also influenced by U.S. aid flows. During the early 1960s India was a showcase country for the U.S. AID program, and the larger capital inflows from the U.S. were tied to U.S. exports. Beginning in the latter part of the 60s, however, aid flows were directed more towards Southeast Asia and away from the subcontinent, which, in part, accounts for the changing pattern of U.S. exports in the two regions.

POPULATION GROWTH

Projections of population growth for the Asian countries, on the whole, are apt to be more accurate than are forecasts of U.S. exports to these countries. Over the past decade the total population of the member countries of the Asian Development Bank has grown at an annual rate of 2.4 percent. If this trend were to continue, the population of these countries would increase from the current figure of 1.6 billion (1972) to about 2 billion by 1980.

Most of the individual member countries have shown a fairly steady pattern over the past decade, and there does not seem to be a significantly diverse pattern for countries in Southeast Asia compared with those in the subcontinent. (Table 3). For reasons cited earlier, through, population growth may not be a good indicator of future markets for U.S. goods.

TABLE 1.—U.S. TRADE WITH ASIAN LDC'S, ACTUAL AND PROJECTED

[In millions of dollars]

	U.S. exports			U.S. imports		
	Total, Asia	Subcontinent ¹	Southeast	Total, Asia	Subcontinent ¹	Southeast
1960-----	1,825.0	836.2	988.8	1,260.8	325.6	955.2
1961-----	1,855.2	710.4	1,144.8	1,205.3	336.0	869.3
1962-----	2,141.0	974.4	1,166.6	1,308.2	350.0	958.2
1963-----	3,013.4	1,231.7	1,781.7	1,383.0	370.6	992.4
1964-----	3,092.7	1,357.1	1,735.6	1,509.5	391.2	1,118.3
1965-----	3,101.1	1,289.0	1,812.1	1,735.6	458.8	1,286.8
1966-----	3,439.6	1,198.7	2,240.9	1,924.8	442.1	1,482.7
1967-----	3,556.8	1,333.7	2,223.1	2,058.5	391.3	1,667.2
1968-----	3,581.8	1,061.4	2,520.4	2,499.5	419.2	2,080.3
1969-----	3,498.6	742.5	2,756.1	3,042.2	455.4	2,586.8
1970-----	4,023.1	922.1	3,101.0	3,401.4	410.6	2,990.8
1971-----	4,047.1	886.3	3,160.8	3,940.9	442.7	3,498.2
1972-----	4,376.5	724.5	3,652.0	5,257.9	540.8	4,717.2
Compounded growth rates (percent):						
1960-72-----	7.5	2	11.5	12.5	4.5	14.0
Projected amounts:						
1980-----	9,573.2	848.9	8,724.3	14,220.2	769.1	13,451.1
1985-----	15,971.8	937.2	15,034.6	26,864.7	958.4	25,906.3

¹ Subcontinent countries are: Afghanistan, Bangladesh, Ceylon, India, Nepal, Pakistan.

² Assumed for projection.

Source: IMF, "Direction of Trade".

TABLE 1a.—U.S. TRADE WITH ASIAN LDC's, SELECTED YEARS¹
[In millions of dollars]

	U.S. exports			U.S. imports		
	1960	1966	1972	1960	1966	1972
Afghanistan.....	9.4	13.7	17.5	19.8	13.8	2.7
Bangladesh.....			137.3			40.4
Burma.....	8.4	23.6	10.6	1.4	2.8	.4
Cambodia.....	7.2	1.8	72.7	6.5	1.2	
Ceylon.....	14.4	16.0	28.3	38.8	32.6	29.3
China (Taiwan).....	110.4	237.1	632.1	20.4	116.9	1,392.8
Hong Kong.....	122.4	228.6	488.9	139.0	415.9	1,249.5
India.....	640.8	949.4	349.9	228.0	327.0	426.5
Indonesia.....	86.4	59.9	307.1	215.7	179.0	277.7
Korea.....	153.6	339.4	735.7	5.1	85.4	707.4
Laos.....	1.2	9.2	8.3		1.2	
Macao.....	1.2	.8	.4		3.7	17.2
Malaysia.....	18.0	45.7	130.2	156.2	176.7	301.3
Nepal.....		.9	8.5		.9	1.5
Pakistan.....	170.4	238.7	183.0	39.0	67.8	40.4
Philippines.....	297.6	348.0	365.5	307.3	398.0	483.6
Ryukyus.....	21.6	44.3	17.1	2.8	8.0	3.2
Singapore.....	42.0	50.7	385.0	19.0	15.2	264.7
Thailand.....	64.8	127.9	170.0	55.7	76.3	113.9
Vietnam.....	52.8	311.4	317.6	4.5	2.2	2.2
Asia, other LDC's.....	2.4	412.5	10.8	1.1	.2	1.3
Total.....	1,825.0	3,439.6	4,376.5	1,260.8	1,924.8	5,257.9

¹ Subcontinent countries are: Afghanistan, Bangladesh, Ceylon, India, Nepal, Pakistan.

Source: IMF, "Direction of Trade."

TABLE 2.—INTERNATIONAL TRADE: EXPORTS¹ 1962-72

ADB developing member country	Millions of dollars—										Per capita (dollars)	
	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	1972
Afghanistan	49	69	71	70	65	66	72	82	86	261	312	3.4
Bangladesh ^{2,3}	272	261	255	265	315	330	309	322	348	11	11	5.0
Burma	4	4	5	5	4	6	6	7	8	124	117	5.2
British Solomon Islands	265	271	239	225	194	124	111	132	107	1,998	2,916	64.7
Burma (Union of)	221	332	434	450	536	641	802	1,049	1,428	68	81	4.1
China (Republic of)	37	52	62	50	45	49	52	57	68	2,871	3,478	19.5
Fiji	768	873	1,012	1,143	1,323	1,527	1,744	2,177	2,514	2,061	2,413	150.0
Hong Kong	1,403	1,626	1,705	1,687	1,577	1,612	1,760	1,835	2,026	1,247	1,515	88.1
India	682	696	724	708	679	665	731	831	1,152	15	15	232.0
Indonesia	54	89	88	105	67	83	76	48	39	1,068	1,624	852.5
Khmer Republic	55	87	119	175	250	320	455	622	835	6	6	3.1
Korea (Republic of)	1	1	1	1	1	4	6	4	7	1,636	1,721	7.0
Laos	1,065	1,088	1,105	1,236	1,256	1,217	1,347	1,651	1,687	123.3	149.7	2.1
Malaysia	35	38	38	58	49	42	39	56	347	37	37	50.1
Nepal ^{2,3}	114	208	224	238	251	280	388	368	103	440	310	2.0
Pakistan ^{2,3}	37	42	51	59	57	65	83	100	103	118	216	149.7
Papua New Guinea	556	727	742	768	828	822	857	855	1,062	1,128	1,105	2.4
Philippines	1,116	1,135	976	981	1,102	1,140	1,271	1,549	1,554	1,755	2,181	16.7
Singapore	380	410	357	348	342	342	322	322	327	327	314	19.1
Sri Lanka	458	462	593	622	678	681	658	708	685	831	1,063	637.7
Thailand	2	2	3	3	4	4	4	4	3	3	2	1,014.4
Tonga ²	57	77	48	35	24	11	8	8	8	8	2	24.1
Vietnam (Republic of)	8	7	7	6	5	4	5	6	5	6	45	27.9
Western Samoa												22.2
Total	7,639	8,511	8,842	9,299	9,667	10,041	11,126	12,793	14,470	16,121	19,563	3.8
												66.7
												9.1
												18.4

¹ On f.o.b. basis.² Data are taken from national official publications.³ Data are for fiscal year.⁴ Preliminary estimates/projections.⁵ 1970 data.⁶ 1971 data.⁷ 1969 data.

Sources: IMF—"International Financial Statistics," vol. XXVI, No. 8, August 1973, p. 38, and 1972 supplement, p. xiii. UN—"Monthly Bulletin of Statistics," vol. XXVII, No. 5, May 1973.

TABLE 3.—ANNUAL GROWTH RATES OF POPULATION: 1962-72
[Percent]

ADB developing member country	1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972	Average Annual rate of growth com- pounded ¹
Afghanistan.....	1.7	1.7	1.7	1.8	3.3	2.3	2.7	2.3	2.9	2.3	2.3	2.6
Bangladesh.....	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
British Solomon Islands.....	3.0	3.0	2.9	2.9	2.1	1.9	1.9	1.9	1.9	1.9	1.9	2.8
Burma (Union of).....	2.1	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
China (Republic of).....	3.3	3.2	3.2	3.1	3.0	2.6	2.5	2.7	2.8	2.7	2.7	2.9
Fiji.....	4.3	3.5	3.2	3.0	2.9	2.3	2.1	2.2	2.5	2.3	2.1	2.5
Hong Kong.....	2.2	2.2	2.4	2.7	2.9	2.6	2.1	1.6	2.2	2.2	1.9	2.2
India.....	2.3	2.3	2.4	2.4	2.2	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Indonesia.....	2.3	2.3	2.4	2.4	2.4	2.2	2.2	2.2	2.2	2.2	2.2	2.2
Khmer Republic.....	2.9	2.5	2.5	2.5	2.5	2.5	2.3	2.2	2.1	2.0	2.0	2.2
Korea (Republic of).....	2.4	2.9	2.8	2.7	2.4	2.4	2.4	2.2	2.2	2.1	2.1	2.2
Laos.....	3.3	2.4	2.7	2.4	2.5	2.4	2.4	2.4	2.2	2.1	2.1	2.2
Malaysia.....	1.8	3.1	2.4	2.9	3.2	3.1	2.4	2.4	2.6	2.4	2.4	2.2
Nepal.....	1.8	1.8	1.8	1.7	1.8	1.8	1.8	1.9	2.6	2.7	2.7	2.2
Pakistan.....	1.5	2.6	2.6	2.6	2.7	2.7	2.9	2.7	2.7	2.7	2.7	2.2
Paupa New Guinea.....	3.0	1.5	1.9	2.4	2.3	2.3	1.8	1.9	2.5	2.5	2.5	2.9
Philippines.....	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0	3.0
Singapore.....	2.6	2.5	2.5	2.5	2.4	2.3	1.6	1.5	2.0	2.0	1.8	2.1
Sri Lanka.....	2.5	2.5	2.4	2.4	2.4	2.3	2.3	2.2	2.2	2.1	2.1	2.3
Thailand.....	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.1
Tonga.....	3.0	2.6	2.6	2.6	2.6	2.6	3.0	3.2	2.8	2.6	2.6	3.0
Vietnam (Republic of).....	2.6	2.6	2.5	3.3	2.4	2.6	2.6	2.9	2.6	2.6	2.6	2.6
Western Samoa.....	2.4	2.6	2.6	2.6	2.4	3.1	2.2	2.9	1.4	1.4	2.1	2.4
Total.....	2.4	2.3	2.3	2.3	2.3	2.5	2.5	2.4	2.4	2.4	2.3	2.4

¹ The rate is calculated for the period actually covered.

Sources: National sources as given in country tables.

TABLE 4.—GROWTH RATES OF REAL PRODUCTS: 1962-72

ADB developing member country	Base	[Percent]										Average annual rate of growth of growth compounded 1
		1962	1963	1964	1965	1966	1967	1968	1969	1970	1971	1972
Afghanistan	GDP, 1965/66 mp	---	1.8	1.8	1.9	2.0	1.3	2.7	3.7	4.2	1.9	---
Bangladesh	GDP, 1959/60 fc	---	-5	10.7	.9	3.4	.7	8.6	4.3	5.0	---	2.4
British Solomon Islands	GDP, 1969/70 mp	---	13.4	-5.9	10.7	-4.9	-4.0	10.0	3.7	7.2	2.9	3.1
Burma	GDP, 1956 mp	---	9.6	12.1	11.7	8.5	10.2	9.4	8.5	11.2	11.4	11.0
China (Republic of)	GDP, 1968 mp	7.3	---	---	---	8.2	13.1	---	2.6	12.7	7.4	6.0
Fiji	GDP, 1960/61 fc	---	5.5	7.4	-5.0	1.7	9.1	2.4	5.2	6.8	7.1	---
Hong Kong	GDP, 1960 mp	---	2.7	3.4	1.2	2.8	1.4	6.9	7.1	---	---	3.7
India	GDP, 1966 mp	---	1.7	-2.1	4.6	4.5	5.2	4.6	2.2	---	---	3.8
Indonesia	GDP, 1966 mp	---	8.3	-2.6	4.6	4.5	5.2	4.6	2.2	---	---	4.2
Khmer Republic	GDP, 1970 mp	---	3.0	8.6	6.0	12.0	7.3	12.8	15.2	8.6	9.8	7.4
Korea (Republic of)	GDP, 1960/61 fc	---	2.7	7.4	-5.0	1.7	9.1	2.4	5.2	6.8	7.1	---
Laos	GDP, 1960 mp	---	1.7	3.4	1.2	2.8	1.4	6.9	7.1	---	---	3.7
Malaysia	GDP, 1964/65 mp	---	7.3	6.4	8.2	4.9	4.2	7.7	6.4	17.1	.1	.9
Nepal	GDP, 1959/60 fc	---	6.8	4.3	7.7	6.0	8.0	7.0	8.0	12.6	---	6.2
Pakistan	GDP, 1955 mp; 1967 mp	6.3	9.9	3.3	5.2	6.3	---	1.3	4.2	3.7	7.3	3.5
Papua New Guinea	GDP, 1955 mp	.4	---	---	---	---	---	---	---	---	---	---
Philippines	GDP, 1959 fc	---	4.6	6.4	2.3	3.3	5.7	8.8	4.8	4.4	.8	2.4
Singapore	GDP, 1962 mp	---	8.1	6.6	6.9	12.2	7.8	8.5	7.5	6.6	6.4	3.9
Sri Lanka	GDP, 1960 mp	---	.6	10.1	6.6	-5.3	3.4	-6.6	8.0	7.8	5.4	-4
Thailand	GDP, 1960 mp	---	---	---	---	---	---	---	---	---	---	---
Tonga	GDP, 1960 mp	---	---	---	---	---	---	---	---	---	---	---
Vietnam (Republic of)	GDP, 1960 mp	---	---	---	---	---	---	---	---	---	---	---
Western Samoa	GDP, 1960 mp	---	---	---	---	---	---	---	---	---	---	---

1 The rate is calculated for the period actually covered.

2 1968-72.

3 1967-71, 1967 mp.

Source: National sources as given in country tables.

Mr. REES. One thing that has concerned me is in these multinational bank authorizations we have what is at times referred to as the Gonzalez amendment, but some of us prefer to refer to it as the Connally amendment, which directs the U.S. executive director not to vote for loans to countries where there has been an expropriation of U.S. companies unless, of course, the country is in active negotiation with a company to reimburse them. I understand that there is a disagreement between those of us who voted for the authorization and that language, disagreement between us and the Treasury. I find that it is very difficult with Latin America because they operate under the Calvo doctrine where no Latin American country will submit to any type of international arbitration panel.

Most of the seizures in Latin America have been in the area of natural resources, communications, and banking, which are nationalistic in nature in most nations, including the United States. It is my understanding during the Allende administration in Chile that the U.S. representative was instructed to vote against all loans to Chile and now that the Chilean Government has been taken over by the military that you are reconsidering your policy even though the take-over was voted on unanimously by the Chamber of Deputies which at that time represented every party from right to left.

I understand for the first time in about 6 years our representative finally voted for a loan to Peru. I guess that was the International Petroleum Corp. problem and that we are not currently voting for loans to Ecuador.

This worries me a great deal because I think this is a rather narrow U.S. foreign policy in regard to seizures. I think at times companies such as ITT use this as potential blackmail against any foreign administration, especially in the case of Chile. ITT, I understand, was involved in trying to donate \$1 million to the CIA to get them to participate in the Chilean elections.

I think that a foreign company participating in elections of another country represents adequate grounds for expropriation without giving them a nickel.

I wish you could explore this because some of us who have been consistent supporters of multinational banks, I think, have a feeling that this policy is not the wisest and frankly we are alienating a great many countries, especially in Latin America.

Mr. SHULTZ. Well, I will be glad to talk about it and give you my own views and I think the views of the President. I feel that this problem of expropriation is a very serious problem and we have to face up to it and we have to be tough about it. That on the whole it is good to have a clear policy that Congress and the administration support that we do not intend to put up with expropriation of our property.

It is a disease that has been spreading in the world and I think, as a matter of fact, right now as we, you consider questions of investment abroad that the scales are being tipped against investment abroad by U.S. companies to a much greater degree than in the past because of the insecurity of the investment. So in a sense we are here talking about development and concessional aid and hard loans and so forth on a governmental level, but and always important an increasing part of development is the flow of private capital to develop-

ing countries. I would say if there is oil and in Chad with the prices they are getting for it now, there is ample private capital to go find it and develop it.

So I believe from our standpoint and the security of our investors and for that matter from the long-term standpoint of developing countries, a really firm stand on the question of expropriations is essential.

Now, the administration has supported the view that we might add to the present provisions the notion of a national interest consideration in this process so we were not so completely pinned down, the notion being that we might find ourselves in a situation where it seems that a company was in effect sort of using the Government and not performing in the most admirable way and we might not want to pursue it that far. But I think in general the idea of being real tough on this subject of expropriation is right and I support it and I know the President—

Mr. HANNA. Would the gentleman yield?

Mr. REES. Yes.

Mr. HANNA. On this point, because I think it is an important point to be made, and I hope it is not embarrassing to the gentleman from Beverly Hills, I hope it won't be embarrassing to you, it has been pointed out, at least charged, there was expropriation by the Israelis of property that belonged to the Palestinians. In this very strong tough stand that we are taking against expropriation, it certainly could not be true that we are supporting any Israel expropriation, could it?

Mr. SHULTZ. Well, you hit me with something that I do not know about so I would rather not consent on it.

Mr. HANNA. Well, I think that we are apt to be looked upon as being not consistent. If we are very sensitive about expropriation on our side and yet we have no sensitivity where other people feel there is some expropriation going on then they will see us in a role that does not really seem consistent with what our position has been.

Mr. SHULTZ. We believe that the existence of the multilateral lending institutions and the effort to create and support a policy there, a presumption there insofar as their loans are concerned, is a way of not only helping our own policy to be consistent across the board but also of focusing other countries' support and we have been working at that.

Mr. GONZALEZ. Excuse me. You will be amply protected in your rights, in fact, exceeding the usual time limits, but I think it is important, since I was alluded to, that we make two things clear which consistently have not been clear apparently to some, mostly some of the administrators in the State Department, not the Treasury Department. That is that they have never bothered to read the amendment that we first offered successfully in the Congress and the first formulation of definite congressional policy in the history of the Congress with the single exception of the Hickenlooper amendment which was not a policy statement.

Now, there is quite a degree of confusion. The amendment the Congress adopted for the multinational lending institutions and which we hope will be retained in the foreign aid bill, which overwhelmingly the House voted for earlier this year, actually prescribes a policy that the Congress had neglected to address itself to all through the years of

turmoil, of expropriation acts and the like; Connally, ex-Secretary John Connally, former Gov. John Connally, had absolutely nothing to do with it. He never conversed with me. He never wrote to me on the subject and I never consulted him on the subject matter.

The fact he is from Texas and I am from Texas does not put him any more in proximity to this measure than it did my political involvement in his behalf in Texas, which was nil. If anything we ought to give credit to Frank Tannenbaum, now dead, and a very distinguished Latin American expert from the University of Colombia, who, in 1961, not too long before his death, wrote extensively on the subject matter, and from whose writings I gleaned the basic pattern of development of that amendment.

As a matter of fact, we really codified a rule of thumb that had been exercised by the Secretary of the Treasury in the past.

I think it is indispensable it be interpreted in the light of the plain written language. The fact there is such a thing as a Calvo doctrine, there is unilateral on the part of the Latin American nations, if they don't want to go into arbitration, if they don't want to resort to an impartial international tribunal, there is nothing this country can do about it, but that does not dismiss the Congress from a responsibility of protecting American investors, who, in good faith, have gone into those countries, many upon the invitation of the governments themselves, and then found themselves in a precarious position with a threatened loss over every one of their investments and with no protection from any administration.

I do not think that we can say that the United States has a duty to be that magnanimous where it overlooks a legitimate defense of its own citizens without which responsibility no government has a right to exist, and the fact that we would forgo that simply because we want to appease somebody does not satisfy the argument at all.

Now lately some lawyers, and I think they finally infected the Treasury Department lawyers, have been trying to use this as a justification to start their interpretations.

Mr. SHULTZ. Say it isn't so.

Mr. GONZALEZ. My advice is all you have to do is get you a new set of lawyers. That is all. In law you have lawyers; yes lawyers and no lawyers they have two drawers, the yes drawer and the no drawer. Now all you have to do is get you a set of objective lawyers that have not been subjected to the influence of some of the State Department that have been critical from the beginning.

Mr. REES. I might say that I agree with you, and I agree with your interpretation, and that is one of the reasons I asked the question.

Mr. GONZALEZ. I am glad you did because when you say that Connally had something to do with it, I want to set the record straight that it was the other way around. The only way we could get a couple of those bills up when we brought the last Inter-American Bank bill and Asian bill was the ability to call the Secretary to come in and help us do some floor lobbying with the minority leadership, mostly, but never with respect to any kind of amendment much less on an expropriation. So I did want to clarify the record at this point because it has been much abused. I don't know that I should be given credit and call it the Gonzalez amendment. I guess the reason for that is I urged it first on this subcommittee level, you will remember, but I

am not going to take pride in authorship because too many men conceived of the basic language for me to say that I concocted it. But I do feel that it is the first time the Congress has enunciated clear policy to guide our administrators.

Now, how they interpret it is valid in the light of the reasons they give for their interpretation and what I am saying is that the reasons thus far given for some nebulous national policy vague amendment does not satisfy me to the point where I would be willing to push for a modified amendment.

Mr. REES. I might say, Mr. Secretary, that I was in the export field and I represented some American businesses in Latin America and I would hope that when Treasury invokes this that they look at each situation on a case-by-case basis.

I want to explore two examples; one is in Chile and the other is in Peru. The International Petroleum Corp. takeover. This is a rather depleted oilfield. The Peruvians felt that the prior owner of the claim never really had legal title to it under the law of Peru and most Latin American countries. It was a legal question. But this held up any loans to Peru for quite a few years.

Now I understand the Inter-American Development Bank has now voted for a loan to Peru and I was just wondering what it was inside Treasury that caused Treasury to advise their representatives that that was a bad vote for 6 years is now a good vote.

Mr. SHULTZ. It has been publicly stated by both Governments that there is a major negotiation going on to try to work out this problem and we did not budget until we were able to get that negotiation going.

Mr. REES. In the case of Chile, there are three different copper companies, Cerro, Kennecott, and Anaconda. Cerro I think is completely blameless. I think they should be reimbursed 100 percent. They had a partnership with the Government to construct a copper mining facility. In the case of Kennecott and Anaconda the situation was different although I think one company had more equity than the other. In the case of ITT, I do not think they have anything to stand on.

The new Chilean administration states that they will negotiate with Anaconda and Kennecott and Cerro, but I do not know how much the political realities of Chile, given that unanimous vote in the Chamber of Deputies, would allow anything more than negotiations except in the case of Cerro. If they agreed to give just 10 cents for the other two copper companies, there could actually be a change of administration.

What do you do about an internal political situation such as this where you have unanimous feeling among all political parties?

Mr. SHULTZ. Well, you try to negotiate with the people in good faith. They have their problems and we have our problems and we try to work them out.

Mr. REES. Well, now, are you going to work on a case-by-case basis? As I say, some companies have not been treated well. Other companies might get just what they deserve. Another point, do you have anything to say about the investment policies of a U.S. company?

When I was in business in Mexico I always advised my clients not to go into ownership of natural resource development, not to go into communication, and not to go into any type of utility; they should go mostly into production, factories, those types of facilities that the Gov-

ernment wanted, and they should go in hopefully with 51 percent participation by individuals in that country. Now this was 15 years ago. This generally seems to be the policy spreading throughout Latin America.

What about a company that is 100 percent owner of an essential natural resource, should they be allowed to invest that way. Because what ITT does—

Mr. SHULTZ. You mean should we allow—are you suggesting that we should say in the United States that if in country *x* they want to have a company come in and help develop those resources, and the company wants to do it, that we should say you can't do it.

Mr. REES. I am not saying that company *x* and *y* set the ground rules. What happens if a U.S. company is in there contrary to what the present policy of the country might be. Our problem is that what a U.S. company does overseas directly affects U.S. foreign policy because if they do something which causes them to be taken over, then our executive secretary is instructed to vote against loans.

Mr. SHULTZ. They do not get there against the wishes of the country involved. They go there and they are presumably welcomed. They are always welcomed while they are putting money in. This question really is, are they still going to be welcome when they are starting to get dividends from their investment, and that is what this is all about.

Mr. REES. But you don't give any advice to companies that might have gone in 70, 80, 90 years ago, on an investment situation and now the climate is completely changed. You do not give advice to those companies perhaps you should sell off 51 percent to the local people in order not to put U.S. foreign policy in jeopardy?

Mr. SHULTZ. Well I think that governments can give advice but people who have money to invest are to make that judgment and to look at the political climate that they are investing in. They should have some reassurance whatever they may be.

Mr. REES. What worries me, Mr. Secretary, their decision is a private decision in that company and that what they might do becomes a public decision because what they might do would trigger the Gonzalez amendment if they were expropriated. According to the interpretation of Treasury, you would then instruct the executive secretary not to vote on any loans. Now you are getting in the area of public policy and U.S. foreign policy.

Mr. SHULTZ. We are stating a public policy. With whatever differences of view there may be about particulars I think as a fundamental matter, the essence of it—I am in complete agreement with the chairman's viewpoint here, and the President—is: A public policy that where there has been an investment in a country, it is a legitimate investment, it has been welcomed there, made in all good faith and intentions, and then that property, that investment is expropriated without compensation, that we object and we object among other things in this form. We think it is bad for our investing companies and we should stand by them. We think it is a bad thing in general throughout the world for this expropriation fever to be allowed to spread and we think it is bad for the developing countries because it makes people hesitate to invest. Apparently the expropriation problem is bad enough so it has turned your head and you would say to

a private investor do not invest in natural resources, but Mr. Fauntroy was here a minute ago talking about possible oil resources in Chad and wouldn't it be nice, they do not have the resources to go and develop that oil, they are going to have to get some private people to come in and develop that. Where are they going to come from? Are you going to tell them they should not come?

Mr. REES. In Peru, the land was owned by IPC. Both Occidental and Standard Oil of California are doing business in Peru and they are doing business as contractors receiving a certain percentage of the oil they bring out. The oil fields are owned by the Peruvian Government, it is the rather enlightened approach versus an unenlightened approach, and I hope we do not support the nonenlightened approach.

Mr. SHULTZ. I question the capacity of Government always to know what is enlightened and what is not enlightened. I have a little more faith in the private system than I do in the Government system.

Mr. GONZALEZ. Mr. Secretary, I think though we better make sure it is understood so that your words won't be misinterpreted. We recognize the inherent right of a sovereign nation to expropriate, we are not questioning that.

Mr. SHULTZ. We are not questioning that.

Mr. GONZALEZ. What we are saying, under certain conditions where certain factors are present, to wit, an unjustified takeover, then certain factors enter the picture and the criteria set forth in the amendment I think is very clear.

As an example, I may bring you up to date. Yesterday the United States abstained on a loan to Peru. However, negotiations have allowed earlier votes. Therefore, if negotiations proceed satisfactorily, there is no reason the United States won't vote again and favorably. This has been the history in your votes on the Peru loan situation. In other words, just yesterday we had a good clear example of an exercise of judgment though this may not have even invoked the amendment. This may have been just a matter of departmental policy at this time pending good faith negotiations.

Mr. HANNA. But I think, if I may, I think that the Secretary would agree with me that there has to be some consideration on a case-by-case basis. I have in mind a situation in which an oil company in one particular country agreed to pay on the basis of the amount of oil going through a pipeline which they presented as being able to deliver a certain volume of oil. Now, when the country involved achieved a capacity to check on what the volume of oil was going through that pipeline, they found out they had been cheated with millions and millions of barrels of oil over a series of years.

Now, if that hard material is really available, I do not think that the Secretary would want that to be overlooked as part of the negotiations and I don't think—

Mr. SHULTZ. What we are talking about is expropriation without prompt, adequate, and effective compensation. So you have to make a judgment about whether there is such compensation.

Mr. HANNA. We are prepared, are we not, to make a distinction between expropriation per se and negotiations which are going on, and we are not going to support people in the negotiations who have obviously got a case that you would not want to be behind?

Mr. SHULTZ. I think that is within the spirit of, well, call it the Gonzalez amendment.

Mr. HANNA. I wanted to get that on the record. So what you are saying is more clearly understood because I think there are, I know of another case of a contractor had great difficulty, the reason being there was a very good case made that there was a kickback going on in this particular operation, and I do not think that the United States would want to support negotiations where they were, in fact, backing up somebody who was not prepared to give up that part of his claim when there had been a demonstration. So, Mr. Rees, I think there is a difference between the negotiations and the act of expropriation.

Mr. REES. This is what I am trying to get to. The Treasury would analyze each of these on a case-by-case basis because many a time you will find that an American company will use this as a basis for blackmail in the negotiation. They will say, "look, we won't negotiate unless you give us x amount of dollars." If the country says no, then almost semiautomatically the doctrine goes into effect.

Mr. GONZALEZ. No, sir.

Mr. REES. According to their lawyers.

Mr. GONZALEZ. American interpretation then also has a responsibility of finding that the American company, it has to be an American company, 51 percent, is not, it is negotiating in good faith. Then it can't use the agency. In other words, I assume this is what they have been doing all along and I think the record shows they have.

Mr. REES. This was done by the Grace Co. a couple of years ago, the sugar quota bill was held as hostage and——

Mr. GONZALEZ. This was before the——

Mr. REES. This had nothing to do with that. This was the sugar quota bill. But I would hate to see something like that supported by an inflexible Treasury policy; I think Treasury should be enlightened and weigh all of the equities before the decision is made because, again, in Chile there is a vast amount of difference between Anaconda, Kennecott, and Cerro and between what the policies of these companies were in Chile prior to that takeover vote of the Chamber of Deputies. So all I am really asking is, could this be done on a case-by-case basis where we balance the equities?

Mr. SHULTZ. We certainly do look at individual cases and we try to be enlightened but we also feel in the Treasury that we have to be tough because we sometimes feel nobody else will be and if we are enlightened too nobody will be tough. So there has to be somebody in there pounding the table once in a while and it is not the pleasantest task in the world but that seems to be our lot.

Mr. REES. What I found, Mr. Secretary, in traveling in these countries, is that many of the American businessmen there were rather disturbed at the actions of some of their compatriots because they felt these actions would jeopardize their own investments; in other words, the actions of company A would jeopardize the investments of company B, C, D, E, F, and G down the line.

Mr. SHULTZ. That is right, but you have to watch out for that because it is always a temptation for company A to sell company B out, say they are not enlightened, and just because they got rough treat-

ment do not crack down, because then I might get rough treatment and I do not want that. It is sometimes the case that the individual company in looking out for its own interests, does not see the countrywide or the worldwide picture that we think public policy has to address itself to.

Mr. REES. Well I found that——

Mr. SHULTZ. So I caution you against separating too firmly in your mind, good guys and bad guys, and being sure you always know which is which.

Mr. GONZALEZ. Mr. Rees, if you are finished I would like to go on the record on a couple of questions that I feel will be critical as we continue on this and go to the full committee, and particularly when we go to the floor.

That has to do with the prospects for aid to Vietnam and surrounding countries through IDA and/or ADB. When I say Vietnam, I am not necessarily talking about North Vietnam, though I think that will be the next question.

In other words, will North Vietnam join IDA? Is there any possibility that could happen—meaning the World Bank. Now, this is a tough question, I know, it is an iffy one, but nevertheless politically it is a thing around which very well the fate of this bill could hang, and I think we ought to address ourselves to it.

Mr. SHULTZ. North Vietnam is not a member of the International Monetary Fund or of the World Bank at present and, therefore, they are not eligible for loans from the World Bank. In order to be a member of the World Bank they also have to be a member of the Fund. That is a process that countries go through and it is a process that calls for the submission of information of various kinds that some countries don't like to submit, so that it is not just a free ticket in by a long shot. So I can't say that they would never become members because that is a possibility but it does not seem like a very likely one. I might say also they are not members of the Asian Bank either.

Mr. GONZALEZ. In your message, in your letter this past summer, you referred to the desirability of moving multilateral aid to south Indochina. The question came up of interpretation as to what is meant by south Indochina. Would that include, you know, just how would you define that?

Mr. SHULTZ. Well, define it as member countries in that part of the world. You mean you want me to specify countries that might be eligible?

Mr. GONZALEZ. It raised this question of does that include, does that include North Vietnam?

Mr. SHULTZ. No.

Mr. GONZALEZ. Well that is——

Mr. SHULTZ. South Vietnam, Cambodia, Laos.

Mr. GONZALEZ. OK. The other question, comments have been made that many countries that IDA is specially active in are particularly countries where Russian influence is very strong. Therefore, they feel that the Soviets have an advantage where they can play politics without bearing the development expenses. Should not participation in the World Bank in IDA be part of the program of détente. How do we meet that argumentation?

Mr. SHULTZ. Well, of course, the Soviet Union is not a member of the Fund or the Bank so they are not participating in these activities. Certainly as our relationships with the Soviet Union develop, and as negotiations of one kind or another, on SALT talks and other things of that kind and our trade relationships develop, the presumption would be that that would have side effects in other areas as well. But, there is no anti-Soviet condition put upon loans from the World Bank.

Mr. GONZALEZ. I have some other questions but I will submit them to the reporter for the record and I know that I have been informed that you must be somewhere else at about 12 p.m.

Mr. SHULTZ. Yes, sir. A place called the White House.

Mr. GONZALEZ. Well, they did not tell me. But we certainly do not want to hold you unnecessarily. We may give you just about enough time to get there if you have transportation.

Mr. SHULTZ. I have a car.

Mr. GONZALEZ. We certainly do want to thank you, Mr. Secretary, and we will keep you informed on the progress. I am sure that the next date of hearings on these bills will be December 3 and 6 and on the 6th we hope to have a markup session immediately after the hearing.

Mr. SHULTZ. We appreciate the informal and courteous way you have conducted this hearing and we look forward to working with you and we want to provide the subcommittee and full committee with every assistance we can from the Treasury.

Mr. GONZALEZ. We will be in touch with you and your very able assistants and colleagues because we are going to have to work up a joint campaign effort here to successfully move this legislation.

[The following are written questions submitted by Mr. Gonzalez to Secretary Shultz, along with Secretary Shultz' answers:]

Question 1. I noticed last summer that you were interested in moving more multilateral assistance to something called South Indochina. Could you tell me just where this is, and what kind of policy changes are implied in such a move?

Answer. The term South Indochina was used to refer to South Vietnam, Laos and Cambodia. The use of this terminology implied no policy changes, i.e., the multilateral institutions continue to be required to lend only to member governments. North Vietnam is not a member of any of the multilateral institutions.

Question 2. IDA has done much for many countries where Soviet influence is strong. The Soviets have an advantage where they can play politics without bearing the development expense. Should not participation in the World Bank and IDA be part of our program of detente?

Answer. A country which wishes to join the World Bank must first join the International Monetary Fund. The Soviet Union has thus far demonstrated no interest in joining either of these institutions. If the Soviet Union were to demonstrate such an interest and were prepared to assume the normal obligations of membership, the United States would pose no objection.

Question 3. What are the prospects for aid to Viet Nam and surrounding countries through IDA? Will North Vietnam join IDA and the World Bank?

Answer. The prospects for South Vietnam, Laos and Cambodia receiving assistance from IDA vary, depending essentially on abatement of armed conflict in those countries. Should the situation in this regard permit, it is anticipated that IDA would carry out normal financing operations just as in the case of other member countries in good standing.

There is no indication that North Vietnam intends to join the World Bank and IDA. The North Vietnamese have made it clear that they are not interested in multilateral economic assistance.

Question 4. The less developed countries now have the voting power to veto any revision of the Articles of the IMF (per Wall Street Journal, 9/24/73). Do they have similar power in IDA and the World Bank?

Answer. In general, the Articles of Agreement of the IMF, the IBRD, and IDA provide that amendments to the Articles become effective when three-fifths of the members, having four-fifths of the total voting power, accept them. (In some cases, such as amendment of the right to withdraw, all the members must agree.)

Thus, members with more than 20 percent of the total voting power in the three institutions can block an amendment of the Articles if they have opposed or abstained from voting on the amendment. The less developed countries have more than 20 percent of the total voting power in each of the institutions, and thus if they act together they could block an amendment to the Articles.

Similarly, if three-fifths of the total number of members abstain or vote in the negative on an amendment it would not carry. The less developed countries constitute more than three-fifths of the total membership in the IMF, World Bank and IDA. Again, this would require a concerted decision on the part of the less developed countries to act in unison.

There has been only one amendment of the IMF Charter and several amendments of the World Bank Charter. In none of these cases has there been any blocked voting. No amendment of the Charter has been defeated.

Question 5. Last year the World Bank took \$110 million out of its net income and gave it as a grant to IDA. Could this amount be increased in order to reduce the replenishment requirement?

Answer. It is Bank policy to transfer to IDA that amount of its net income which is not needed to be retained for use in the Bank's own lending operations. This policy was initially recommended by the U.S. and continues to be given strong U.S. support. In the last ten years total transfers to IDA have amounted to \$815 million. In the last two years the percentage of Bank income transferred has risen to approximately 60 percent.

Judgment on the percentage to be transferred requires a balancing of alternative needs, since the transfers reduce additions that could otherwise be made to the Bank's operating capital. This, of course, reduces the Bank's potential profitability and increases its borrowing requirements. It might also possibly accelerate a need for increased capital subscriptions.

The amounts transferred to IDA will continue to be substantial, and some increase may be possible over the next few years. This, however, has already been taken into account by the contributing governments in the decision taken at Nairobi on the replenishment proposal to be submitted to parliaments.

Question 6. What is the current view on maintenance of value provisions for U.S. and other contributions to IDA and other institutions?

Answer. During the most recent multilateral negotiations on increased contributions to the International Development Association and to the soft loan resources of the Asian Development Bank, it was decided that maintenance of value should not apply to proposed contributions to the Fourth Replenishment of IDA and to the initial contributions to the Asian Development Fund. In this connection, the Reports of the Board of Directors on the IDA and ADB contributions noted that in view of the current uncertainties concerning the future of the international monetary system, undue difficulties would be created by making maintenance of value applicable to these particular contributions.

Question 7. The press reported that at Nairobi the Latin American delegations called on the wealthy nations to turn over the problem of more development aid to the political decision-makers of the Committee of 20. Does this mean that they want less of a role by IDA?

Answer. At Nairobi the Latin American countries supported establishment by the Committee of Twenty of a Technical Group on Transfer of Real Resources to the developing countries. There have been proposals from several sources for a larger C-20 role in development matters. Presumably such proposals have as one objective greater LDC influence over the operations of development institutions, such as the IDA. It is unlikely that the Latin Americans foresee less of a role for IDA in terms of volume of assistance. More probably, they would like to influence the direction of such assistance, and move if possible toward additional instrumentalities for channeling further funds to developing countries.

Question 8. What are the prospects of the People's Republic of China replacing the Republic of China in the IMF and IBRD? Would a precondition of IMF membership be assurances that the People's Republic of China would agree to be bound by such requirements as reporting economic data? In the event of the accession of the People's Republic of China, who would be responsible for commitments made by the IBRD and IDA to the Republic of China? Would Republic

of China capital contributions be refunded? Would the People's Republic of China be eligible for IDA loans?

Answer. The People's Republic of China (PRC) has formally challenged the continued participation of the Republic of China (ROC) in the IMF/EBRD. Should a weighted majority of the member governments of the IMF and IBRD respond favorably to the PRC's request, the Republic of China obviously would lose its role in the institutions. The U.S. is not pressing to unseat the ROC. On the contrary, we support a continued participation of the ROC in the Bank and Fund. There is no indication that the People's Republic of China intends to actively participate in either the Fund or the Bank.

PRC assurances on requirements such as reporting economic data would be a "precondition" of IMF membership only if the People's Republic of China were to apply for a new membership in the IMF. However, the Government of the PRC has not followed that approach. Instead, it has taken the view that the IMF (and the IBRD) should recognize the Government of the PRC as the representative in the IMF of "China," which was an original member in the IMF and whose membership continues. If the IMF complied with that desire, "preconditions" in the sense of application for membership would not arise, although it would be legally possible for the Fund to condition its recognition on willingness to fulfill IMF Charter obligations. Of course, even without conditional recognition, all obligations and requirements of membership, including the reporting of economic data would continue to apply, as for all members.

In this connection, the Minister of Foreign Affairs of the People's Republic of China stated in a letter of September 25, 1972, to the Secretary General of the United Nations that the PRC would examine the contents of multilateral treaties agreed to by the ROC prior to the existence of the PRC before deciding in the light of circumstances on whether or not to recognize those treaties. It is not known at present what the attitude of the Government of the PRC is toward the Articles of Agreement of the IMF.

In regard to responsibility for loan commitments in the event of PRC accession, it would appear that the loan and guarantee agreements entered into by the ROC and the Bank and the credit agreements entered into with IDA are and will continue to be valid and binding on the parties in accordance with their terms, notwithstanding any decision withdrawing recognition of the Government of the Republic of China as representative of China in the Bank. This would mean that the Republic of China would continue to be responsible for the obligations incurred under these agreements.

The answer to the question concerning refund of ROC capital contributions is complicated by several factors. China joined the Bank in 1945 (before the establishment in 1949 of the Government of the People's Republic of China) but joined the IFC in 1956 and IDA in 1960. Payments on account of China's subscription of the Bank were made in part by the Government of China on the Mainland in 1945 and 1946 and in part by the Government of the Republic of China during the 1950s.

In the case of IFC, payments on account of China's subscription were made by the Government of the Republic of China.

In the case of IDA, payments on account of China's subscription were made by the Government of the Republic of China, but part of this payment was made from the balance held by the Bank in a suspense account representing the amount due by the Bank of China after the Chinese subscription to the Bank was reduced in 1960. Furthermore, in the cases of both the Bank and IDA, some of the payments involved were made in U.S. dollars and some in the notes of the particular government concerned.

It would ultimately be necessary to analyze in detail the particular payments involved and the manner in which it appears equitable to deal with them, and the matter would have to be settled by discussions between the parties concerned.

As far as PRC eligibility for IDA loans is concerned, the answer depends in part on whether the PRC is regarded as, or becomes, a member of IDA. The steps necessary to accept membership in IDA were taken by the Government of the Republic of China in 1960, and in this regard it is relevant to note that in another portion of the September 25, 1972, letter challenging continued ROC participation the PRC declared that any treaties acceded to after establishment of the PRC were null and void, but that the PRC would study them and decide to accede or not.

Although PRC annual per capita GNP is in the neighborhood of \$160, which is within the range for eligibility for IDA credits, the fact that the PRC is also a major donor of foreign assistance also needs to be taken into account in determining its appropriate status in IDA.

Question 9. Are there any countries which are now in default if it were not for the good graces of the World Bank?

Answer. There are no countries in default to IDA or the World Bank at the present time. On only two occasions in the past has it been necessary for the Bank Group to reschedule loan repayments from its borrowers. In the early 1960s a small loan to Haiti was rescheduled owing to disruption of the economy by a hurricane. The loan has now been fully repaid. In the late 1960s loans to India were rescheduled, not because of default by India, but because the Bank, acting in conjunction with India's bilateral creditors in support of the Indian development program, sought to increase foreign exchange availabilities in India by a rescheduling of external debt. In more recent years Indian debt to the Bank has not been further rescheduled, and all Bank loans and credits to India are presently being repaid on time.

At the present time Chile is in arrears on repayments due since the beginning of this year, but it has not yet been declared in default, and early steps to clear up the arrearage are anticipated.

Question 10. As the amount of World Bank and IDA lending continues to rise at a rapid rate, are credit standards being lowered?

Answer. No. The Bank simply will not invest in a project which does not have an adequate rate of return. At the same time the Bank is careful that its lending does not overburden a country and strain its ability to repay international obligations to all creditors. The Bank will not lend to countries deemed uncreditworthy because of defaults to other creditors or where the risk of default is high due to excessively large debt burdens in relation to debt servicing capacity.

Question 11. Last July 10 you sent the Speaker a message requesting an increase in U.S. contributions toward the ordinary capital of the Asian Development Bank. As far as I know, no bill on this has ever been introduced. I have never been approached about it. Are you still interested in this? Do you feel that we should consider increasing ADB capital in the same bill perhaps, as the increase in special funds?

Answer: As indicated by the Administration when draft legislation was forwarded to the Congress in July, 1973, it is important that the United States participate in the ordinary capital replenishment of the Asian Development Bank. The Treasury's view is that the Congress should consider authorizing legislation for the increased United States contribution to the ADB ordinary capital and Special Funds at the same time. We therefore see no reason why the Congress should not authorize funds for an increase in our ordinary capital subscription to the ADB in the same bill as the authorization for increased Special Funds.

Question 12. The IDA replenishment represents another dollar outflow. Can you estimate how much of this might flow back in the way of product and service exports from the U.S.? Does the U.S. get its fair share of World Bank and IDA financed projects?

Answer. Over the past four years, the U.S. procurement share under IDA operations has averaged 17.5 percent. This figure, however, fails to reflect the effects of the massive monetary realignments of 1972 and 1973.

Taking into account the possible impact of the exchange rate changes, the U.S. procurement share may rise by as much as 5 percentage points, or to about 22.5 percent, which would mean that approximately two-thirds percent of the U.S. contribution to the IDA IV replenishment would flow directly back to U.S. exporters.

About the "fairness" of the United States IRD/IDA procurement share, we are satisfied that our share has reflected the degree of competitiveness of U.S. suppliers in the international market place in recent years and that there has not been discrimination against the U.S. in the procurement processes of the international banks. This judgment is supported by the findings of an outside consultant from private industry whom the Treasury retained about two years ago. This consultant concluded after detailed inquiry that World Bank procurement policies and procedures are neutral in design and even-handed in administration as regards choice by borrowers among suppliers of various nationalities.

Question 13. For this IDA replenishment the U.S. is being asked to contribute one-third rather than the previous 40 percent. Is this percentage likely to continue to decline?

Answer. Based on national income and other measures of financial capacity, a one-third IDA share for the United States is entirely reasonable. While there could be temporary financial factors that would make a still lower share appropriate for some future period, we do not now foresee such a development. In fact, other countries only reluctantly accepted a one-third share for the U.S.—not on the basis of what they consider to be an economic justification, but rather on the pragmatic grounds of the absolute necessity of U.S. participation to IDA's continual viability. They consider an "appropriate" U.S. share would more directly reflect the fact that the U.S. still accounts for well over 40 percent of the combined GNPs of IDA donors. On the other hand, we have argued that our large military expenditures and difficult balance of payments situation should also be taken into account in determining relative share in IDA contributions. Accordingly, far from being willing to see further U.S. share reductions, others may press us in the future on economic grounds for a return to higher U.S. share levels.

Question 14. If the United States contributes the full amount to IDA, will the talk of an SDR-aid link subside?

Answer. Most developing countries feel their needs for development finance are considerably larger than the combined prospective flows from IDA and the SDR link. Accordingly, they do not regard these techniques as alternatives, and it is unlikely that approval of the IDA replenishment will end LDC pressures for the link.

There are sound arguments to be made in favor of keeping SDR's and their monetary role separate and distinct from development finance. The U.S. is in a better position to argue against the SDR-aid link, however, if it is prepared to contribute its full amount to IDA. Otherwise, other donor countries and the LDC will believe that the United States desires neither the link nor any form of direct development finance. Accordingly, U.S. support for the IDA replenishment is important to the position taken by the United States on the SDR link.

Question 15. It seems that much of the discussion at Nairobi was on the IDA replenishment. Can you give us the tone of the discussions? The views of the poor countries, and wealthy countries?

Answer. There was widespread recognition at Nairobi, from developed and developing countries alike, of the tremendous importance of IDA in enabling the World Bank to continue its leadership role in development assistance to the poorest nations. The widening gap between the rich nations and poor nations was viewed as a serious problem affecting the interests of all.

Finance ministers and central bank governors from both groups of countries hailed IDA's past achievements, and pointed to the challenges which remain to be met. Much concern was expressed over the fact that the institution's present lending resources will be fully committed by the middle of next year. And for this reason, the agreement reached by contributing governments during the course of the meeting on a new replenishment proposal to submit to parliaments was universally applauded.

The need for timely action to replenish IDA's resources before July 1, 1974, was emphasized, as was the importance, in keeping with IDA's international character, of each developed country member bearing its fair share of the burden. There was also much expression of concern, directed largely at the U.S., over delays encountered on earlier replenishments, delays which would have seriously disrupted IDA lending operations had it not been for the willingness of other governments to advance their contributions without waiting for the U.S. commitment. The fact that no commitments were being made at Nairobi by the U.S. delegation, nor for that matter by any other delegation, was recognized and acknowledged. Nevertheless, hope that the previous experience would not be repeated was widely mentioned, and in private discussions fear was expressed that if it were, the consequences for the World Bank in terms of loss of support from other nations eventually could be seriously damaging.

Question 16. The debt levels of the countries receiving IDA credits appear to be rising. Just how much more debt can these countries absorb?

Answer. The debt levels of the IDA recipient countries are in fact rising, but there is no universal rule of thumb that will indicate how much more debt a country can safely incur. As a consequence, it is not feasible to compile an

aggregate figure of how much more debt the developing countries as a group can absorb.

Country debt situations have to be considered individually. As a general statement, the level of external debt becomes a cause for alarm when the level of payments required to service it threatens to outstrip a debtor's capacity to make those payments out of increasing production and foreign exchange earnings while simultaneously satisfying legitimate domestic claims on its economy.

The countries which borrow from IDA are the poorest and least developed. Their capacities to service external debt are extremely limited, and many do already have debt burdens which make it impossible for them safely to accelerate foreign indebtedness on conventional terms. It is precisely for this reason that IDA credits, whose terms are tailored to the needs and limited capacities of the poorest of the developing nations, are essential if these nations are to be given a chance to break away from their present impoverishment without encountering unmanageable debt problems.

Question 17. According to the IDA Annual Report, an outstanding feature of lending for agriculture development has been the trend in favor of small farmers? Do you view this as a positive trend?

Answer. There are several reasons for favoring lending to small farmers. First of all, it provides a direct means of implementing the World Bank's goal of promoting a more equitable income distribution through its projects. In almost all of the LDCs small peasant farmers in the agriculture sector are at the bottom of the income scale.

Second, lending to small farmers has a direct impact on alleviating the problems of unemployment and underemployment prevalent in the LDCs. Both of these problems are aggravated by the limited access which small farmers have to financial markets.

Finally, lending of this sort is desirable from an efficiency standpoint. Smaller farmers often utilize their limited resources more fully than do the wealthier farmers, but they lack resources to cover themselves in periods of crop failure. Often their only recourse in such periods is to leave the farm for the crowded cities.

Question 18. A few countries have received a very large portion of IDA funds (e.g., India). Is the proportion of funds going to these countries going to be reduced in the future so that other countries can get more funds? In what way?

Answer. India and Pakistan have historically received a large share of IDA credits. This proportion, however, has dropped steadily in recent years, and IDA lending to Africa and other Asian countries has increased. It is anticipated that there will be some further development of these trends. In particular, some further decline in India's share is foreseen. At the same time, increased lending to Southeast Asia appears likely.

REGIONAL DISTRIBUTION OF IDA CREDITS

[In percent]

	1961-68	1969-71	1972-73
Asia.....	71.1	70.9	64.2
India.....	48.7	39.6	38.5
Pakistan (including Bangladesh).....	19.9	11.0	7.7
Indonesia.....		14.4	10.6
Other Asia.....	2.5	5.9	7.4
Middle East.....	5.5	4.1	9.5
Africa.....	17.0	21.2	23.9
Western Hemisphere.....	6.5	3.8	2.4

Question 19. What countries are now receiving the most attention from IDA, and is this still based on low per capita income, e.g., below \$120 per year?

Answer. IDA assistance goes only to countries with low per capita incomes and very limited capabilities for servicing external debt. As a general rule, a country is considered ineligible for IDA credits if its per capita income exceeds \$375 per year. (In an earlier period when both the volume of IDA funds and price levels were lower this ceiling was also lower.) In fact, however, the bulk of IDA funds go to the very poorest countries whose per capita incomes are sub-

stantially less than \$375. Over 70 percent has been channeled to the poorest countries—(those with a per capita GNP of \$120 or less)—and increasing attention has been given to countries designed by the U.N. General Assembly as “least developed.”

COUNTRIES WHICH RECEIVED IDA CREDITS DURING FISCAL YEAR 1973

Afghanistan*	Mali*
Bangladesh*	Mauritius
Bolivia	Nepal*
Burma*	Nicaragua
Congo, People's Republic of	Pakistan*
Dahomey*	Papua, New Guinea
Dominican Republic	Paraguay
Egypt	Philippines
Equatorial Guinea*	Senegal
Ethiopia*	Somalia*
Gambia	Sri Lanka*
Ghana	Sudan*
India*	Syrian Arab Republic
Indonesia*	Tanzania*
Ivory Coast	Thailand
Jordan	Turkey
Kenya	Upper Volta*
Korea, Republic of	Yemen Arab Republic*
Lesotho	Yemen, People's Democratic Republic of*
Liberia	Zaire*
Malagasy Republic	
Malawi*	

*Designates countries with per capita incomes at or below \$120 per year (at 1970 market prices.)

Question 20. Do you feel that other countries are giving their fair share to IDA? It will be easier to sell to the American people if we are not bearing a disproportionate share.

Answer. Most countries are contributing to IDA roughly in proportion to their share in the combined GNP of the donor countries. The main exceptions on the low side are the U.S. and France, which account for 43.6% and 8.2% respectively of combined GNP and 33.3% and 5.6% of IDA contributions. On the other hand, the IDA shares of the United Kingdom, Sweden, Netherlands, Norway and Canada are considerably above their GNP shares—collectively almost double.

Thus there is no reason for the American people to believe we are bearing a disproportionate share.

Question 21. What percentage of all world-wide foreign aid and development credits is now being supplied by IDA?

Answer. Owing in part to floating currency exchange rates in 1972 and in part to slowness in reporting data, the value of foreign aid expressed in dollars for the last calendar year can only be estimated in approximate terms. In CY 72 disbursements of Official Development Assistance by DAC members (except for disbursements to IDA) totaled approximately \$8 billion. In this same year IDA disbursed \$303 million. Looked at another way, commitments of Official Development Assistance by DAC members in CY 72 totaled approximately \$10.75 billion (excluding commitments to IDA). In this same year IDA made commitments of \$999 million, or 9.3 percent.

Question 22. We hear continually about the plight of the poorest peoples. Can not the World Bank do more for IDA and more for the poorest peoples?

Answer. It is the firm intention of the World Bank Group as a whole to try to do more for the poorest people of the developing world within the context of effective development policies. As Mr. McNamara said at the recent Annual Meeting in Nairobi, 40% of the world's population exists on incomes of 30 cents a day or less. Since most of these people live in remote rural areas, the task of improving their lot will obviously not be easy. Land and land tenancy reform, better access to credit, assured availability of water, and improved access to public services will be essential in many areas. The Bank by itself cannot assure their fulfillment. But there is no reason to doubt that it can be of vital assistance in working with national authorities towards these ends. There is, of course, constraint on the World Bank's role in that many of the poorest

countries lack the international creditworthiness that would permit them to borrow on IBRD terms. It is for this reason that IDA's credits are of such vital importance in reaching the poorest people.

Question 23. Agriculture now is the largest sector of World Bank and IDA lending. Are we just now realizing that the people are hungrier for food than for power plants?

Answer. Agriculture undoubtedly suffered from relative neglect in the investment plans of the developing countries in earlier years. It wasn't so much that the importance of food and overcoming hunger were unrecognized but there was a feeling that somehow or other agriculture could take care of itself, and that economic development therefore could best be achieved by concentrating organized effort and external capital in other sectors. The mistake in this way of thinking is now widely recognized, aided no doubt by the drastic deterioration of recent years in the global food situation. Most developing countries are now giving agricultural development the much higher priority which it deserves. In FY73 the Bank and IDA committed \$938 million for agriculture up from an annual average of approximately \$410 million in each of the previous 4 years. Further increases are expected in the years ahead.

Question 24. This IDA replenishment is probably one of the largest U.S. expenditures which the taxpayers don't understand. I suspect that not one in a hundred has the slightest notion what IDA does, and not many more understand the World Bank. Would not the task of getting the funds be easier if the Administration educated the people more?

Answer. There is every reason to believe that a better informed public would be sympathetic to additional funding for institutions like IDA. The Overseas Development Council recently published a major study of the attitudes of average Americans toward foreign aid, in which it appeared that a majority of the people respond favorably to the idea of helping the people of other and poorer countries, once the nature of the assistance is made clear to them.

The fact that the President sent a message to Congress on these programs should ensure a wider dissemination of the facts and the rationale of our participation. In addition, in recent months Treasury officials have addressed or otherwise communicated with a number of business, university and other groups in an effort to increase public understanding of the international institutions. This informational effort will be continued, within the limited resources available for this purpose.

[Whereupon, at 11:55 a.m., the hearing was recessed to reconvene at 10 a.m., Monday, December 3, 1973.]

PROVIDING FOR ADDITIONAL U.S. CONTRIBUTIONS TO THE ASIAN DEVELOPMENT BANK AND THE IN- TERNATIONAL DEVELOPMENT ASSOCIATION

MONDAY, DECEMBER 3, 1973

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL FINANCE
OF THE COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:15 a.m., in room 2128, Rayburn House Office Building, Hon. Henry B. Gonzalez [chairman of the subcommittee] presiding.

Present: Representatives Gonzalez, Reuss, Hanna, Johnson, Frenzel, and Conlan.

Mr. GONZALEZ. The subcommittee will come to order. We have members of the subcommittee who are on their way, Mr. Black and Mr. Gardner.

This meeting is a continuation of our hearings to consider bills for further U.S. participation in multilateral lending institutions.

H.R. 11354, provides for further U.S. contributions to the International Development Association for its fourth replenishment, in the amount of \$1.5 billion. This amount will be made available without fiscal year limitation.

H.R. 11666, which will be inserted in the record at this point provides for a further U.S. contribution of \$50 million to the special funds of the Asian Development Bank and \$362 million in ordinary capital, also to be made available without fiscal year limitation. You will note that this is a change from the hearings last week. While we discussed the ADB ordinary capital contribution it was not in H.R. 11355, which you had before you when Secretary Shultz testified.

[The text of H.R. 11666 follows:]

[H.R. 11666, 93d Cong., 1st sess.]

A BILL To provide for United States participation in increases in the ordinary capital and special funds resources of the Asian Development Bank

Be it enacted by the Senate and House of Representatives of the United States of America in Congress assembled, That the Asian Development Bank Act, as amended (22 U.S.C. 285-285p), is further amended by adding at the end thereof the following new sections:

"SEC. 20. (a) The United States Governor of the Bank is authorized to subscribe on behalf of the United States to thirty thousand additional shares of the capital stock of the Bank in accordance with and subject to the terms and conditions of Resolution Numbered 46 adopted by the Bank's Board of Governors on November 30, 1971.

"(b) In order to pay for the increase in the United States subscription to the Bank provided for in this section, there is hereby authorized to be appro-

priated without fiscal year limitation \$361,904,726 for payment by the Secretary of the Treasury.

"SEC. 21. (a) The United States Governor of the Bank is hereby authorized to agree to contribute on behalf of the United States \$50,000,000 to the special funds of the Bank. This contribution shall be made available to the Bank pursuant to the provisions of article 19 of the articles of Agreement of the Bank.

"(b) In order to pay for the United States contribution to the special funds, there is hereby authorized to be appropriated without fiscal year limitation \$50,000,000 for payment by the Secretary of the Treasury."

Mr. GONZALEZ. This morning we are very pleased and very fortunate to have two very outstanding witnesses, Eugene R. Black, former President of the World Bank, and Richard N. Gardner, professor of law and international organization at Columbia University.

We have also the report that was received during the Thanksgiving break from the National Advisory Council on International Monetary and Financial Policies. Later in the proceedings I will ask unanimous consent to place this report into the record of the proceedings of the subcommittee. But I will wait until we have some additional members, if there is no objection—I am delighted that Mr. Frenzel is with us.

I might say, Mr. Black and Mr. Gardner, that Mondays are difficult, and we knew that. However, we have assurances from a substantial majority of the subcommittee that they will be here during the proceedings this morning. Even though we expect that the House will recess, or adjourn, sometime around December 15, it is my hope that we can proceed expeditiously with the consideration of these bills so that we can dispose of them at the end of this week—before the end of this week—on this level and pass them on to the full committee. This is why we are very especially grateful to you. We feel that your testimony is indispensable to us at this time.

So without any further delay I will take the liberty at this time of recognizing Eugene R. Black, former president of the World Bank.

STATEMENT OF EUGENE R. BLACK, FORMER PRESIDENT OF THE WORLD BANK

Mr. BLACK. Thank you, Mr. Chairman.

I am honored to be asked to appear before this subcommittee, as I have been retired now for 11 years, so I am somewhat out of touch with the affairs.

Mr. GONZALEZ. May I say, you hardly look retired. You look refreshed and revived.

Mr. BLACK. Thank you, sir.

As I say, I am honored to be accorded the privilege of appearing before this subcommittee to speak about the participation by the United States in the fourth replenishment of the resources of the International Development Association, in the funding of the new Asian Development Fund to be administered by the Asian Development Bank and in the replenishment of the capital of the Asian Development Bank. As president of the World Bank for nearly 11 years and of IDA from its establishment through its first 2 years, I believe I have some knowledge of the questions that are under consideration by the subcommittees.

Before discussing these institutions may I digress briefly and touch on the subject of multilateral assistance and why, in my view, it is

essential that the United States continue to support development agencies in this field.

One of the principal virtues of putting development assistance on a multilateral basis is that it divides the burden of meeting the costs of such assistance more equitably among the donor countries. Moreover, it permits a more orderly and more rational approach to ascertaining and meeting the true requirements and best interests of the recipient countries.

By channeling funds for development through the multilateral agencies competition among donors is reduced; and, financial and technical assistance are provided solely on a basis of economic considerations.

The multilateral agencies have the distinct advantage of being insulated to a high degree, from the political ups and downs that affect relationship between donor and recipient countries. Consequently, they can and do adopt consistent and continuing policies in their relations to the developing countries. Further, through their broad and diverse experience in dealing with developing countries and with the development process, the international agencies have been able to fashion efficient and flexible techniques for carrying out their operations.

Equally important, aid channeled through the development agencies is free of the "patron-client" relationship that has often proven embarrassing to both parties in bilateral aid programs; and, economic interests and principles constitute the sole basis for development assistance.

The U.S. Government has a long record of commitment to the principles underlying multilateral aid and of support to the various institutions that serve as vehicles for such aid. This is especially true of this country's relationship to the International Development Association.

It was the U.S. Senate that initiated, in 1958, the proposal that led to the establishment of IDA as an affiliate of the World Bank and as a source of concessionary multilateral assistance to the poorest of the developing countries. It was the U.S. National Advisory Council on International and Monetary Affairs that first studied the feasibility of IDA and reported favorably on it. It was Robert Anderson, Secretary of the Treasury in the Eisenhower administration, who carried the idea forward in 1959, by proposing to the World Bank's Board of Governors that the Bank's executive directors formulate articles of agreement for IDA. Incidentally, I can say that I was actively associated with the creation of IDA and I have been its strong supporter ever since.

Subsequent to the establishment of IDA in the fall of 1960, the United States took an active role in negotiations leading to agreements reached by the donor I countries for three replenishments of IDA's resources. In each instance this country accepted the responsibility for contributing about 40 percent of the funds involved.

I shall now turn to IDA's own record of accomplishment, over its 13 years of operations, to illustrate why it has been able to win financial support, on an increasing scale, from the United States, from the other 23 donor member countries, and from Switzerland, a non-member of the Bank yet an important contributor.

One great advantage accruing to IDA is that it is run in effect as an integral part of the World Bank, with the same directorate, management, and staff. When IDA began operations in 1960, the World

Bank had acquired more than 12 years experience in financing and otherwise assisting economic development, and, along the way and most importantly it had also acquired a highly skilled staff.

Further, the Bank, which then and now relies heavily on the investment market for its financing, had adopted policies and standards of operation that insured the soundness and effectiveness of its lending, as well as its continued acceptance as an issuer of high grade bonds and notes by the investment market. These policies and standards apply with equal force to the credit operations of IDA, so that while the terms of IDA loans are "soft," in all other respects they qualify as "hard" loans.

Since 1960, IDA has made more than 400 credits aggregating the equivalent of over \$6 billion in 66 of its member countries. These loans, as you know, are made on highly concessionary terms—50 years to final maturity, a 10-year grace period during which no principal repayments are required, no interest, and a service charge of only three-fourths of 1 percent on outstanding credit balances to meet the cost of IDA operations.

The credits have gone to the areas of greatest need, principally Asia and the new Republics of Africa, where per capita incomes are low, balance-of-payments problems are serious, and yet, there is a strong commitment to development and a willingness to take the necessary steps and to make the necessary sacrifices to achieve it.

Through administration of IDA, the World Bank group has been able to extend the application of its expertise and services to a number of the poorest countries that cannot, under present circumstances, qualify for World Bank lending. In other countries, where the Bank can lend only on a limited scale, IDA credits have been employed to close the gap in external financing requirements for development.

The purpose of IDA credits are similar to the purposes of World Bank loans, although there are differences in emphasis arising from the fact that IDA lends only in the poorest countries. Agriculture and transportation, the latter frequently being related to agricultural development, have accounted for more than 50 percent of total IDA lending. In view of the fact that among the developing countries agriculture is the principal pursuit of some 80 percent of the population and accounts for the bulk of economic activity, this is a natural result. Industrial imports, communications, and various social projects such as education, population programs, and essential services account for the remaining percentage of IDA operations.

Through borrowings from IDA, on terms they can afford, a number of the poorest developing countries have been able to achieve substantial economic growth. This, in turn, has contributed to growth in the world economy and in world trade both of high importance to the interest of the United States and the other donor countries.

As Secretary of the Treasury Shultz pointed out to this subcommittee 2 weeks ago the proposal to increase the resources of IDA is one facet in a mosaic of related actions and negotiations among nations that, hopefully, will lead to an equitable settlement of the problems afflicting the world's monetary and trading system. As the world's leading economic force the cooperation of the United States is essential if a successful conclusion to these efforts is to be achieved.

The agreement covering the fourth replenishment of IDA calls for a contribution totaling the equivalent of \$4.5 billion, a sizable sum indeed. Yet, this amount will cover only a portion of the essential requirements of the poorest countries for concessional development aid.

The U.S. share in this contribution is \$1.5 billion, equal to one-third of the total sum involved, as compared with 40 percent in the third contribution to IDA's resources.

This change reflects changes in the economic status of several donor countries, who, having achieved very substantial economic growth since the establishment of IDA, have expressed a willingness to take on a larger share of the burden of IDA's financing. For example: Japan is more than tripling the amount of her contribution and is increasing its proportionate share in the total replenishment from 5.9 percent in the third to 11 percent in the fourth. Germany is more than doubling her contributions this time, and is increasing the proportion from 9.6 percent to 11.4 percent.

In view of this willingness on the part of other donors to take on a larger and more equitable share of the replenishment and of the improving balance-of-payments position of the United States it would seem clear to me that the United States should continue to cooperate in the financing of IDA.

The proposals before you which relate to U.S. participation in the financing of the Asian Development Bank—and which I strongly support—are relatively modest, but, for the Asian region, are hardly less important.

There are two proposals in number. The first proposal would constitute a grant of \$50 million to be applied to the Bank's Asian Development Fund, that institution's IDA equivalent. That \$50 million is an addition to the \$100 million already authorized but not yet appropriated by the Congress.

The second proposal calls for an increase of \$362 million over a 3-year period in the American share of the Bank's ordinary capital resources. Eighty percent—or \$291 million—would serve as guarantee capital, enabling the Bank to increase its capabilities to borrow money in the world's capital markets.

The Asian Development Bank's need, both for concessional funds and for increased ordinary capital resources, is clear. The justification for American support for the two proposals is clear also.

As in the case of IDA, the United States played a major role in the birth of this Asian institution, yet—in the case of concessional funds made available to the Bank—this country has not yet made a contribution. Other countries have made contributions aggregating \$250 million to these funds and possibly would have made more available if the United States had been willing to bear its share. From personal knowledge, I am aware of this.

I admit freely that I was opposed to the creation of the Asian Development Bank when talk of its formation began in the mid-1950's. I felt that such an institution would undermine the kind of lending standards that the World Bank had worked so hard for so many years to achieve.

My fear proved groundless, however, and later I became known as the father, or maybe I should be called grandfather of ADB, a title I am proud to bear.

Since its beginnings in 1966, the Bank has established itself as both a prudent and creditworthy institution as well as an institution capable of responding to the many and varied problems of an Asian region extending from Afghanistan in the west to Korea in the east, and to the island nations of the South Pacific basin.

The Asian Development Bank has proved to be a leader of the region in harmonizing the interests of the many countries of the area—through its studies on Asian agriculture and transportation, and by its very capable economic analysis of the problems of Southeast Asia in the current decade.

By June of this year—after 5½ years of operations—lending by the Asian Development Bank passed the \$1 billion mark. Its lending to those countries in Asia requesting assistance is equal to about one-half the combined lending in Asia by the World Bank and IDA, a highly creditable achievement considering the relatively short period the ADB has been in operation.

The Asian Development Bank has made its mark on Asia despite a scarcity of resources which can be lent to its poorer developing members at concessional rates. Nonetheless, these scarce resources have gone to those which have needed it most, including the three war-torn countries of Indochina.

Both Asian and non-Asian members of the Asian Development Bank have seen clearly the need for money which can be of use to the Bank's poorest members. Seventeen countries in all have, in the past, made such contributions to at least one of the Bank's three special funds—for technical assistance, agriculture, and multipurposes. Contributions have even been made by some of the poorer of the Bank's members: India, Korea, Pakistan, and Ceylon.

The Johnson and Nixon administrations have sought to let Asia know that America's interests in Asia are economic and humanitarian as well as military and geopolitical by calling upon the Congress to authorize and appropriate funds for the Asian Development Bank so that that Bank could do the job for which it was organized. Congress has yet to accede fully to these requests.

After 7 years, the Asian Development Bank has proved that it works. It has proved once again, the efficacy of multilateral assistance. Since the mid-1800's, America's interests in Asia have never diminished. Indeed, they are greater today than they ever were. The need for American generosity and foresight in the region—especially after 7 years of bloodshed on Asian soil—has never been more clear.

The Asian Development Bank was conceived, at its beginning, to be a partnership between developed and developing nations whose purpose it was to bring economic advancement to the Asian region. No one great country can dominate the Asian Development Bank unless other great countries abandon it.

President Shiro Inoue, of the Asian Development Bank, in his address to the Bank's Board of Governors last April, said that, "It is most important to the Bank that [its] resources mobilization be fully multilateral.

"One of the great strengths of this Bank," he went on to say, "has been its broad base of both regional and nonregional members. That

base must not be narrowed. We must maintain our fully international character."

Only last October, representatives of the governments of the Bank's developed member countries, agreed on arrangements to provide the institution with \$525 million in contributions to finance concessional lending operations through the end of 1975.

This administration is asking the Congress this year for authorization to commit less than 10 percent of that total. Given its strength, its economic position, and its status as a Pacific power, can the United States then do less than that? I would hope the answer to be "No."

Now, Mr. Chairman, I have some figures here that I think would be interesting to this subcommittee. The World Bank in the 5 fiscal years ended June 30 has borrowed \$6,794 million. This is where they have sold their own bonds. Now, they have borrowed this money partly in the United States and partly in other countries. Of this \$6,794 million, only \$1 billion was borrowed in the United States, and \$5,732 million was borrowed in other countries. This is a fact that is not generally known.

Now, they have borrowed money in Belgium, Canada, France, Germany, Italy, Japan, Kuwait, Libya, Lebanon, Netherlands, Switzerland, the United Kingdom, and central banks in some 70 countries.

Another fact that may be of interest to you because of present Middle East problems is that in the Middle Eastern countries, where there is an enormous amount of money, in these same years the World Bank has borrowed \$624 million. They have sold six issues of bonds in Kuwait, totaling \$439 million. They have sold one issue in Lebanon, two issues in Libya, and two issues in Saudi Arabia. The total amount is \$624 million. As a matter of fact, in the last 2 years, they have sold more bonds in Kuwait than they have in the United States. That is all I have to say.

Mr. GONZALEZ. Thank you very much, Mr. Black. I think those statistics you presented are eloquent in themselves. They will be included in the record.

[The information referred to follows:]

BORROWINGS BY THE WORLD BANK

[In millions of U.S. dollar equivalents]

	U.S. markets	Other markets ¹	Total
5 fiscal years ended June 30:			
1969	\$237	\$987	\$1,224
1970		735	735
1971	400	968	1,368
1972	425	1,319	1,744
1973		1,723	1,723
Total	1,062	5,732	6,794

¹ Includes: Belgium, Canada, France, Germany, Italy, Japan, Kuwait, Libya, Lebanon, Netherlands, Switzerland, United Kingdom and Central Banks in some 70 countries.

BORROWINGS IN THE MIDDLE EAST AND NORTH AFRICA

Market country	Number of issues	Amount, U.S. dollars million equivalent
Kuwait ¹	6	\$439.0
Lebanon	1	30.1
Libya	2	135.1
Saudi Arabia ²	2	30.0
Total	11	624.2

¹ Most recent of these issues was offered in Kuwait on Nov. 28, 1973—KD25,000,000 (equal to US\$84,000,000) of 7½ percent 15-year bonds, due 1988, offered at par.

² Holdings by Saudi Arabia consist of 2 purchases of \$15,000,000 each, of 2 U.S. dollar issues sold by the Bank in 1968.

Mr. GONZALEZ. Thank you very much.

Mr. Gardner.

STATEMENT OF RICHARD N. GARDNER, PROFESSOR OF LAW AND INTERNATIONAL ORGANIZATION, COLUMBIA UNIVERSITY

Mr. GARDNER. Mr. Chairman and members of the subcommittee, I feel deeply privileged to have been invited here today to testify on this important legislation, and particularly privileged to share this witness stand with Eugene Black, who has done more than perhaps any other American on behalf of a constructive international economic system, and specifically on behalf of these two important institutions which we are talking about today.

I feel very strongly that this legislation is vitally important. My conviction derives from having been closely involved with these matters for some years as Deputy Assistant Secretary of State in the Kennedy administration, as the author of a book "Sterling-Dollar Diplomacy," which tries to trace the history of the Bretton Woods institutions, and currently as North American director of a new project of the Trilateral Commission dealing with relations between the industrialized world and the developing countries.

The Trilateral Commission, Mr. Chairman, is a group of private citizens from Europe, North America, and Japan, who are trying to figure out how we can strengthen cooperative relations between the principal centers of economic power.

Now, Mr. Black has so eloquently described the purpose of this legislation and the work of the agencies that I shall focus on instead of the central question which I know concerns the Congress—namely, why should the United States at this point in our history make resources available for aid to developing countries—at a time when we have so many problems here in our own society: An energy crisis, an environmental crisis, an inflationary crisis, and deep pockets of poverty? What is the case? How do we explain this when we are called to account by the American people?

I am going to make some general observations about this, and then some very specific comments in the light of the current Middle East situation and the energy crisis.

The first answer I would give to the question is that the amounts of resources which are involved in this legislation and related legislation are very small in terms of our total capabilities. Mr. McNamara estimated in his speech in Nairobi that if the industrialized countries

moved steadily toward the Pearson Commission target of giving seven-tenths of 1 percent of their gross national products in assistance to the developing world, and were to achieve that 0.7-percent target by 1980, the industrialized countries would be giving up only 2 percent of the additional wealth that they would achieve between now and then. Now, the figure may be slightly higher for the United States because we are 15 out of 16 in the OECD world in terms of assisting other countries in relation to our resources and our capacity.

I emphasize this because I don't think this is realized by the American people. We can meet our responsibilities for development by giving up about one-thirtieth or one-fiftieth of the extra wealth that we can expect to have between now and 1980, given the growth rates of recent years. So we are not asking our people to give up in absolute terms what they now have, but only a small fraction of the increase in their income. There is no reason why, with sound management of our affairs, we cannot do this and still meet all the legitimate needs of our own society.

Now, the other side of the coin in answering this question, it seems to me, is that we must do this, we must participate in this multilateral system of assistance, both as a matter of morality and as a matter of enlightened self-interest. I will not dwell on the moral argument, because it has been my experience that people are moved more by perceived self-interest than by altruism. But I would just note it. I agree with the famous statement of the late President Kennedy that we must do it because it is right. I think it is a basic obligation of any civilized person or any civilized government to participate constructively in helping less fortunate members of the community.

But most of what I have to say, Mr. Chairman, will focus on the argument of enlightened self-interest, which I feel rather strongly is not yet sufficiently perceived by the people of this country. We need the cooperation of the less developed countries on a broad range of issues which vitally affect our security and welfare. We need their raw materials. We need their markets. We need their cooperation in the protection of our foreign investment and in meeting their obligations of debt repayment. We need their cooperation in reforming the international trading and monetary system, in negotiations on the law of the sea, in curbing the frightful rates of population growth and in protecting the global environment. I could mention many other subjects.

We are not getting this cooperation today. I recently returned from a tour of five countries in Africa under the auspices of the Department of State and U.S. Information Agency. I am bound to say to this subcommittee that I came back deeply troubled. In this part of the world our motives are questioned. They feel, rightly or wrongly, that we have neglected their legitimate interests, not just with benign neglect, but some of them even talk of malign neglect.

Many of the things that were said during this trip I thought were extreme, uncalled for, exaggerated. But the fact is that it is the perception of many countries in the developing world that the United States has written them off. In its concern with the normalization of relations with the Soviet Union and China—an objective that I strongly endorse—and now with our closer look at relations with Europe, which is now long overdue, we have not found sufficient time

to deal constructively with the two-thirds of humanity that live in the developing world.

So the central point I wish to make to this subcommittee today is that this legislation and related legislation provides a key test of our political will and our ability to participate constructively in relations with the developing world. What we do, in my judgment, will fundamentally determine their response, whether it is constructive or destructive of our interests and the common global interest.

Now, I do not want to be misunderstood. I am not making the argument that the developing countries can be bribed with a few handouts. That is not the issue. The issue is whether we are going to cooperate in this historic effort to internalize the wealth-creating processes within these societies, the processes that have made our country great. This is not a question of redistributing world wealth. This is a question of internalizing the wealth-creating process within these societies. General Gowon, representing the Organization of African States, eloquently stated the position of the developing countries in his speech recently to the United Nations General Assembly. I would like to quote it to this subcommittee as an example of what a constructive leader of a friendly or reasonably friendly developing country is thinking.

Mr. GONZALEZ. What country is it?

Mr. GARDNER. Nigeria. He came not only as the President of Nigeria, but representing the Organization of African Unity, of which he is now the President.

"We believe," he said, "that the time has come for the rich in this organization"—meaning the United Nations—"to ponder seriously on the danger of being surrounded by so many poor. In their own self-interest, if not for the sake of humanity in general, the rich nations should at least give us an even chance of pulling ourselves up. It is no longer our intent to go cap in hand to the door of the rich. What we want and demand is the opportunity for our own people to be afforded a chance of acquiring those skills and those elements of technology without which no decent and progressive economic system can be structured and maintained in a modern world."

Now, if the subcommittee will indulge me, I just want to put a few footnotes on this general point of how much we need the cooperation of the developing countries, and why this should not be regarded by the American people or by the American Congress as some kind of giveaway program which has no basis in national interest.

Let's just take a few of the subjects I mentioned a moment ago. Let's take raw materials. I need hardly underline to this subcommittee how much this country is becoming increasingly dependent on the developing world for vital raw materials, things like oil, copper, tin, bauxite, uranium—the list could be extended at length.

In view of the situation we now face in the Middle East it is very important that we maintain good relations with the key suppliers of these materials. If the Arab countries are going to deny us their oil, how much more important it is that we maintain strong cooperative relations with other oil-producing countries like Nigeria, Indonesia, Iran, and Venezuela.

In this morning's newspaper, Mr. Chairman, there is a very instructive article entitled "Nigeria's Oil Gains New Importance for

the U.S." It tells how the Nigerians are now in the process of deciding how much if at all they should increase their oil production——

Mr. CONLAN. Wasn't that in the Post?

Mr. GARDNER. In the Washington Post—to make up for the shortfall caused by the Arab embargo. It is very interesting too that this article describes how Nigerian President Gowon, whom I quoted earlier, came to this country in October to speak to the General Assembly. He had a meeting with President Nixon scheduled. The meeting was canceled because the President had to fly off to Key Biscayne. The article said, "the incident was seen here as a snub"—here being Lagos, Nigeria—"and it sparked a press campaign against the U.S. policy of support for Portugal's African policies and for South Africa. There was a call for reexamination of relations with Washington."

With your permission I would like to place this in the record.

Mr. GONZALEZ. Without objection it is so ordered.

[The article referred to follows:]

[From the Washington Post, Dec. 3, 1973]

NIGERIA'S OIL GAINS NEW IMPORTANCE FOR U.S.

(By David B. Ottaway)

LAGOS, NIGERIA—This bustling West African nation is in the midst of an oil boom, and the Arab boycotts and production cutbacks have suddenly thrust it into the limelight as a major source of fuel—particularly for the United States.

Unlike most of the Arab oil states, which for political or conservation reasons have now cut back substantially on production, Nigeria is slowly but steadily increasing its exports. They are expected to reach at least 3 million barrels a day in 1975.

This makes Nigeria one of the few oil producers able and still politically willing to increase its production significantly to help ease the West's energy crisis.

Already nearly 40 percent of Nigeria's roughly 2 million barrels of daily production is finding its way directly or through the Caribbean to oil-hungry American markets, making this country now the United States' third most important source of imported oil and petroleum products, after Canada and Venezuela.

Nigeria's nearly sulphur-free petroleum is in such demand now that one American company has bid an astounding \$16.80 a barrel for oil now being marketed by the new Nigerian state oil company—but the far the highest price yet paid for oil.

Furthermore, Nigeria has rich gas reserves, and it is now studying projects to export nearly 2 billion cubic feet daily of liquefied natural gas to the United States.

But relations between Nigeria and the United States suddenly took a turn for the worse in early October, when President Nixon canceled a scheduled meeting with Nigerian leader Gen. Yakubu Gowon in Washington to fly off to Key Biscayne.

Gowon was in New York to address the United Nations as President of the Organization of African Unity. The incident was seen here as a snub, and it sparked a press campaign against U.S. policies of support for Portugal's African wars and for South Africa. There were calls for a re-examination of relations with Washington.

The incident, said a respected newspaper, the Nigerian Observer, "should drum it into our heads that America is not our best friend . . . America is on a chum-chum relationship with the countries and governments which we consider the enemies of Africa."

Paradoxically, the incident occurred just days before the outbreak of the latest Middle East war, which led to the Arab embargo of oil to the United States and made Nigeria so strategically important.

U.S. embassy officials here say that their persistent warnings to Washington that Nigeria must be taken more seriously have long gone unheeded.

Now Nigeria is coming under considerable pressure from the Arab oil states not to step up its production, of which more than 50 per cent flows to the United States and the Netherlands, the two states most seriously affected by the Arab embargo.

A recent article in one oil company's local news bulletin announcing that several new fields had begun production, sparked immediate inquiries from Arab embassies whether Nigeria was taking advantage of the Arab cutbacks and embargoes.

Oil Minister Ali Shettima Monguno issued a carefully worded statement Nov. 6 saying Nigeria would consider it "an act of bad faith" toward the Arabs to "increase its scheduled production." But he gave no hint that Nigeria intended to cut back.

In fact, the companies have received no orders to curtail or even modify their plans for expansion, according to oilmen and Western diplomats here.

The first sign that Nigeria was starting to link oil and politics came last month when the Organization of African Unity called for an oil boycott of South Africa, Portugal and Rhodesia. It remains to be seen whether Lagos will next use its oil influence to press Washington to change its African policies.

To date, Western oilmen and diplomats have been impressed by the pragmatic approach of the Nigerians in dealing with the companies. Primarily, Nigeria is trying to get more government revenues, to deal with its overwhelming economic and social problems.

This quest, oil experts say, explains why Nigeria suddenly decided to nearly double the posted price of its oil to \$8.31 in early November, a price surpassed only by radical Libya.

This boost doubled Nigeria's revenues from each barrel of exported oil to \$4.70, assuring it at least \$3.8 billion income next year.

While Nigeria still does not have a clearly articulated oil policy, Western diplomats say Nigerian decision makers are increasingly influenced by the policies of Arab oil producers. Last week, Nigerian Oil Minister Shetima visited Iraq, which recently nationalized American oil interests, and Kuwait, which now demands a controlling interest in Western oil company operations.

"They are never very far beyond the Arabs, but they have never been out in front with their policy, either," said one Western diplomat who has followed closely the evolution of Nigerian thinking on oil matters.

Still, it is clear to Western oilmen here where the Nigerians are headed.

"They are looking for effective control of the industry," said one American oil company official. Probably the greatest restraint, according to Western oilmen here is Nigeria's lack of expertise and trained manpower to run the fields and their own company. The Nigerian oil industry is only eight years old.

Nonetheless the Nigerians—whose oil industry grew at an annual rate of 41 per cent between 1967 and 1972—are regarded as far ahead of countries such as Libya in technical expertise and they are already training geologists.

The Russians have agreed to set up a technical school to train 250 students a year for the industry and are providing Nigeria's two-year-old state oil corporation with specialists and geologists.

The Nigerians have set up a quota system, under which each oil company is given a specific deadline for replacing expatriates at all levels.

In April of 1972, Nigeria decreed that no more oil concessions would be given out and that new oil companies breaking into the industry here would do so only as minority partners of the state.

This squeeze has left the two major American producers, Gulf and Mobil, wondering what fate awaits them in negotiations that have been dragging on since early this year. Gulf, the second-largest operator, is now producing about 380,000 barrels daily; Mobil, which ranks third, about 240,000.

In deals over the past year, Nigeria gained a 35 per cent holding in the Shell-British Petroleum consortium, which accounts for 1.3 million barrels, or 62 per cent of Nigerian production. The country is to obtain a 51 per cent interest in 1962. In several other producing companies it took 33 to 35 per cent.

Nigeria acquired an immediate 51 per cent share in the operations of five other companies given new exploration and drilling rights, among them the maverick American independent, Occidental.

In the latest deal with foreign operators, the American independent Ashland Oil agreed to a simple service-type contract with the Nigerian state oil com-

pany. Ashland is to get a slim 35 per cent of any oil produced up to 50,000 barrels and only 30 per cent thereafter.

Nigeria presently has Western oilmen in a dither over the price at which it will sell about 300,000 barrels daily of oil that the state company now obtains through participation arrangements and royalties paid in crude oil rather than in money.

The bidding has been ferocious, with around 150 companies involved.

If Nigeria sells oil at \$15 or \$16 a barrel, as most oilmen here expect, another round of enormous price hikes in the Arab world is almost certain to occur. So, for the first time, Nigeria is in a position to lead the oil producers in determining prices.

Nigeria is not regarded as another Kuwait or Saudi Arabia, but American oilmen here say that prospects for a significant expansion of the oil and gas industry are bright.

While it will probably take another two years before the full potential is known, some oilmen say they believe Nigerian fields will be able to produce between 3 and 4 million barrels by late 1975 or early 1976.

Its estimated reserves are around 12 billion barrels, compared to Saudi Arabia's 150 billion barrels. But new discoveries are being made almost daily here.

Extracting oil here is tough and expensive, according to experts. Nigeria's 84 producing fields are across a 200-mile long and 100-mile wide strip of swampy land in the Niger River delta, and offshore along the same area.

The cost of extracting the oil runs as high as 50 cents per barrel, compared to the 4 to 10 cents spent in Saudi Arabia or Kuwait.

The Niger delta is perhaps even richer in gas than in oil. Nearly 2 billion cubic feet of gas is flared off daily, and reserves are estimated at 40 trillion cubic feet.

Mr. GARDNER. My point is neither to confirm nor deny the particular incident about the cancellation of the meeting with the President. But the point is a more general one. This is symptomatic of the vital importance of the relations we have with these countries and how important it is that we deal with them on a perceived basis of mutuality, reciprocity, and self-interest. Should we fail to do so, we will pay a very high price.

Now, I have mentioned raw materials. We can go on through the list very briefly.

MARKETS

The developing world represents markets of about \$15 billion for U.S. exports. This is going to grow. Potentially it might be the fastest growing area of our export potential.

Again, based on my African trip, I might say I think it has been sadly neglected. I went through Nigeria and I found that the British and other countries were way ahead of us in export promotion. This is another subject, which is not before the subcommittee. But I think with proper attention we could achieve a great increase in markets for American exports.

Mr. JOHNSON. You mean exports from the United States to that country?

Mr. GARDNER. That is correct.

Mr. GONZALEZ. Not exports from them to us.

Mr. GARDNER. My first statement was on raw materials. We need their raw materials. That is the first part of it. Also they provide a market for the export of our products to them. There is a basis here for mutuality of interest. I think the case for the kind of legislation we are considering today has to be understood in terms of our growing dependence on them for their raw materials and the usefulness to us of expanding their markets for our exports.

Now, another issue is the network of financial relationships. We have approximately \$23 billion of direct investment in the developing world. I need hardly emphasize to this subcommittee how vulnerable that could be. If the developing countries feel embittered by our policies, if their failure to make greater progress in development drives them into extreme leftwing governments and irrationality, much of that investment will go down the drain.

Then there is the question of the \$40 billion of credits which we have outstanding to these countries, some \$25 billion in Government credits and \$15 billion in private loans. Those could be repudiated unilaterally by them if we do not have a cooperative relationship based on understanding.

Then we need their cooperation, Mr. Chairman, in these very important upcoming negotiations that are now underway on a variety of matters of vital concern to us. We want to reform the international trading system. They represent nearly two-thirds of the members of the General Agreement on Tariffs and Trade. Unless we can bring a substantial number of them along, we are not going to get the new rules of the international trading game which we need to give us a fair shake in world trade.

The same is true in international monetary reform. Despite the weighted voting system the developing countries have enough votes to block any amendment of the International Monetary Fund.

So international monetary reform requires their agreement, at least a substantial number of them. They have about 27 percent of the votes. You require 80 percent to amend the agreement. So again their cooperation and participation is to some extent essential. They represent 9 members out of the group of 20.

The Law of the Sea negotiations, a matter on which I feel rather strongly. I am serving as a member of the U.S. Advisory Committee on the Law of the Sea, and I am deeply concerned about the progress of these negotiations. The prospects are not entirely reassuring at this time. We face very difficult negotiations to delimit the territorial sea, to resolve fishing and other rights in a coastal state preferential area, to define the right of passage through international straits. There are over 100 international straits of importance to us and our allies, many for security reasons, for these Polaris and Poseidon submarines, as well as for maritime commerce. Then there is the question of the right to exploit the seabed and ocean floor. These are all vital issues for us. Again, in my Africa trip, I found very little sympathy or understanding for the American position on these subjects. Indeed, there was one gentleman, I would not identify him or his country, who after I explained the American position, said, no, it does not sound unreasonable, but if it is such a good position, how come the United States is proposing it? In other words, "fear the Greeks when bearing gifts." That rather took me aback. But that is the mood in many parts of the world and we have to reckon with it.

On environment, at Stockholm and since, we have been urging the developing countries to play their full part in cleaning up the world, in stopping the pollution of the ocean which affects us, and protecting wildlife which concerns us, and cleaning up the air and not using any more DDT than is necessary so that we don't poison all the fish and the wildlife. Why should they cooperate, they say, unless we show

some decent concern for their basic priorities and development needs and meet some share of the extra cost they will have to bear as part of their environmental obligations?

One more example—and I will close with this—is this population problem. I recently chaired a conference of experts on population preparing for this World Population Conference that will take place in Bucharest next summer. The experts agreed that we faced a stark choice. We could perhaps hold world population, which is now about 4 billion, to about 8 billion if we start now a massive program of economic development and family planning in the world. World population is going to double at least, even with a massive birth control program, because of the built-in momentum of population growth. But if we fail to undertake these world development and family planning efforts, the experts figure that by the end of the next century we will not be facing 8 billion people, we will be facing something on the order of 16 to 20 billion, which in their view would condemn all of us, Americans included, to a dreadful future in terms of our quality of life.

Now, some people still think that this population matter is just a question of getting out some more pills or intrauterine devices, or having a few million more sterilizations. But we know it is much more complicated than that. Recent evidence has accumulated that family planning will only work in a society which is moving up economically, in which real income is increasing, in which the distribution of income is improving, in which there are jobs, in which there is education, in which there are health and social services—the kinds of things that the International Development Association and the Asian Bank are increasingly putting emphasis on and will put emphasis on if they have access to these concessional funds which we are talking about today.

So to sum up this part of my testimony, I think we have to strike what I would like to call a “world order bargain.” The world order bargain is that we do our fair share toward world development in the expectation that the other members of the world community will do their fair share on matters in which we have an essential interest.

Now, I promised to say one or two very specific things about the current Middle East situation, because someone might well say, well, in the light of this energy situation in the Middle East, what is the case for this legislation?

Well, I think there are two very specific things that should be said. We are now moving into a new world, a world in which access to markets, which was the thing that preoccupied us for 30 years after World War II, is being overshadowed by access to raw materials, a world in which we may face the cutoff of things we desperately need under political and other pressures.

Not only the Arab countries are doing this. Sixteen African countries, as reported recently in the New York Times, have said that unless the United States changes its policies on Southern Africa, these 16 countries will cut off all exports to us. Now, they don't have the kind of leverage the Arab countries have, but some of them have some leverage.

I mention this because I think we have to put ourselves in a position to deal with this new situation. We need some new international law

on this, Mr. Chairman. When Roosevelt and Churchill met in 1941 on a destroyer off Newfoundland and proclaimed the Atlantic Charter, they called in their fourth paragraph for "access, on equal terms, to the trade and to the raw materials of the world." Now, we have been emphasizing, as I say, access to markets, but not access to materials. I think in the international financial institutions and in the UN our representatives are going to have to put a lot more emphasis on access to supplies as well as access to markets.

To give just one example, Secretary of State Kissinger in his speech to the General Assembly announced that we would support the Mexican initiative for a new charter on the economic rights and duties of states.

I asked some friends in the U.S. Government whether that charter as it is presently contemplated says anything about securing access to supplies. It does not. Why not? I asked.

Well, I was told the United States was afraid to raise that subject because we cut off other peoples soybeans and agricultural exports last spring, and we don't think we want that subject raised.

Well, I think we have got to look beyond this. We have got to undertake fair obligations not to cut off others and demand the same thing from those who have things that we need for our every economic survival.

The second and final point—and I will close with this—another subject related to the Middle East situation which people have not yet zeroed in on. That is all this Arab oil money and what it means for our future and the future of these international institutions. The Arab countries are now getting something in the order of \$20 or \$30 billion a year that they have to play around with. Some of it they can use in their own societies, but much of it they can't spend there. It is available for all kinds of foreign lending and foreign spending. That means, Mr. Chairman, that the United States and the international institutions no longer have a monopoly position when it comes to supplying international assistance.

As a result of the recent meeting in Algiers, it looks as if some institution is going to be set up in which the Arab oil producing countries are going to make investments in Africa and elsewhere.

Now, they may say, the Arab countries, "We will give you the money if you promise to hate Israel." I think we have to reckon with that possibility, and provide countries like the poor countries of the Sahara region and the poor countries of the Indian subcontinent with some alternative sources of help if we are to enable them to pursue objective and reasonably independent foreign policies. So I think this adds another important element to the case for strengthening these international financial institutions to help countries who otherwise would be subject to blackmail by those who would use money for short-term political purposes.

This essentially concludes what I have to say. To wind up, I will just quote something which I read recently from a distinguished Member of the U.S. Senate, Senator Hubert Humphrey, which says it all in a paragraph better than I could possibly say it:

America's foreign policy at this time has little room for those nations where most of humanity lives. I submit that such a policy is not only bad morality, it is bad security, bad economics, and bad diplomacy as well. We have got to make

this world work, and it will not work for the most fortunate unless it works reasonably well for the forgotten majority. We have no choice but to meet this challenge.

Thank you, Mr. Chairman.

Mr. GONZALEZ. Thank you very much, Professor Gardner, for an excellent contribution. I can assure you it will be most valuable to us.

We have a time limitation with respect to President Black. Therefore, I think we can limit ourselves to the usual procedure and insure that he can leave here by 11:30.

The general question I had, Mr. Black, is really a question that we will have to answer here. But you are not only a great internationalist, you are also a great American. You are aware of the flow of things domestically. How could you answer the question of our colleagues, how can the United States support or contribute to these institutions now at this time when it looks like we can't take care of all of our own needs and the poor in our country?

Mr. BLACK. That is a difficult question to answer. But the other countries, the other donor countries, have got the same problem. I don't think there is any difference. They are facing problems of inflation just as much as we are. I think that we should cooperate with the other countries of the world.

Now, at the meeting in Nairobi, the donor countries agreed, and Secretary Shultz agreed, that the American share, subject to congressional approval, was a figure of \$4½ billion. Now, if the United States does not contribute their share, or does not contribute at all, I think there will be quite a setback to the other countries. I am sure that they will cut down the figures that they were talking about, so that the \$4½ billion figure will be very greatly reduced if we don't contribute your share.

Mr. GONZALEZ. Last year the World Bank approved a transfer of \$110 million to IDA. Could the Bank transfer a larger amount of funds for the poorest countries? Do you consider that a feasible approach, or a desirable one?

Mr. BLACK. I am just not familiar enough with the situation of the banks today to say whether that is the maximum they could do or not. I don't think I could answer that question.

Mr. GONZALEZ. Thank you very much, sir.

Mr. BLACK. I would like to add one thing to Professor Gardner, talking about the Middle East.

Mr. GONZALEZ. Certainly.

Mr. BLACK. He mentioned the amount of money that they have got. I think this amount of money that they have got is very important; I think this is just as important in some ways as oil, as far as the influence that they can wield. He said that today the Middle Eastern countries have got an annual income of around \$20 billion. Now, that includes Kuwait, Saudi Arabia, Iraq, Iran, Libya, Abadan—I think that covers it—they have an income today of \$20 billion. Now, it is estimated that by 1980 that income will reach \$80 billion a year. This is an awful lot of money. As I mentioned in my statement, the World Bank has been able to sell bonds to a very large extent in the Middle Eastern countries. I should hope that they would do even more. I should hope that the Middle Eastern countries will contribute more and more to IDA. This is the biggest amount of money that I know of in the world today. They can use this to exercise great influence.

Mr. GONZALEZ. That is a very important point, sir.

Mr. JOHNSON.

Mr. JOHNSON. Thank you. I certainly want to welcome both of you gentlemen here today. It is nice to see you again, Mr. Black.

Mr. BLACK. Thank you.

Mr. JOHNSON. I have traveled with you on some very wonderful trips abroad where we have seen some of the things you were talking about this morning. I guess you recall it.

Mr. BLACK. I certainly do.

Mr. JOHNSON. Mr. Gardner, I thought you made a very scholarly statement, a little more liberal perhaps than some of us were accustomed to, but you expressed yours well and gave us some very interesting ideas.

I started out, as I often said, when I first came to Congress, on a platform of being against foreign aid. Of course, after I had traveled around the world and saw the things that we do, and that we can do more of, I kind of changed my views. However, I get less than enchanted over what has taken place in the last year or two. I was just reading over this weekend how we have done in the past a very fine job in Libya. We have done some wonderful things for them. Now nobody could be more bitterly anti-U.S. than Libya. I think Mr. Gonzalez and myself both share with both of you here ideas and your views on the necessity of the United States to do the things to remain a strong member of the families of nations and share our wealth and do the wonderful things that we would like to do. But we are going to have a real tough time of it.

I was just thinking, you fellows probably were talking to the wrong group this morning. We thought that we would have a joint meeting between ourselves and the Appropriations Committee, and to try to get a meeting of the minds on this. We may still have to do it. But I can't help but feel that having visited quite a few of the projects that we have in Africa, for instance, I am amazed, Mr. Gardner, at the rather hostile attitude they are taking against us now, because although we have not been too generous, let's say, in the past, we have paid our share, and done it willingly. I think as a nation we are way over the \$100 billion mark since World War II on what we have done in the foreign aid field, both direct and through these multilateral institutions.

There is a real problem facing us. We want to help these markets. I agree with what you say, we need them, we need their markets, and we need their cooperation. All I can say is that we will do everything we can to replenish these funds, because there is not any question how vitally necessary it is.

Do you have any ideas how Members of Congress can be convinced that we should continue to support these people? Maybe you would like to say something about this, Mr. Black. You have had a lot of experience with Congress.

Mr. BLACK. I don't think I can advise you what to do.

Mr. JOHNSON. You don't?

Mr. BLACK. No.

Mr. JOHNSON. How about you, Mr. Gardner? Do you have any ideas on this?

Mr. GARDNER. If Mr. Black does not know the answer, I am sure I don't I can speculate if you wish, all fingers and toes crossed, because I don't pretend to know how this could be done.

I think we have maybe a communications problem here. That is to say, although we have got an open society in the United States with lots of communication going on, it does not always result in real communication, because we have certain groups that have a certain view and other groups that have another view, and they don't really talk to one another. But I wonder if we could not organize meetings in Washington or in New York between Members of Congress, foreign diplomats, ambassadors, U.N. representatives, representatives of the international agencies we are talking about, and maybe a few of us from the academic world, to talk over these questions and see if we could share insights into them, and maybe reach a better understanding of what is in the American and international interest.

Mr. JOHNSON. You are not contending here this morning, are you, that if we replenish these funds and remain, as I say, a viable member of the family of nations, the fact will restore their confidence, so that the next time you will take a trip through there, they will say, well, the United States is really great? It will take more than that, I believe.

Mr. GARDNER. It will take a lot more than that. I feel a little awkward making this case for this subcommittee, because all through Africa, you will understand, I was defending the United States most of the time and pointing out what you just said, Mr. Johnson. We have done quite a lot in Africa and elsewhere. I don't like to be in a position of apologizing for my country. I don't want to be misunderstood here. We have done some very fine things in our history. We initiated the whole Bretton Woods experiment, and we supported its work. It was the Senate and the House of the United States that initiated the International Development Association, and we initiated the Asian Bank. So we have got a good record. But maybe in the last couple of years we have begun to—well, not quite live up to our fine history in this regard. As Mr. Black pointed out, the limiting factor now in the negotiations for the replenishment of these institutions is no longer these European nations and Japan who 10 years ago were refusing to match our contribution, now it is the other way around, we are refusing to do as much as they are willing to do. I don't like to see the United States in that position.

I would not pretend to this subcommittee that just because we pass this bill that it will cure all our troubles with the developing world. It will help. It is a step. If we don't pass this bill, I think that will be another barrier to improving our relations with these nations. But I think in addition to this legislation, we are going to have to move on a number of other fronts. We are going to need to consider anew the idea which Congressman Reuss has done more than anyone I know to promote, that in any international monetary reform, special drawing rights should be made available to the international financial institutions for concessional lending to developing countries. That is something we have to look at again.

We have got to look at tariff preferences for developing countries. We are the only major industrial country that has not adopted them.

We are going to have to look again at our ideas of sharing revenue

from the exploitation of the seabed to see if we can come up with a package that is in everyone's interest. In other words, I think there is a whole range of relationship here of which this legislation is only one part.

Mr. JOHNSON. Thank you. My time is up.

Mr. BLACK. May I comment.

Mr. GONZALEZ. Go ahead, Mr. Black.

Mr. BLACK. Professor Gardner has encountered animosity against the United States in African countries. I think one of the arguments toward reducing that animosity is to have more of your aid on a multilateral basis. I think that would cut down the animosity against the United States. I think that if the aid were more on a multilateral basis, and if it was known that the United States was contributing their proper share to this, that there would be less animosity in the future such as he is talking about.

Mr. JOHNSON. Rather than our being the big brother and giving direct aid, we would join with other nations and share the honors?

Mr. BLACK. That is right.

Mr. GONZALEZ. Thank you.

Mr. Hanna.

Mr. HANNA. Thank you, Mr. Chairman.

I have been very impressed by the testimony of both of you gentlemen. Of course, I expected to be impressed with your presentation, Mr. Black. I count it as one of the unusual experiences of my life to have been able to travel with you when we were considering the setting up of the Asian Development Bank. As you indicated, that institution has more than justified the faith that you and the earlier framers held for it.

Looking at our problems in getting this legislation passed, I wonder if both of you gentlemen would comment on this observation. It seems to me that there is a dual obligation that we have failed to see involving developing countries, and that is not only to make available money, but to make available the assistance to intelligently absorb that money. It seems to me that capital absorption is a great problem for these countries. Whereas it is my belief that we can best, as you have said, Mr. Black, extend our money through international organizations, we should not let down on our unilateral systems in this whole problem of making the most intelligent absorption of that capital in the interest of the countries that are getting the loans, and in the interest of developing the very kinds of things that you described, Professor. I would like to have your comments on that.

Mr. BLACK. Well, I agree with you as to the importance of that. As a matter of fact, if you do not supply the skills that are needed in working out a proper development program, the money is going to be wasted. I think it is just as important as money.

Mr. HANNA. Would you not agree, Professor?

Mr. GARDNER. I would.

I would like to develop the point further, if I might. That is one of the great strengths of the World Bank group, that with the capital goes this tremendous concentration of know-how and planning. There is no other set of institutions in the world that can make that statement, that has all this expertise drawn from all over the world available to insure the wise use of these resources.

Again referring to this trip I took in Africa, I was enormously impressed in each of the five African countries I visited to see the number of African alumni of the World Bank group who are now in key positions, Africans who had served with the staff of the World Bank, or with the International Monetary Fund, who had been here as Executive Directors in Washington, or as Governors, and has been to meetings of the Bank. Many were at the Bank's Economic Development Institute and they have gone back to their countries and now they are running the central banks, they are ministers of development, or are in charge of other key matters. These are the people I found the easiest to talk to and who were the most reasonable on the issues we discussed, because they shared with all of us some basic understanding on how to make the world economic system work.

Mr. HANNA. There is one other problem that I think we may very well be faced with by the time we get on the floor with this legislation. Setting aside the politics of the problem, and looking at this purely in a banking way, what would you suggest or foresee or advise in the problem of the Chinese on Taiwan and the People's Republic of China? As you are both well aware at the present time, the membership of the World Bank and the membership of the Asian Development Bank includes the Chinese of Taiwan. They have relationships both as borrowers and as depositors or investors in both of these institutions. What kind of help can you give us as bankers or as students of these two institutions, in terms of assessing what reasonably can be done? I have been given to understand that continuing and very active pressure will be present, and we can't tell at what time there may be some turnaround in terms of promoting, I would suggest, the change in the Bank.

I am really concerned about this. I don't see yet any explanation of how this thing gets done. I can understand about making it a political judgment, but I can't understand how you make this work in terms of a banking operation. Can you help us?

Mr. BLACK. That is a tough question. I am glad I am not with the World Bank and have to handle that problem today. Of course, in the case of the Asian Bank I think there was a different problem, because Taiwan is a member of the Asian Bank, and Taiwan was one of the founders of the Asian Bank. Mainland China was not involved in that bank at all. Now, in the case of the World Bank, what China is doing is trying to kick out Taiwan and take Taiwan's place in the World Bank. So this is not involved in the Asian Bank.

Mr. HANNA. Was mainland China originally a member of the World Bank?

Mr. BLACK. No, sir, never was.

Mr. HANNA. That is what I understood.

Mr. BLACK. They weren't members, nor was Russia. At the Bretton Woods Conference, Russia was one of the main participants. As a matter of fact, the Bretton Woods Conference was extended an extra week to work out a proper proportion, a proper participation by Russia. Then when they had the formation of the Bank in Savannah, Ga., later on, Russia showed up but only as an observer. But China was not involved at all. Russia never joined the World Bank. It was told the reason it didn't join the World Bank was that in order to join the Bank you have got first to join the Monetary Fund. When you join

the Monetary Fund you have got to divulge the extent of your gold holdings. Russia apparently was not ready to do that. So Russia has not joined the World Bank.

I don't know how to answer your question. There is a question of whether China joins the World Bank, and also a question as to whether or not you kick out Taiwan. This is a different problem, because the World Bank has loaned Taiwan quite a bit of money, and they have made very good loans, and Taiwan has made great progress. So this is a tough problem. I am glad I don't have to deal with it myself.

Mr. HANNA. I appreciate it. It is a very tough problem. But I wish somebody could tell me how they are going to work this out, because there are going to be \$162 million of obligations, and who is assuming those? There is about \$5 million of investment in the Bank. To whom is that credited?

Mr. BLACK. I understand the World Bank lawyers are all working on this full time.

Mr. HANNA. I am concerned, as I am sure the chairman is, that we might face this whole thing on the floor and not have very much intelligence to handle it.

Mr. GONZALEZ. There is no question about it, it is one of our big problems that we will have to resolve on this level when we present it to the floor. For that reason I have invited Secretary Kissinger, because when we had Secretary Shultz he would not comment on the matter. I can understand why. I think this would be the proper province of Secretary Kissinger.

Mr. BLACK. I should think so.

Mr. GONZALEZ. We promised that we would release Mr. Black at 11:30. Let me ask this question. Does any member of the panel have a specific question that he would like to address to Mr. Black?

Mr. REUSS. I just want to say that I agree with about everything he said. I thank him for being here.

Mr. GONZALEZ. Mr. Frenzel.

Mr. FRENZEL. Mr. Black indicated that the World Bank had sold bonds in Saudi Arabia and Lebanon and perhaps a couple of other countries in the amount of \$600 million, more or less.

Mr. BLACK. And Kuwait.

Mr. FRENZEL. And Kuwait. Were those bonds bought with dollars, Mr. Black?

Mr. BLACK. They were brought with their own currency. In other words, the bonds in Kuwait were sold in Kuwait money. But it is about the hardest currency in the world, and it is freely convertible into any currency you want. So that they were sold in the Kuwait dinar.

Mr. FRENZEL. Could the World Bank issue dollar bonds in those countries?

Mr. BLACK. Yes, they could.

Mr. FRENZEL. Would it be a good idea?

Mr. BLACK. I don't know of any reason of it. The Kuwait money is—

Mr. FRENZEL. Well, if we have an overhang, wouldn't that be a good absorption method?

Mr. BLACK. You mean of selling bonds there?

Mr. FRENZEL. Yes.

Mr. BLACK. When I was with the World Bank, we started a system of selling a short-term bond issue, a 2-year bond issue. This has been

very successful. This is done every 2 years; when this bond issue comes due, they sell a new bond issue. This is done through the central banks. There are 70 countries whose central banks buy these bonds. So that is the way you do the overhang you are talking about.

Mr. FRENZEL. The central banks buy the bonds in their own currencies?

Mr. BLACK. No, in dollars, all this is a dollar issue. Those bonds are not available to anywhere except for the central banks, they are not available to this country at all. It is also a dollar issue.

Mr. FRENZEL. Thank you very much. Thank you, Mr. Chairman.

Mr. GONZALEZ. Does any other member have a specific question for Mr. Black? If not, thank you again very, very much, Mr. Black. We will keep our pledge to you. It is 11:31.

Mr. BLACK. Thank you for inviting me. I appreciate it.

Mr. GONZALEZ. Thank you, sir. You have made a very helpful contribution. I hope you will return. We may have need for you again.

Mr. REUSS, you may proceed.

Mr. REUSS. Mr. Gardner, I am struck with what you had to say about the change of focus in international trade from the search for export markets to the desire for access to raw materials. I perceive the same thing, although I think a lot of people are going around still playing the game according to the old rules, that it is just great for a country to be neomercantilist and export much more than you import, and hence in some obscure way, the wealth of your people is enhanced.

In the light of your view, which I share, that access to raw materials is increasingly more important, do you have a view on what was reported in the press the other day about the meeting of the very wealthy countries in the shadow of the Loire? According to the foreign press, it was suggested that when the dollar gets to about the relationship it was in last February to the German mark and the yen or the French franc or British pound, that those countries be permitted or even welcomed to intervene to lower the value internationally that the dollar would otherwise have to prevent itself going through the rate structure of last February, if that is what the market wanted it to do in its search for the level that it enjoyed at the time of what has been called the greatest monetary agreement in the history of the world, the Smithsonian Agreement of December 1971.

Now, if that is the deal that was made, I have made quite public my lack of agreement with it. It seems to me that while foreign central banks, of course, can sell off such part of their dollar holdings as they want to sell off, because for some reason they think they have too many dollars, that the idea of sitting by and letting them intervene in a conscious attempt to lower the international value of the dollar is simply to say that all our scarce raw materials, our soybeans, our small grains, or wheat, our lumber, our cotton, our wool, the little oil we have, our scarce metals, all of those then go on the world market at bargain basement prices. This seems to me an absurd thing for the United States to be conniving at. Do you have a view on that?

Mr. GARDNER. I share your view. I think we have had a perception of our national interest these last few years which has been shaped almost entirely by our preoccupation with the balance-of-payments problem

and in somehow improving our export position. Certainly that, taken by itself, is not an unreasonable objective. But as you pointed out, that isn't the only purpose of American policy, and not the only element of our national interest. The deep devaluation of the dollar has fed our domestic inflation and has meant the bidding away from our home market of these scarce commodities, as you put it, at bargain basement prices. I don't see why we should set a ceiling on the ascent of the dollar's value.

I would like to see at some point a reformed international monetary system in which there was managed flexibility of exchange rates based on some decent rules of the game, putting pressure on surplus and deficit countries to make their fair contribution to international adjustment. But I am not sure that that aim is served now by moving in at this early stage and limiting very sharply the upward movement of the dollar's value. I share your preoccupation, I think, on this matter.

Mr. REUSS. You have very good international sources of information. Do you have any sensing of how the events that were shuffled on the Loire were taken by the financial community and by the press of the other countries that were there? Did they think that there was more or less of an understanding that it would be all right to have them start dumping dollars whenever the dollar threatens to get stronger than the parity agreed on by the central bankers last February, an agreement which, as you know, lasted about 3 days before it blew up in the face of reality?

Mr. GARDNER. Quite honestly, I know only what I read in the press. I doubt very much if I could add anything on that to the information already available to the subcommittee.

Mr. REUSS. Thank you very much.

Mr. GONZALEZ. Thank you, Mr. Reuss.

Mr. Frenzel.

Mr. FRENZEL. Thank you, Mr. Gardner, for your valuable testimony today.

Before I proceed to questioning, I have to say that I don't always agree with the gentleman from Wisconsin, but on his last line of questioning and editorializing I must concur right across the board. The idea of a relatively free float to me is absolutely essential in reform. I commend the gentleman for his efforts on behalf of that noble purpose.

Mr. Gardner, part of your statement related to the ability of this country to have its cake and eat it too; that is, to take care of its domestic problem, and at the same time be able to do its fair share in the development of the LDC's. What is our fair share? Do we measure that in terms of GNP or Federal budget, or what?

Mr. GARDNER. My experience with this has been in the context of the United Nations, where for some years I was involved in this discussion of fair shares with respect to contributions to the U.N. budget. There are some ground rules which have been worked out which I think are common also to the World Bank group. The guidelines place principal emphasis on the share that the member has in the gross national product of the member countries in the institution.

Now after the devaluations we represent something like 30 percent of world GNP. Of course, when you are talking of the World Bank

group, there are some countries that are very poor countries, and they are supposed to get help. You really shouldn't count them in terms of burden sharing, because they are not expected to give. So in the World Bank group you look at the countries that are supplying the resources, let's say, to the IDA. There I think the United States represents something like 40 percent of the GNP of the IDA contributors. Don't hold me to the exact percent, but it is something of that order, I believe.

Then you can take into account in addition, and some people argue you should, the per capita income factor, where even today, after devaluations, and despite the big catching up of Europe and Japan, we still have a per capita GNP higher than the average of our partners in Europe or Japan. So it could be argued that we ought to do more than 40 percent. I wouldn't make that argument, but it could be argued on a progressive income tax principle.

So now here we are in the IDA replenishment in which we are down to one-third of the total. That does seem to me a reasonable share to pay given the fact that we are 40 percent of the GNP of the contributing countries.

Mr. FRENZEL. Do you think the GNP is the best measure? I think of this country—let's go back a couple of years when we were suffering through a terrible deficit balance-of-trade and balance-of-payments problem. Our inflationary problem was at that time beginning to equal the nations of the rest of the world. Let's compare us with, say, one of the oil countries whose GNP is considerably less than ours and whose personal income per capita is considerably less, but whose balance of trade is enormous, and whose treasuries are relatively bulging. It seems to me we need more than a GNP approach to determine what the fair share is, and that the fair share may be extremely variable.

Mr. GARDNER. I agree with that. I wouldn't claim this is the only index.

Mr. FRENZEL. Then the next question is, if one-third is our fair share of that, should we do some other things too? Of course, we contribute to the U.N. and to some subsidiary and allied agencies of the U.N. We have a substantial unilateral foreign aid program. Perhaps our biggest outlay is for military aid, if we consider NATO to be that kind of a program, and I do. When you put it all together, it adds up to an awful lot of money. Do you include this in our share, or is this separate? Could you give us your idea on what the priorities might be?

Mr. GARDNER. Well, I think it should be included in our share in making a total assessment of whether we are doing more than we should or less than we should. I would like to have your permission to place in the record at this point a table entitled "Projected Flow of Official Development Assistance Measured as a Percentage of Gross National Product." I accept your point that GNP is not only the only index, but it certainly is one. This was appended to Mr. McNamara's statement in Nairobi. It is a very instructive table. May I present that to the subcommittee?

Mr. GONZALEZ. May I interject this remark, that I intend to offer the entire report?

Mr. GARDNER. Very well. But may I make reference to it for the purpose of the answer to this very central question?

Mr. GONZALEZ. Certainly.

Mr. GARDNER. In 1973 the United States was contributing 0.25 percent of its GNP in official development assistance as compared to, for example, 0.65 for France, 0.34—these are percentages—for Japan, and 0.7 percent for the Netherlands, and 0.65 percent for Sweden, and 4 percent for the United Kingdom. We are, I think, down with Australia, and just barely above Italy at the bottom of the OECD table. What is perhaps equally interesting is that projecting this to 1976, which this table in Mr. McNamara's speech does, because he points out that you can make these projections based on authorizations and appropriations now underway, the pipeline takes a while, so we can pretty well project what we will be doing in 1976. By 1976 we will be down to 0.21 percent in development assistance as a proportion of GNP, which will put us ahead of only one country, Italy, which as you know has a big underdeveloped area in the south.

So I don't really think that the argument can be made that we are doing more than our share. On the contrary, I would argue that we are now doing something less than our full share in contributing to the global system through development assistance. As far as the U.N. is concerned, we have announced that we are cutting our U.N. contribution from 32 percent to 25 percent. That has been approved. That brings us down again substantially below the U.N. guidelines based on burdensharing.

Mr. FRENZEL. To be sure. But it is our stated policy at least that those cuts do not apply to our contributions to other U.N. operations such as development, environment, and so on. Maybe we won't appropriate beyond 25 percent. But it was the U.S. position when we negotiated the cuts that those cuts would not apply to other than our dues.

Mr. GARDNER. Yes, indeed. Our representative said when we announced this new policy of 25 percent on the assessments that if we cut down on assessments we would then build up in our contributions to the voluntary programs, like the U.N. development program—which we have not yet done.

Mr. FRENZEL. Unfortunately, he doesn't chair a subcommittee of the Appropriations Committee. Do you believe that IDA has avoided any kind of overlap or confusion or competition with the various regional development banks?

Mr. GARDNER. I am not sure I am really the most competent person to respond to that. On the basis of my study of the institutions, I think they have worked out a harmonious nonoverlapping relationship. I think Mr. Black said frankly to you today that when the first proposal came for the Asian Bank when he was in the World Bank he had some reservations. This was natural. That is the natural institutional defense of any existing institution, to be a little worried about a competitor. But I think we have worked out some good working relationships between the World Bank and the Asian and the Latin American Banks, respectively.

Mr. FRENZEL. Do any of these soft loans in IDA get repaid on a regular basis?

Mr. GARDNER. Oh, the concessional lending of IDA, surely, does get repaid. Of course, there are long grace periods. I think these are 50-year loans.

Mr. FRENZEL. There is a 10-year deferral. But when we get to the end of 10 years do we just roll them open for another 10 years?

Mr. GARDNER. No. I think the record is good that they are repaid. I don't know of any default.

Mr. FRENZEL. Thank you very much, Mr. Gardner.

Thank you, Mr. Chairman.

Mr. GONZALEZ. Thank you, Mr. Frenzel.

Mr. Conlan.

Mr. CONLAN. Thank you, Mr. Chairman.

Mr. Gardner, I think your programs have only been in operation roughly 11 years, something along that line. So in relation to Mr. Frenzel's last question I don't think there is really—

Mr. GARDNER. We don't have a record on which to make a judgment, that is right.

Mr. CONLAN. I don't think there is any empirical evidence of any type. I have a couple of observations. In your data percentage of GNP you are only talking about Government tax funds, aren't you? You have been trying to make the point this morning as to America's not giving enough and investing enough of its wealth overseas, and I think the figures you were using there were—

Mr. GARDNER. Official development aid. That is aid financed with tax funds, not private investments, that is correct.

Mr. CONLAN. I think if we are going to talk about morality and ethics, along these lines, if you could get in the area of what the private developer is doing both in investment and in the third sector charitable operation, I think the contributions of other countries would pale into insignificant proportions, and I think we ought to be objective along that line before we flagellate ourselves any more. I think we should keep those figures clearly in mind.

I would like you to define the term "internalized wealth-creating possibilities of these countries." Just what do you mean by that? Could you give some examples?

Mr. GARDNER. Yes. I think the whole basis of the World Bank group's operations, and indeed of all these international financial institutions, is not that we are just transferring wealth, not sharing wealth, but we are making resources available so that these countries can help themselves and develop capabilities for progress within their own societies. This means training people, which they don't have. We knew that skilled people are the basic ingredient of any country's development plan. Another is developing some industrial and agricultural facilities so that they can move ahead in developing their own resources, which are often very substantial, and which up to now they have been unable to exploit.

Mr. CONLAN. They need both personnel desirous of learning and desirous of producing, as well as capital. The capital either is brought in from without, either through government-to-government contact, a state capital system, or it comes in through a private capital system from without, or it is generated from within, either on a private sector or on a socialist sector.

I have traveled in all the African countries. After I spent many months over there, I have taught international affairs at two universities. I haven't traveled with Mr. Black, and perhaps that is essential to my education, to get a politically positive view of this area. But it

seems to me that in most of the countries you are talking about they are burdened with a tribal culturalism, which is an extreme retrogressive concept that is going to hold back their material productivity for decades regardless of whether we would divest ourselves here in America of all our wealth and give it to them. You have in these countries, as you have indicated, a concept of dominant socialism which is often allied with the international socialist program, which is by all the empirical evidence retarding their accumulation of capital for internalizing their wealth.

I was particularly interested when you were talking about General Gowan, the butcher of the Iboas, who is well known in international affairs. I certainly do not sympathize with your criticisms of our President because our President did or did not snub Gowan. I think our President may have perhaps used good judgment. Nigeria is not an entity like the United States. You have got Hausas, Yorubas, and Ibos as the major tribes. Also, you have every type of tribal and religious breakdown between Muslims, Christians, and Animists. I have been sitting here all morning listening to this sort of dichotomy, Professor Gardner, and I have to comment on it, because you have been giving a good pitch for the other side for quite awhile. But you are saying that they question our motives, and, alternatively, they are using the old saying, beware of Greeks bearing gifts. I think what you are really advocating here is a continuation of the policies that have bought us no friends, and won us no friends. If we continue just blithely on these policies without some real critical empirical evaluation, we are going to continue to dissipate our wealth.

Mr. Chairman, I have to take note of some things like Mr. Gardner's statement, "we need to do this to protect our corporate investments," the \$25 billion Government credit. These will be "repudiated if there is no cooperation by us." Throughout your comments here I think you have made an excellent case for our attempting to buy their friendship, claiming they are going to expropriate our private and governmental loans that are over there. If that is the type of Governments we are dealing with, I just don't know how you can make the case to the American public, and to us in the Congress, that we should continue to take the American workingman's dollar and use it to buy or hold off through blackmail expropriation by other countries.

I don't understand this "world order bargain" that you speak of. We are to do our fair share if they do theirs. I particularly don't understand that, when you get into the percentage breakdowns, because it seems to me the fellows who put this country together had a terrific revolutionary idea that was rather sound, that there should be no taxation without representation. Yet in the agencies of which you are speaking, we put up 25 percent or more of the participation, and have something like 130th of the voting participation. This just doesn't sell to my voters.

I also have to comment that I think you are going to have to make a fantastic case to the Congress for helping "the poor countries of the Indian subcontinent to have independent foreign policy." We have been doing that to the tune of billions of dollars, for which we have received no friendship, and they are now in the embrace of the Soviet Union. We cannot even use the rupees there in counterpart funds at anywhere near the percentage that we were authorized.

How would you answer these questions to the workingman and the voting man and woman of America, some of these I have posed, because they are posing them to us?

Mr. GARDNER. Well, they are very fundamental questions. I hope I may be permitted a couple of minutes to try to do justice to them.

Mr. CONLAN. Certainly.

Mr. GARDNER. First of all, I have never argued, and would not argue here today, and if I did you would not believe me, that passing this legislation or any multilateral assistance legislation is a sufficient condition to assure friendship, peace, cooperation, around the world. I have never made that argument. I know sometimes a few years ago administration witnesses made that argument. I think it is very dangerous. There is no 1-for-1 relation.

I do say it is a necessary condition, that is to say, that unless we join with other countries on a basis of capacity to pay to help the two-thirds of humanity struggling upward, unless we do that, we are not going to have a very happy world for our children and grandchildren. So I think it is a necessary, not a sufficient condition. There are other things that we ought to be doing, and I would like to get to those in a moment.

Mr. CONLAN. Could you put in there what these other countries need to do in addition to our money, because unless there is a change in their internal structure, and unless there is a change in their concept of personal freedom and the accumulation of private capital, history has shown us no evidence that they are going to move up vis-a-vis American, that we can only move down vis-a-vis them.

Mr. GARDNER. One of the difficulties of testifying before congressional committees is that time is limited, and then we can only discuss the legislation before the subcommittee. I did not discuss the measures which the developing countries should take because I didn't understand that that was a subject that I was asked to speak about. But just so the members of the subcommittee will be left in no doubt about my very strong agreement with Mr. Conlan on that subject, I would like to cite a portion of a speech I made some years ago and which I have made regularly in developing countries since criticizing them for their failure to do all they could to promote their own development. In this section of the speech which, by the way, begins "self-help by the less developed countries," I say that some of the greatest obstacles to dealing effectively with the development problems of the less developed countries lie within these countries themselves. I talk about overvalued foreign exchange rates, inefficient state industries, and how they are stifling their economic growth by all kinds of wrong policies, such as the failure to deal with their food and population problems. So I really don't wish to be understood as glossing over these issues. These are very real.

But again the question is, What do we do about it? We have a choice. We can sit back here in the United States and say, these countries are hopeless, they are irrational, they are radical, they are silly, let's just write them off. Now, we can do that. Maybe that is the way we are going to go in the seventies and eighties. But if we do that, I really don't see much hope that they will go the right way. If, on the other hand, through responsible, well managed international institutions like the World Bank group and the Asian Bank and the Inter-

American Bank we reach out to the responsible leadership of those societies, we can strengthen the position within these countries of the responsible people.

Mr. CONLAN. But can you do that without setting some conditions of substance on the granting of the funds? In our domestic affairs here it seems that the Congress, and our domestic functionaries in government, have no hesitation about setting controls and requirements that either local organizations of government or individuals must totally comply with to receive the munificence of the governmental giver. It seems to me in my travels and speeches on behalf of USIA and living with our Foreign Service people abroad, that the whole thrust from both our national and international giving institutions has failed to set wise requirements for recipients of funds. In other words, such requirements on recipient nations own internal operations and political and economic concepts, that would make those funds fruit bearing.

Mr. GARDNER. Now we get into a factual issue. I have been of the opinion—or let's put it this way—my own observation has suggested to me over the years that the World Bank group has exercised very close oversight over the use of these funds, and has subjected these recipient countries to a good deal of scrutiny in the way they manage their internal affairs, so that the international institutions are often criticized very violently by the recipient countries for intervening too much in their internal affairs. Perhaps the central case for a multilateral approach, Mr. Conlan—and I think Mr. Black hinted at this earlier—is that this kind of tough scrutiny, advice, and oversight comes much easier, is much more acceptable, if it comes from a multilateral group rather than from the United States. One reason we have so many enemies in the world is that we have had such a strong bilateral emphasis in our dealings over the years. Of course when any homegrown dictator or demagog wants to blame someone for the troubles of the country, it is the United States, because we are so visible. So the rocks go in the embassy window. But if it is the World Bank or IDA or the UN development program, or the Asian Bank, that hasn't the same exposed character, because there it is a multilateral organization, giving objective advice in the interest of the country. That is what I am urging.

Mr. CONLAN. Doesn't that multilateral approach, then, undercut the previous rationale you expressed that the American taxpayer needs to do this so that we can win friends and influence people? Where is the recognition, if they don't know where it is coming from?

Mr. GARDNER. The rationale—I think I said this at the outset—is not that we are bribing people so that they can be friends with us. We are joining in a cooperative effort to improve their economic prospects to help them achieve their aspirations for a better life. As they succeed in that, as they become involved in an international network of institutions in which they and we participate, they will be more likely to cooperate with us on a whole range of other subjects in which we have an interest. But if they are driven into extreme nationalism, extreme socialism, and embitterment at us and other developed countries out of desperation and failure, then we have no chance to strike the "world order bargain" that I spoke of.

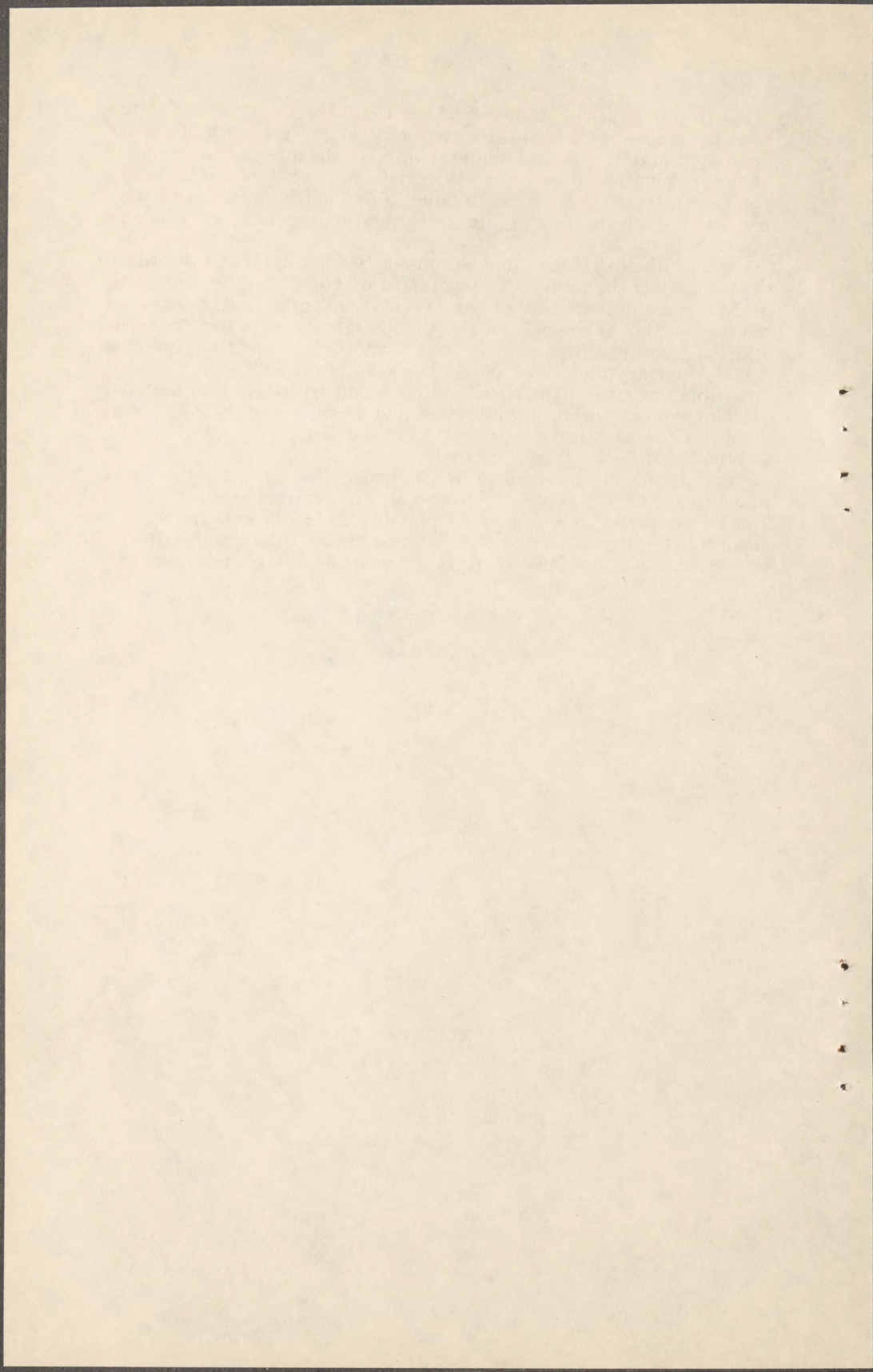
Mr. GONZALEZ. Mr. Conlan, I must interrupt at this point. I do want to explain, because of the nature of the questioning, and also the

extensive observations, some of which I think are extraneous to the issue at hand—in other words, we don't want to get confused about the intents and purposes of bilateral aid with the intents and purposes of the multinational approach. But when you receive the transcript, you certainly are authorized to enlarge or modify your views with respect to the particular line of questioning in Mr. Conlan's interrogation.

I would like to ask unanimous consent to submit for the record of these hearings the address to the Board of Governors by Robert S. McNamara, the president of the World Bank group, at Nairobi on September 24 of this year, and also the special reports to the President and the Congress from the National Advisory Council on International Monetary and Financial Policies stating the Council's reasons for supporting the legislation having to do with the International Development Association and the Asian Development Bank special fund which were issued on November 7 of this year.

Without objection it is so ordered.

[The documents referred to by Chairman Gonzalez, the "Address to the Board of Governors," by Robert S. McNamara, president, World Bank Group, Nairobi, Kenya, September 24, 1973, and the special reports to the President and the Congress on the International Development Association and the Asian Development Bank follows:]



**ADDRESS to the
BOARD OF GOVERNORS**

BY

**ROBERT S. McNAMARA
PRESIDENT, WORLD BANK GROUP**

**Nairobi, Kenya
September 24, 1973**

Insert for Page 8 Prepared After the Text Was Printed

I should digress at this point to report briefly on progress in the negotiations of the 4th Replenishment of IDA. You are all aware that the funds of the 3rd Replenishment will be fully committed next July 1. In anticipation of that, at the last annual meeting of the Governors, it was proposed that the 4th Replenishment negotiations begin in the fall of 1972 and be completed by mid-year 1973, leaving 12 months for the necessary legislative action.

That schedule has not been met. Based on meetings held here in Nairobi during the past two days, it appears that representatives of donor governments may now reach agreement on a three-year replenishment at the rate of \$1500 million per year which they would be prepared to recommend to their legislatures. However, I am bound to say to you that it is most unlikely that the necessary legislative action will be completed by June 30 or by any date soon thereafter.

As a result, there is now danger of a complete termination of IDA's activities next July 1.

The effect of such a breakdown would be devastating for the nations that depend on IDA for major support of their development programs: the countries of the Sahelian zone now suffering from the worst drought in their history; the other "least-developed" nations, designated by the United Nations as deserving of increased levels of support; Pakistan, which requires huge sums of external aid for its recovery from massive flood damage; the heavily populated nations of India, Indonesia, and Bangladesh, a total of 750 million people with incomes averaging less than \$100 per capita per year; and a score of other nations.

I cannot believe that governments will permit IDA's operations to terminate. If that disaster is to be avoided, not only must governments press for the earliest possible legislative approval on the full replenishment, but an emergency plan of action to both minimize and bridge the gap must be developed and agreed upon promptly.

I. INTRODUCTION

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

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

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

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

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

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

Based on these analyses, we proposed to double the Bank's operations in the fiscal period 1969-73 as compared with the previous five-year period 1964-1968. That objective has been met: total financial commitments of the IBRD, IDA, and IFC, in current prices, in the 1964-1968 period, were \$5.8 billion; in the 1969-1973 period, \$13.4 billion. In real terms, the increase was 100%.

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

Bank Group Financial Commitments to Developing Countries by Region (dollars in millions)				
Region	Numbers of Projects		Amount of Commitments (current prices)	
	1946-68	1969-73	1946-68	1969-73
East Africa	78	104	\$ 834	\$ 1,099
West Africa	35	102	522	891
Europe, Middle East, N. Africa	113	168	1,785	3,198
Latin America and Caribbean	281	176	3,554	3,734
Asia	201	210	3,927	4,496
Total	708	760	\$10,622	\$13,418

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

do more of what was best suited to the rapidly changing needs of the developing countries. That meant that within our overall objective we had to shift our emphasis both geographically and sectorally.

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

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

We undertook operations, for the first time, in Indonesia—and in the five years have committed \$523 million there.

For the poorest and least developed of our member countries, those with average per capita incomes of \$120 or less, we have nearly tripled our lending. During the Five-Year Program period we have initiated 217 separate projects in these countries. The comparable figure for the whole of the previous 23 years of the Bank's operations is 167.

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

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

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

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

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

To achieve the doubled level of our operations, it was necessary, of course, to strengthen the Bank both organizationally and financially. Worldwide recruitment was increased and the staff was expanded by 120% during the period. We were determined in this effort to broaden its international character to the maximum degree feasible. In 1968 the staff represented 52 nationalities. It now represents 92. In 1968 the proportion of staff from our developing member countries was 19%. The proportion is now 29%, and continues to grow.

Lending more has of course meant borrowing more, and that in turn has depended on governments granting us access to their capital markets. This they have continued to do, despite unsettled conditions and monetary fluctuations. It is a mark of confidence in the Bank's financial structure that we have been able to borrow not only in our more traditional markets, but in altogether new ones, and to utilize new borrowing instruments and new channels of distribution.

Net borrowing for the five-year period has been approximately four times that of the earlier period, and our liquid reserves have risen to \$3.8 billion, an increase of 170%.

Neither the increase in operations, nor the shift in emphasis toward more socially oriented sectors, has adversely affected net income. On the contrary, total net income for the five-year period was \$965 million, 28% more than in the previous period, and this despite the fact that the Bank's lending rate was held down to levels resulting in a substantially greater subsidy to the developing countries than in earlier years.

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

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

I should like to give you my assessment of that situation.

III. THE BANK'S SECOND FIVE-YEAR PROGRAM: FY1974-1978

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

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

Each of these problems is serious in itself. But together they threaten the outcome of the entire development effort.

Let me examine each of them briefly.

The Trade Problem

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

The problem is compounded by the delay of the wealthy nations in dismantling discriminatory trade barriers against the poor countries. Our studies indicate, for example, that if the affluent nations were gradually to reduce their present protectionist trade restrictions against agricultural imports from the developing world, the poorer nations could, by 1980, increase their annual export earnings by at least \$4 billion.

An Acute Shortage of Development Assistance

Secondly, the current flow of Official Development Assistance (ODA)—financial aid on concessionary terms—is acutely inadequate. Not only is it far below what the developing nations need and what the affluent nations can readily afford, but, as the attached table indicates, it is only half the modest target pre-

scribed by the internationally accepted United Nations Strategy for the Second Development Decade.

That target called for reaching ODA levels of .7% of gross national product (GNP) by 1975. In fact, by 1975 ODA will not exceed .35%. And yet achievement of the target neither requires the people of the developed nations to reduce their already high standards of living, nor to neglect their domestic priorities. It asks them only to dedicate a tiny fraction of the *incremental* income—income over and above that which they already enjoy—that will accrue to them in the decade of the 70s.

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

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

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

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

But absolute poverty is a condition of life so degraded by

disease, illiteracy, malnutrition, and squalor as to deny its victims basic human necessities.

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

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

This is absolute poverty: a condition of life so limited as to prevent realization of the potential of the genes with which one is born; a condition of life so degrading as to insult human dignity—and yet a condition of life so common as to be the lot of some 40% of the peoples of the developing countries. And are not we who tolerate such poverty, when it is within our power to reduce the number afflicted by it, failing to fulfill the fundamental obligations accepted by civilized men since the beginning of time?

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

It is true that some citizens of the developed countries protest against increasing their assistance to the developing countries because of poverty in their own societies. They do so either because they are unacquainted with these facts; or because they fail to distinguish between relative and absolute poverty; or perhaps because they are obscuring the truth even from themselves—unwilling to admit that the principal pressure on the incre-

mental incomes of their economies comes not from a legitimate concern for the less fortunate in their societies, but from the endless spiral of their own demands for additional consumer goods.

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

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

I, for one, cannot believe that once the gross deficiency in the flow of Official Development Assistance is better understood; that once the degree of deprivation in the developing nations is more fully grasped; that once the true dimensions of poverty in the less privileged world are more realistically compared with the vast abundance in the affluent world (that once the people of the United States, for example, understand that they, with 6% of the world's population, consume about 35% of the world's total resources and yet, in terms of economic assistance as a percent of GNP, rank fourteenth among the sixteen developed nations)—I cannot believe that in the face of all this the people and governments of the rich nations will turn away in cynicism and indifference.

The Growing Burden of Debt

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

It is important to understand what the essence of the debt problem is. It is not the fact that there is debt, nor even the size of the debt. It is, rather, the composition and dynamics of the debt; the fact that debt, and debt payments, are growing faster than the revenues required to service them.

Restricted trading opportunities, exacerbated by inadequate flows of ODA, tend to drive developing countries to over-reliance on export credits and other short-term, high-cost loans. It is these factors that threaten to increase the debt burden beyond reasonable limits. Already, since 1970, the situation in several countries — Ghana, Chile, Pakistan, India, Indonesia, and Sri Lanka among others—has led either to debt rescheduling or to unilateral defaults.

The Bank's Program for FY74-78

Given the nature of this interrelated set of problems in our developing member countries—an insufficiency in foreign exchange due to trade difficulties, the inadequate flow of ODA, and the growing debt burden—the Bank, far from relaxing the momentum of our operations over the next five years, must increase it. And that is what we intend to do.

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

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

The total cost of these projects will approach \$55 billion.

Our \$22 billion in new commitments will constitute, in real terms, a 40% increase over the 1969-1973 period, and a 175% increase over the 1964-1968 period.

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

But the qualitative changes in the program will be of even greater significance than the increase in its size. We plan to place far greater emphasis on policies and projects which will begin to attack the problems of absolute poverty to which I referred

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

earlier—far greater emphasis on assistance designed to increase the productivity of that approximately 40% of the population of our developing member countries who have neither been able to contribute significantly to national economic growth, nor to share equitably in economic progress.

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

IV. POVERTY IN THE DEVELOPING WORLD

Poverty and Growth

The basic problem of poverty and growth in the developing world can be stated very simply. The growth is not equitably reaching the poor. And the poor are not significantly contributing to growth.

Despite a decade of unprecedented increase in the gross national product of the developing countries, the poorest segments of their population have received relatively little benefit. Nearly 800 million individuals—40% out of a total of two billion—survive on incomes estimated (in U.S. purchasing power) at 30 cents per day in conditions of malnutrition, illiteracy, and squalor. They are suffering poverty in the absolute sense.

Although the collection of statistics on income distribution in the developing world is a relatively recent effort, and is still quite incomplete, the data point to what is happening. Among 40 developing countries for which data are available, the upper 20% of the population receives 55% of national income in the typical country, while the lowest 20% of the population receives 5%. That is a very severe degree of inequality—considerably greater than in most of the advanced countries.

The data suggest that the decade of rapid growth has been accompanied by greater maldistribution of income in many developing countries, and that the problem is most severe in the countryside. There has been an increase in the output of mining, industry, and government—and in the incomes of the people dependent on these sectors—but the productivity and income of the small farmer have stagnated.

One can conclude that policies aimed primarily at accelerating economic growth, in most developing countries, have benefitted mainly the upper 40% of the population and the allocation of public services and investment funds has tended to strengthen rather than to offset this trend.

Reorienting Development Policy

The need to reorient development policies in order to provide a more equitable distribution of the benefits of economic growth is beginning to be widely discussed. But very few countries have actually made serious moves in this direction. And I should stress that unless national governments redirect their policies toward better distribution, there is very little that international agencies such as the World Bank can do to accomplish this objective.

Without intruding into matters that are the proper concern of individual governments, I would like to discuss an important first step that could lead to a more rapid acceptance of the required policy changes. This step would be to redefine the objectives and measurement of development in more operational terms. While most countries have broadened the statements of their development goals to include references to reducing unemployment and increasing the income of the poor—as well as emphasizing traditional growth in output—they still measure progress toward these complex objectives with a single measuring rod: the growth of GNP.

But the fact is that we can no more measure the achievement of multiple development objectives by the GNP alone than we can describe the quality of life in a city exclusively by its size. The Gross National Product is an index of the total value of goods and services produced by an economy; it was never intended to be a measure of their distribution.

It is important to remember that indices of the increase in gross national product implicitly weight the growth of each income group according to its existing share of total national income. Since in the developing countries the upper 40% of the population typically receive 75% of all income, the growth of GNP is essentially an index of the welfare of these upper income groups. It is quite insensitive to what happens to the

poorest 40%, who collectively receive only 10-15% of the total national income.

Were we to fashion a new index which gave at least the same weight to a 1% increase in the incomes of the poorest groups in society as it gave to a 1% increase in the incomes of the well-to-do, we would get a much different picture of development in the past decade. The growth of total income in several of the largest countries in Latin America and Asia, for example, would be significantly lower than the growth as measured by the GNP.

But, in a number of cases—including for instance, Sri Lanka and Colombia—the opposite would be true. In these countries, giving equal weight to the growth of income of each citizen, regardless of his income level, would result in a more accurate assessment of development performance than does GNP because it would give credit for some redistribution of the benefits of growth toward the lower income groups.

Adopting this kind of a socially oriented measure of economic performance would be an important step in the redesign of development policies. It would require governments, and their planning and finance ministries, to look at the allocation of resources in a much more comprehensive way. For they would have to consider not only the total output of an investment but also how the benefits would be distributed. This would give practical, operational significance to the rhetorical statements of social objectives now embodied in most development plans. And it would insure that important questions of equity became an integral part of project evaluation procedures both within the developing countries and the lending agencies. We are, in fact, beginning to develop this approach in the World Bank.

Identifying the Concentrations of Poverty

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

Clearly, the bulk of the poor today are in the rural areas. All of our analysis indicates that this is likely to continue to be the

case during the next two or three decades:^a

- At present, 70% of the population of our developing member countries and an equivalent percentage of the poor live in the countryside.
- Although demographic projections indicate that 60% of the population increase in these countries (an increase of two billion people by the end of the century) is expected to take place in the urban areas—largely through internal migration—in the year 2000 more than half of the people in the developing world will still reside in the countryside.
- Rapid urbanization is already creating very serious problems. Under present policies, per capita public expenditures in urban areas are typically three to four times as great as they are in rural areas. Thus, efforts to relieve rural poverty by still greater migration to the cities will result in an even more inequitable division of public expenditures and only exacerbate the existing inequalities of income.
- Within the rural areas the poverty problem revolves primarily around the low productivity of the millions of small subsistence farms. The truth is that despite all the growth of the GNP, the increase in the productivity of these small family farms in the past decade has been so small as to be virtually imperceptible.

But despite the magnitude of the problem in the countryside, focusing on rural poverty raises a very fundamental question: is it a really sound strategy to devote a significant part of the world's resources to increasing the productivity of small-scale subsistence agriculture? Would it not be wiser to concentrate on the modern sector in the hope that its high rate of growth would filter down to the rural poor?

The answer, I believe, is no.

Experience demonstrates that in the short run there is only a limited transfer of benefits from the modern to the traditional

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

sector. Disparities in income will simply widen unless action is taken which will directly benefit the poorest. In my view, therefore, there is no viable alternative to increasing the productivity of small-scale agriculture if any significant advance is to be made in solving the problems of absolute poverty in the rural areas.

But that does not mean there need be an irreconcilable conflict between that objective and the growth of the rest of the economy. On the contrary, it is obvious that no attempt to increase the productivity of subsistence agriculture can succeed in an environment of overall economic stagnation. The small farmers cannot prosper unless there is significant growth in other sectors, both to provide the development resources they will require, and to create the demand for their additional output.

The point is that the reverse is also true—and it is time we recognized it. Without rapid progress in smallholder agriculture throughout the developing world, there is little hope either of achieving long-term stable economic growth or of significantly reducing the levels of absolute poverty.^a

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

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

V. A STRATEGY FOR RURAL DEVELOPMENT

In presenting a strategy for rural development I should like: first, to analyze the scope of the problem; second, to set a

^aIt is not my purpose today to discuss the food crisis presently affecting wide areas of the globe. However, any long-term solution of the food shortage, in a world in which population will increase for at least a century to come, clearly requires substantial increases in smallholder productivity. In addition, to provide insurance against the vagaries of the weather, some coordinated system of national food reserves must be established. I strongly support the efforts of the Director-General of the FAO to organize such a program, and I am fully prepared to recommend that the World Bank participate in its financing.

feasible goal in order to deal with it; and third, to identify the measures required to meet that goal.

The Scope of the Problem

Let me begin by outlining the scope of the problem in the developing countries which are members of the Bank. It is immense:

- There are well over 100 million families involved—more than 700 million individuals.
- The size of the average holding is small and often fragmented: more than 100 million farms are less than 5 hectares; of these, more than 50 million are less than 1 hectare.
- The possession of land, and hence of political and economic power in the rural areas, is concentrated in the hands of a small minority. According to a recent FAO survey, the wealthiest 20% of the landowners in most developing countries own between 50 and 60% of the cropland. In Venezuela they own 82%; in Colombia 56%; in Brazil 53%; in the Philippines, India, and Pakistan about 50%. Conversely, the 100 million holdings of less than 5 hectares are concentrated on only 20% of the cropland.
- Even the use of the land which the small farmer does have is uncertain. Tenancy arrangements are generally insecure and often extortionate. In many countries tenants have to hand over to the landlord 50-60% of their crop as rent, and yet in spite of this are faced with the constant threat of eviction. The result is that their incentive to become more productive is severely eroded.

It has often been suggested that the productivity of small-scale holdings is inherently low. But that is simply not true. Not only do we have the overwhelming evidence of Japan to disprove that proposition, but a number of recent studies on developing countries also demonstrate that, given the proper conditions, small farms can be as productive as large farms. For example, output per hectare in Guatemala, the Republic of China, India, and Brazil was substantially greater on smaller farms than on larger ones. And it is, of course, output per hectare which is the relevant measure of agricultural productivity in land-scarce, labor-surplus economies; not output per worker.

There is ample evidence that modern agricultural technology is divisible, and that small-scale operations need be no barrier to raising agricultural yields.

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

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

Setting the Goal

I suggest that the goal be to increase production on small farms so that by 1985 their output will be growing at the rate of 5% per year. If the goal is met, and smallholders maintain that momentum, they can double their annual output between 1985 and the end of the century.

Clearly this is an ambitious objective. A 5% rate of growth has never been achieved on a sustained basis among smallholders in any extensive areas of the developing world. Smallholder production has risen on average only about 2.5% per year in the past decade.

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

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

Now, what are the means necessary to accomplish this goal?

Neither we at the Bank, nor anyone else, have very clear answers on how to bring the improved technology and other inputs to over 100 million small farmers—especially to those in dry-land areas. Nor can we be fully precise about the costs. But we do understand enough to get started. Admittedly, we will have to take some risks. We will have to improvise and experiment. And if some of the experiments fail, we will have to learn from them and start anew.

What, then, can we begin to do now?

Measures Necessary to Meet the Goal

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

- Acceleration in the rate of land and tenancy reform.
- Better access to credit.
- Assured availability of water.
- Expanded extension facilities backed by intensified agricultural research.
- Greater access to public services.
- And most critical of all: new forms of rural institutions and organizations that will give as much attention to promoting the inherent potential and productivity of the poor as is generally given to protecting the power of the privileged.

These elements are not new. The need for them has been recognized before. But they will continue to remain little more than pious hopes unless we develop a framework of implementation, and agree to a commitment of resources commensurate with their necessity. That is what I propose.

Organizational Changes

The organizational structure for supporting smallholder agriculture is without doubt the most difficult problem. Let me examine this subject first and then turn to the others in sequence.

Obviously, it is not possible for governments to deal directly with over 100 million small farm families. What is required is the organization of local farm groups, which will service millions of

farmers at low cost, and the creation of intermediate institutions through which governments and commercial institutions can provide the necessary technical assistance and financial resources for them.

Such institutions and organizations can take any number of forms: smallholder associations, county or district level cooperatives, various types of communes. There are, of course, many experiments already going on in different parts of the world. What is imperative is that at each organizational level financial discipline be rigorously required, and that the entire structure be oriented toward initiative and self-reliance. Experience shows that there is a greater chance of success if the institutions provide for popular participation, local leadership, and decentralization of authority.

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

The sad truth is that in most countries, the centralized administration of scarce resources—both money and skills—has usually resulted in most of them being allocated to a small group of the rich and powerful. This is not surprising since economic rationalizing, political pressure, and selfish interest often conspire to the detriment of the poor. It will clearly require courageous political leadership to make the bureaucracy more responsive to the needs of the subsistence farmers.

The ablest administrators, for example, should no longer be reserved exclusively for the urban sectors. Top engineering talent must be devoted to designing low-cost solutions to the problems of small-farm irrigation. Young graduates can be motivated to take on the problems of the rural poor, and be adequately rewarded for solving them. Educational institutions should recognize that the training in practical skills is as important as the accumulation of theoretical knowledge. In short, national managerial and intellectual resources must be redirected to serve the many instead of the few, the deprived instead of the privileged.

Acceleration of Land and Tenancy Reform

But there are other structural changes necessary as well. And the most urgent among these is land and tenancy reform. Legislation dealing with such reform has been passed—or at least been promised—in virtually every developing country. But the rhetoric of these laws has far outdistanced their results. They have produced little redistribution of land, little improvement in the security of the tenant, and little consolidation of small holdings.

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

But land and tenancy reform programs—involving reasonable land ceilings, just compensation, sensible tenancy security, and adequate incentives for land consolidation—are possible. What they require are sound policies, translated into strong laws which are neither enervated by exceptions nor riddled by loopholes. And most important of all, the laws have to incorporate effective sanctions, and be vigorously and impartially enforced.

What we must recognize is that land reform is not exclusively about land. It is about the uses—and abuses—of power, and the social structure through which it is exercised.

Better Access to Credit

But realistic land and tenancy reform—as essential as it is—is not enough. It is one thing to own land; it is another to make it productive. For the smallholder, operating with virtually no capital, access to credit is crucial. No matter how knowledgeable or well motivated he may be, without such credit he cannot buy improved seeds, apply the necessary fertilizer and pesticides, rent equipment, or develop his water resources. Small farmers, generally, spend less than 20% of what is required on such inputs because they simply do not have the resources.

In Asia, for example, the cost of fertilizer and pesticides required to make optimum use of the new high-yielding varieties of wheat and rice ranges from \$20 to \$80 per hectare. But the small farmer there is spending only \$6 per hectare because that is all he can finance. And most of that \$6 does not come from government or institutional sources, but from local landlords or village money lenders at usurious rates of interest.

The present institutions in the rural areas are simply not geared to meeting the needs of smallholder agriculture. In countries as disparate as Bangladesh and Iran, less than 10% of institutional credit is available to rural areas; in Thailand, the Philippines, and Mexico less than 15%; in India less than 25%. And only a fraction of this is available to the small farmer. Even then it is accompanied by stringent tests of creditworthiness, complicated application procedures, and lengthy waiting periods.

Existing commercial institutions are reluctant to make credit available to the small farmers because the administrative and supervisory costs of small loans are high. Further, the subsistence farmer is operating so close to the margin of survival that he is simply not as creditworthy as his more wealthy neighbors.

Nor do governmental credit policies always help the small farmer, even though the intention may have been to shape them for that purpose. The fact is that concern over the usurious rates the farmer pays the money lender has led to unrealistically low rates for institutional credit. The smallholder does not need credit subsidized at an annual interest rate of 6% for projects which will yield 20% or more per year. He would be much better off if he had to pay a realistic rate of interest but could actually get the money.

In reviewing their financial policies for agriculture, governments should take care that good intentions do not have self-defeating consequences. In many of our member countries, radical restructuring of interest rates is long overdue.

Assured Availability of Water

No less essential than credit—indeed even more so—is an assured supply of water for the smallholder. Without it, seeds,

fertilizer, and pesticides are useless. This means continued research into the most productive uses of water, as well as substantial investment in irrigation and increased attention to on-farm irrigation methods.

It is estimated that the presently irrigated area in the developing world of 85 million hectares can be expanded by another 90 million hectares, but the additional cost would be high: over \$130 billion. And not only is expansion of irrigated land expensive, it is a slow process. No major irrigation dam which is not already in the active design stage is likely to yield significant on-farm benefits before the mid-1980s. Although investments in major irrigation projects will continue to be an important part of national investment plans, and of Bank financing, they must be supplemented by more quick-yielding programs designed to benefit the small farmer.

This calls for much greater emphasis in on-farm investment which can take advantage of existing large irrigation projects. There are too many cases—in our experience and that of others—in which it has taken ten years or more after the dam was completed for the water actually to reach the farmers. Major irrigation schemes often preempt necessary resources for on-farm improvement. The drama of harnessing a major river may be more exciting than the prosaic task of getting a steady trickle of water to a parched hectare, but to millions of smallholders that is what is going to make the difference between success and failure. The allocation of scarce budgetary resources should reflect this reality.

Thus, development of major irrigation works, though necessary, is not enough. Too many small farmers would be left unaffected. These programs need to be supplemented by others which can bring water to farms outside major irrigation projects—and do so cheaply. Tubewells, low-lift pumps, and small dams can make major contributions to productivity. Moreover, these investments—while not always within the reach of individual poor farmers—can often be afforded by organized smallholders.

Expansion of Extension Services and Applied Research

The small farmer needs credit and water, but he needs technical information as well. And he is not getting nearly enough

of it. The projected number of trained personnel who will graduate annually from existing agricultural educational institutions can at best satisfy less than half the total needs of the developing world. In the developed countries, the ratio of government agricultural agents to farm families is about 1 to 400. In developing countries, it is on average 1 to 8000. And only a small fraction of even these limited services is available to the small farmer.

It is not primarily the deficiency of funds that is delaying the necessary expansion of extension services. It is the deficiency of resolve to do more for the small farmer who desperately requires them. There is scarcely a single developing country which does not produce too many lawyers, but there is no developing country which produces enough extension agents. Governments cannot control personal career objectives, but they can offer appropriate incentives, and promote vocational choices which will contribute more directly to economic development and social modernization.

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

Behind extension services, of course, lies applied research. In a sample of five major developed countries, the governments are allocating annually from \$20 to \$50 per farm family for such research. The comparable figures for five major developing countries are only 50 cents to \$2 per farm family.

The international network of agricultural research has grown impressively. The Bank, for example, chairs the Consultative Group on International Agricultural Research, and contributes to the financing of the research institutes including the financing of the new institute for the semi-arid tropics. But very much more needs to be done at the national level to explore the special-equipment needs of the small operator, to develop new technologies for the non-cereal crops, and to help the farmer in non-irrigated areas.

General expenditures on research and development in the developing countries are notoriously low and must be increased

substantially. In doing this, governments should give very high priority to strengthening that type of research which will benefit the small farmer—research to produce low-risk, inexpensive technology that he can put to immediate use.

Greater Access to Public Services

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

There is no mystery about designing these programs. They have worked successfully at various times in experimental projects in Bangladesh, Tunisia, Indonesia, and other countries. The major handicap has been their limited scale and inadequate management. The task for governments is gradually to extend these projects to a national scale.

Basic changes are also necessary in the distribution of other public services. In the rural areas these services are not only deplorably deficient, they are often not geared to the needs of the people they are supposed to serve.

Educational systems should stress practical information in agriculture, nutrition, and family planning for those both within and outside of the formal school program. Health services should be developed which can assist in eradicating the common enervating diseases that afflict the rural poor. Electricity for rural areas should not be considered a luxury, nor should its purpose be merely to place a lightbulb in every dwelling. One of its most important uses is to supply power for production appliances, such as water pumps. Power is admittedly almost always in short supply, but urban lighting and air conditioning should no longer be given such a disproportionate priority in the national systems.

Every country must examine why it can afford to invest in higher education, but fails to offer incentives to attract teachers to rural areas; why it can staff urban medical centers and export its doctors abroad, but fails to provide doctors for the countryside; why it can build urban roads for the private automobile, but cannot build feeder roads to bring produce to market.

Resources are scarce in the developing countries, and their redistribution cannot provide enough for everyone's needs. But a major redistribution of public services is required if the small farmer is to have at least the necessary minimum of economic and social infrastructure.

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

But the fact remains that the measures I have outlined are primarily the responsibility of the developing countries. It would be a great disservice if the aid agencies were to try to convince either these countries or themselves that policies for alleviating rural poverty can be fashioned and delivered from abroad. The problem must be perceived and dealt with by the countries themselves.

But the international community can, and must, help. The resources required to achieve a 5% growth rate in the yields on small farms by 1985 are very large. One estimate would place the annual cost of on-farm investment, land and water resource development, additional training facilities, and minimum working capital requirements for smallholder agriculture at \$20-25 billion by 1985. This would be about 3.5% of the combined annual GNP of the developing countries.

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

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

An Action Program in the Bank

What can the Bank do to assist in this effort?

First of all, we expect to lend \$4.4 billion in agriculture during our next five-year program (1974-78), as compared to \$3.1 billion in the first five-year program (1969-73), and \$872 million in the 1964-68 period.^a

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

But we recognize that at best our lending can finance only a small portion of the total credit and investment needs of smallholder agriculture. That is why we intend to give particular attention in our economic advice to governments to those sectoral and financial policies which most affect the rural poor so that the resources to be invested by governments will have a maximum impact.

And though experimentation and innovation will remain essential, the broad policies governing the Bank's program are clear:

- We are prepared to do much more to assist governments in the reform of their agricultural financial structure, and to support institutions designed to bring credit to the small farmer.
- We intend to continue to invest in large irrigation projects and in the recovery of saline lands, but we will emphasize on-farm development incorporating a maximum of self-financing so that the benefits of irrigation can reach small farmers more quickly.
- We will support non-irrigated agriculture, including the financing of livestock production, and in particular small-scale dairy farming in milk-deficient areas.

^aFigures for all three periods are in 1973 dollars.

- We are prepared to finance the expansion of training facilities for extension agents who can help raise the productivity of the rural poor.
- We are prepared to finance rural works programs as well as multi-purpose rural development projects.
- We are ready to assist land and tenancy reform programs by providing the follow-up logistical support required by the small farmer, and to help in the technical and financial aspects of land purchase and consolidation.
- We have financed agricultural research institutions in the past and are fully prepared to do more in the future, particularly in the development of an appropriate technology for semi-arid agriculture. We propose to support investigation into the most effective uses of water at the farm level, especially in water-deficient areas. We are already assisting one such investigation in Mexico.
- We will, in our lending for infrastructure, strongly urge that account be taken of the pressing needs of the rural areas.

VI. SUMMARY AND CONCLUSIONS

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

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

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

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

Nothing we can do is likely to prevent this. But what we can do is begin to move now to insure that absolute poverty—utter degradation—is ended.

We can contribute to this by expanding the wholly inadequate flow of Official Development Assistance.

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

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

Further, we must recognize that a high degree of inequality exists not only between developed and developing nations but within the developing nations themselves. Studies in the Bank during this past year reinforce the preliminary conclusions I indicated to you last year: income distribution patterns are severely skewed within developing countries—more so than within developed countries—and the problem requires accelerated action by the governments of virtually all developing nations.

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

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

Some of the absolute poor are in urban slums, but the vast bulk of them are in the rural areas. And it is there—in the countryside—that we must confront their poverty.

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

Essential to the accomplishment of this objective is an increase in the productivity of small-scale agriculture.

Is it a realistic goal?

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

It is they who must decide.

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

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

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

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

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

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

If they are not, the outlook is dark.

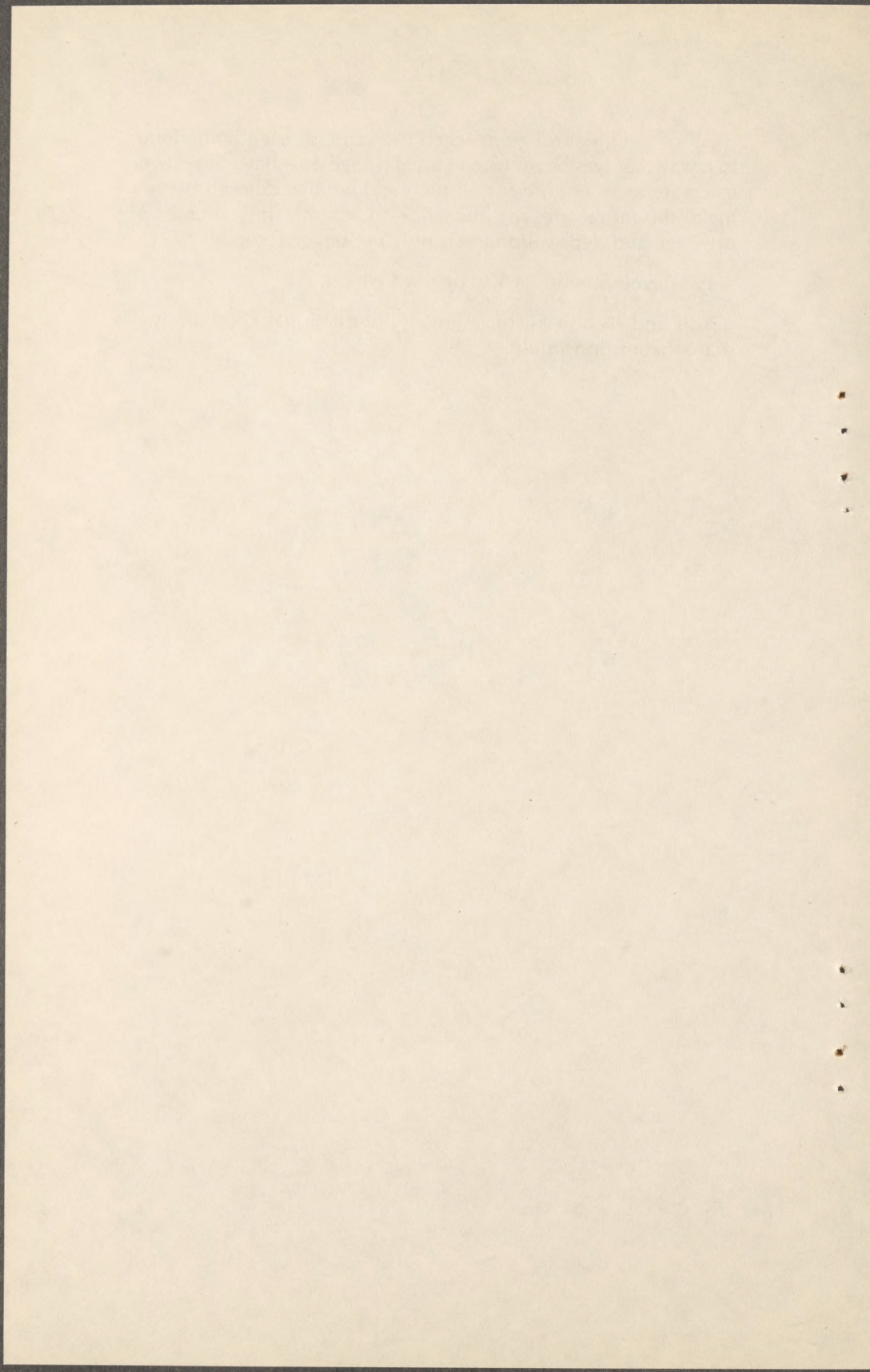
But if the courageous decisions are made, then the pace of development can accelerate.

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

All of the great religions teach the value of each human life. In a way that was never true in the past, we now have the power to create a decent life for all men and women. Should we not make the moral precept our guide to action? The extremes of privilege and deprivation are simply no longer acceptable.

It is development's task to deal with them.

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

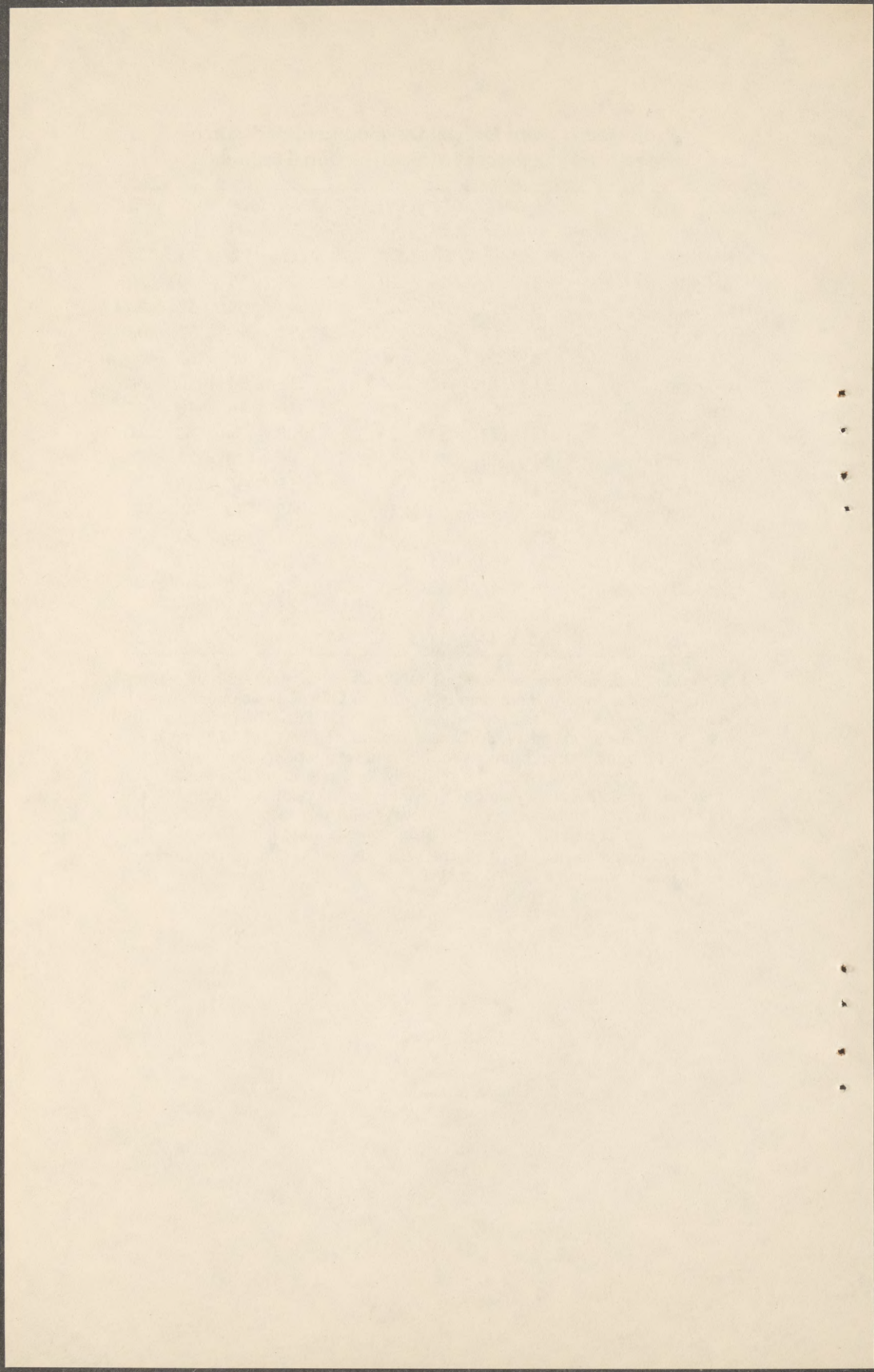


**Projected Flow of Official Development Assistance
Measured as a Percent of Gross National Product^a**

	1960	1965	1970	1971	1972	1973	1974	1975	1976
Australia	.38	.53	.59	.53	.61	.58	.59	.60	.62
Austria	—	.11	.07	.07	.09	.19	.22	.25	.26
Belgium	.88	.60	.46	.50	.55	.58	.65	.70	.70
Canada	.19	.19	.42	.42	.47	.49	.50	.52	.53
Denmark	.09	.13	.38	.43	.45	.52	.56	.61	.63
France	1.38	.76	.66	.66	.67	.65	.65	.65	.65
Germany	.31	.40	.32	.34	.31	.32	.34	.36	.38
Italy	.22	.10	.16	.18	.09	.16	.16	.16	.17
Japan	.24	.27	.23	.23	.21	.28	.34	.40	.40
Netherlands	.31	.36	.61	.58	.67	.66	.70	.72	.76
Norway	.11	.16	.32	.33	.41	.56	.67	.75	.82
Portugal	1.45	.59	.67	1.42	1.51	.45	.45	.45	.45
Sweden	.05	.19	.38	.44	.48	.56	.65	.71	.75
Switzerland	.04	.09	.15	.11	.21	.26	.30	.32	.34
United Kingdom	.56	.47	.37	.41	.40	.37	.40	.40	.40
United States ^b	.53	.49	.31	.32	.29	.25	.22	.22	.21
Total	.52	.44	.34	.35	.34	.34	.34	.35	.36

^aCountries included are members of OECD Development Assistance Committee, accounting for more than 95% of total Official Development Assistance. Figures for 1972 and earlier years are actual data. The projections for later years are based on World Bank estimates of growth of GNP, on information on budget appropriations for aid, and on aid policy statements made by governments. Because of the relatively long period of time required to translate legislative authorizations first into commitments and later into disbursements, it is possible to project today, with reasonable accuracy, ODA flows (which by definition represent disbursements) through 1976.

^bIn 1949, at the beginning of the Marshall Plan, U.S. Official Development Assistance amounted to 2.79% of GNP.



A LETTER FROM THE CHAIRMAN, NATIONAL
ADVISORY COUNCIL ON INTERNATIONAL
MONETARY AND FINANCIAL POLICIES

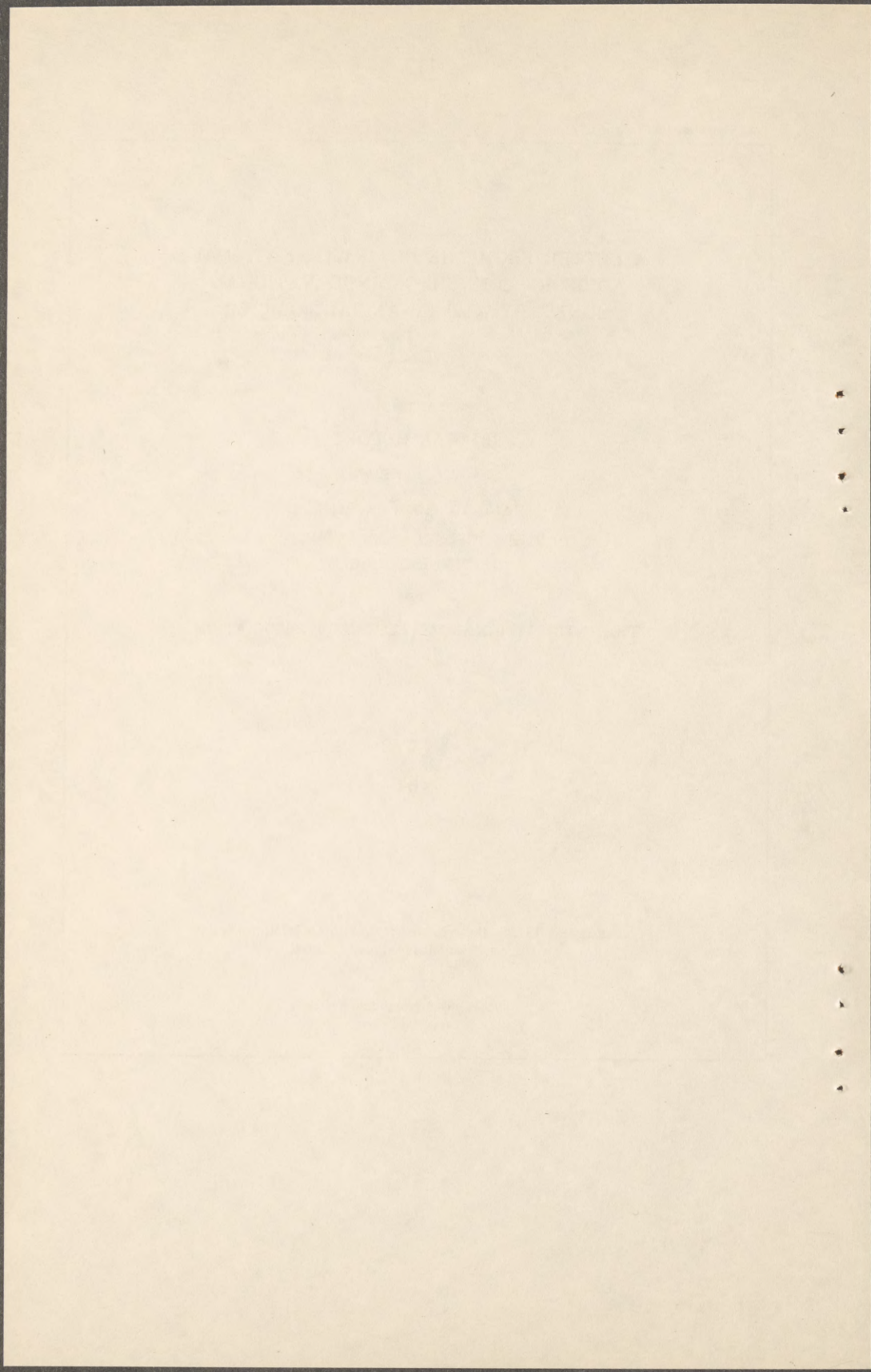
TRANSMITTING A
SPECIAL REPORT
TO THE PRESIDENT
AND TO THE CONGRESS
ON THE PROPOSED REPLENISHMENT
OF THE RESOURCES
OF
THE INTERNATIONAL DEVELOPMENT ASSOCIATION



OCTOBER 1973

NOVEMBER 7, 1973.—Referred to the Committee on Banking and
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LETTER OF TRANSMITTAL

NOVEMBER 6, 1973.

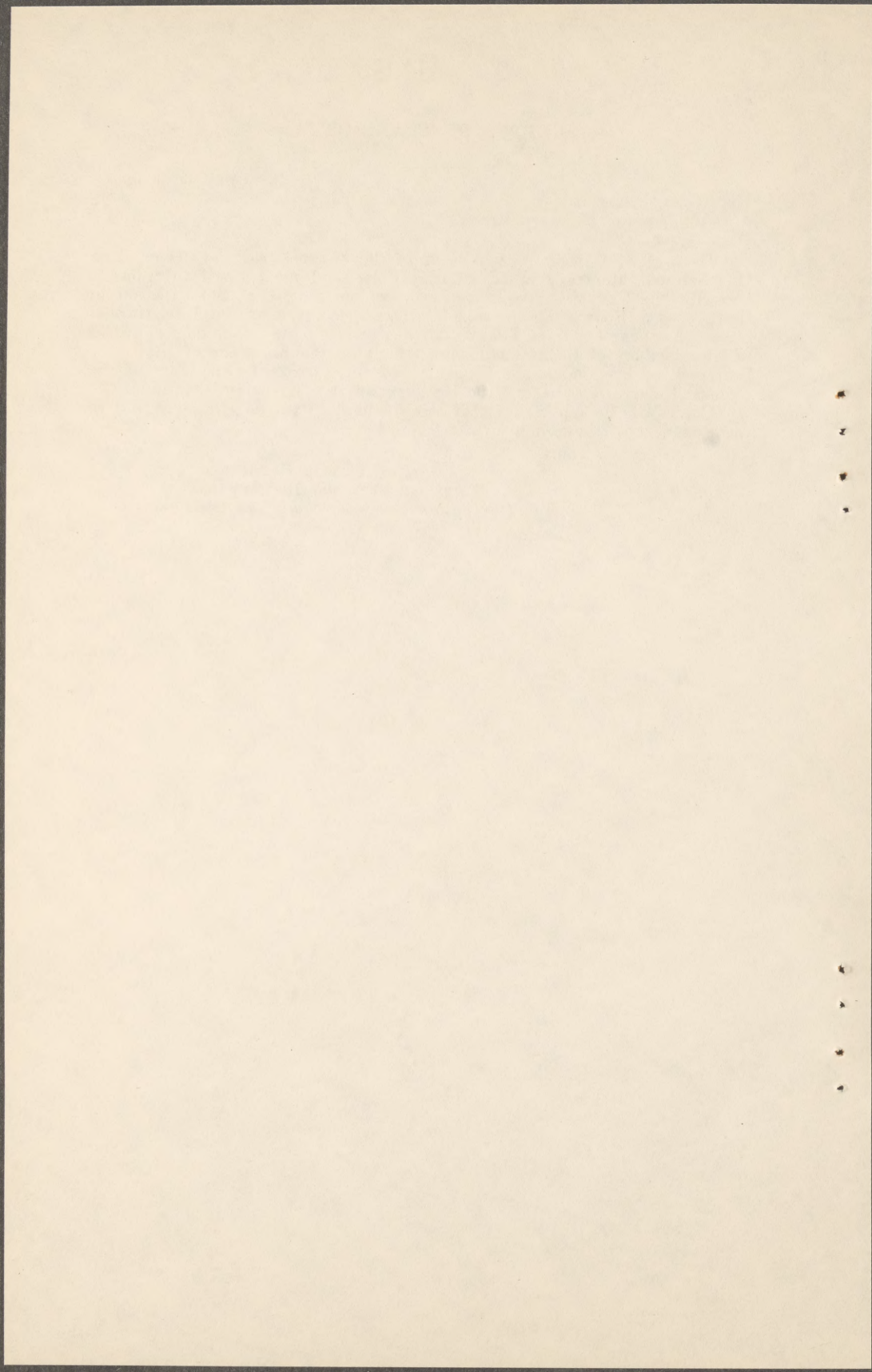
HON. CARL B. ALBERT,
Speaker, House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: As Chairman of the National Advisory Council on International Monetary and Financial Policies, I am pleased to transmit herewith the Council's special report recommending U.S. participation in the proposed Fourth Replenishment of the resources of the International Development Association. This report has received the unanimous approval of the members of the Council, which includes the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the President of the Export-Import Bank.

Copies of the report are also being submitted to the President and to the President of the Senate pro tempore.

Sincerely yours,

GEORGE P. SHULTZ,
Chairman, National Advisory Council
on International Monetary and Financial Policies.



NATIONAL ADVISORY COUNCIL ON
INTERNATIONAL MONETARY AND
FINANCIAL POLICIES

SPECIAL REPORT

TO THE PRESIDENT
AND TO THE CONGRESS
ON THE PROPOSED REPLENISHMENT
OF THE RESOURCES
OF
THE INTERNATIONAL DEVELOPMENT ASSOCIATION

OCTOBER 1973

NATIONAL BUREAU OF STANDARDS

INTERNATIONAL MONETARY FUND

STANDARD REPORT

STANDARD REPORT

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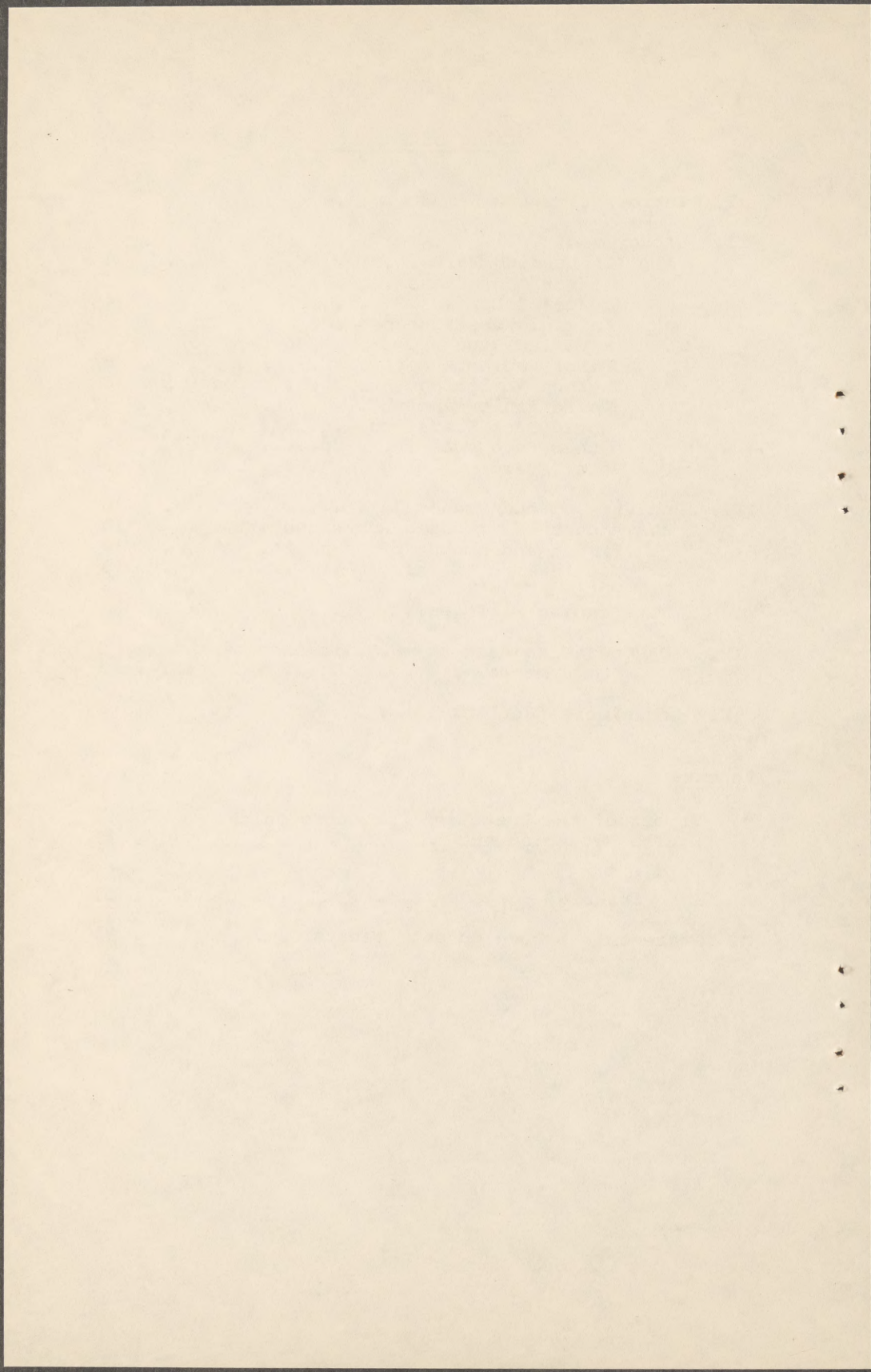
STANDARD REPORT

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FOURTH REPLENISHMENT OF RESOURCES OF THE
INTERNATIONAL DEVELOPMENT ASSOCIATION

I. INTRODUCTION AND SUMMARY

This report covers a proposed contribution by the United States of \$1,500 million to the International Development Association (IDA). The Association was established in 1960 as an affiliate of the World Bank, and makes credits on concessional terms for long-term development projects to the poorest of its member countries. If approved by the Congress, the U.S. contribution would be provided in four installments of \$375 million each, beginning in FY 1976. This contribution would represent a 33-1/3% share of a \$4.5 billion increase in the resources of the Association now before member governments for approval. Other contributing governments as a group would seek from their legislatures a total of \$3 billion, or \$2 for every \$1 put up by the United States.

By the end of June 1974, it is anticipated that IDA will have fully committed all of its lendable funds. Replenishment of its resources, accordingly, is necessary if IDA is to continue its lending activities.

* * *

The proposed \$4.5 billion of new resources would constitute the Fourth Replenishment of IDA. These resources would be committed on development credits during the three-year period beginning July 1, 1974. From the viewpoint of burden-sharing, this replenishment is of particular interest to the United States in that there has been a substantial decline in the U.S. share - from 40% in the Third Replenishment to 33-1/3% in the current one.

IDA's hard currency resources come primarily from budgetary contributions by the governments of its 21 economically advanced member countries (Part I members), together with contributions from a small group of the IDA less-developed countries and Switzerland. These countries have been making resources available at the rate of almost \$1 billion per year (current dollars) for the last three years. Because of the terms on which it lends, IDA cannot expect to borrow in private capital markets, and repayments on outstanding credits will not be adequate for many years to support significant new lending.

IDA's contributing countries, accordingly, have agreed to seek legislative approval for a replenishment of IDA

resources for the three fiscal years 1975, 1976 and 1977. The Board of Executive Directors of the IDA has recommended in a Report dated October 30, 1973 that member governments vote in favor of the proposed replenishment. The IDA Executive Directors' Report and accompanying documents embodying the proposal are attached as Annex A of this Report.

If the agreement among the major donor countries received necessary legislative approval, IDA would receive new contributions at the rate of \$1,500 million per year. Participation in the replenishment will allow the United States to make expanded development funds available within a multilateral framework. Participation on the proposed basis, moreover, will shift more of the burden of providing concessional development assistance to other developed countries than under previous replenishments. Two dollars of concessionary development assistance would be put up by others for every dollar put up by the United States, as compared with the 60-40 split in the previous replenishment.

As discussed in detail in Section V, replenishment of IDA on the basis proposed cannot come about without the participation of the United States. To initiate U.S. participation, legislation is necessary (a) to authorize the U.S. Governor of IDA (the Secretary of the Treasury) to agree on behalf of the United States to contribute the U.S. share, and (b) to authorize appropriations of the full amount that would be made available over the payment period. This legislation would further amend the International Development Association Act (Public Law 86-565, approved June 30, 1960; 75 Stat. 293).

The record of IDA and the specifics of the proposed replenishment are examined in greater detail in the balance of this Report. The National Advisory Council strongly endorses the enactment of legislation that will allow full U.S. participation in this cooperative international program.

II. BACKGROUND

The International Development Association formally came into existence as an affiliate of the World Bank in September 1960, commenced operations shortly thereafter, and made its first loan in mid-1961. Establishment of IDA was largely the result of international initiatives by the United States, undertaken against a background of strong expressions of

support within the Congress, in particular Senate Resolution 264, 85th Congress, Second Session. Sixty-eight countries became initial members of the Association, and its membership has grown since to 112 countries.

As an affiliate of the World Bank, IDA benefits from the same high caliber management as the Bank itself and has the same Board of Governors and Board of Executive Directors as the Bank. The World Bank's President serves as Chairman of the IDA Executive Directors and as President of the Association. IDA has no staff separate from that of the Bank; its operations are carried out entirely by the Bank's regular staff.

IDA is the world's largest single source of multilateral development finance for lending on concessionary or easy repayment terms. IDA's credits are made for sound economic projects that measure up to the rigorous standards for loans offered by the World Bank itself. IDA, however, makes its loan funds available on unique terms that take into account the severely limited external debt servicing capacity of the poorer developing countries.

A. IDA Lending Terms

IDA's standardized credit terms involve a 50-year maturity period, including a 10-year grace period. One percent of principal is repayable in each year of the second ten years of the loan and 3% in each year of the remaining thirty years. An annual service charge in convertible currencies of 3/4 of 1% is charged to meet IDA's administrative costs. All credits are repayable in convertible currency.

B. Lending Operations

During its first 13 years of operations, through FY 1973, IDA has authorized a total of 428 development credits aggregating \$5.8 billion in 66 member countries. It is anticipated that \$1,070 million in additional credits will be authorized in FY 1974.

The geographic distribution of IDA lending has become more diversified. In IDA's first seven years of operations, through June 30, 1967, India and Pakistan received roughly 75% of IDA credits. In subsequent years, they received only about 50%. As a result, their (including Bangladesh) share in IDA's portfolio has dropped to about 55% of the total.

In terms of types of projects financed, about 25% of the credits extended by the end of FY 1973 had been for

transportation; 28% for agriculture; 7% for education; 8% for electric power; 5% for industry; and 3% for water systems. Lending for agricultural development rose sharply in FY 1973, to a new record level of \$436 million, representing 32% of IDA lending in this year.

Table 1 shows the economic purpose and geographic distribution of IDA lending through June 30, 1973. Annex C provides detailed information on individual IDA credits, arranged by recipient country. The Annual NAC Reports to the Congress for FY's 1971-1973 include a description of the individual projects authorized by the IDA in those years.

C. Sources of Funds

The main sources of funds for IDA are (a) its initial capital subscriptions, (b) replenishment and special contributions, and (c) transfers from the World Bank. Other sources such as net earnings and repayments are of minor importance at this time.

Initial Subscriptions and Voting Rights

IDA's initial subscriptions are those which each member contributes upon accepting membership. Members are either "Part I" members -- twenty-one economically advanced countries -- or "Part II" members -- the developing countries. All members paid 10 percent of their initial subscriptions in gold or in freely convertible currency.

The Part I members paid the remaining 90% as well in gold or in freely convertible currency, while the Part II members paid their 90% subscriptions in their own currencies, which cannot be used without the member's consent.

Initial subscriptions totaled \$1,280.4 million (current dollars -- \$1,061.4 million 1960 dollars) on June 30, 1973. The hard currency portion amounted to \$971 million, of which \$33 million had been made available by Part II countries from their 90% subscriptions.

The initial subscription for the U.S. amounted to \$320.3 million (1960 dollars), or 43.1% of subscriptions by Part I members. Of this, 10% was paid in cash and the 90% balance in non-interest bearing notes. These notes, as well as the letters of credit used in subsequent replenishments, have an impact on the U.S. balance of payments only when they are encashed by IDA in order to meet its disbursement needs.

TABLE 1

IDA Credits Classified by Purpose and Area as of June 30, 1973
(millions of U.S. dollars, original principal amount)

Purpose	Africa	Asia	Europe		Total	% of Total
			Middle East North Africa	Western Hemisphere		
GRAND TOTAL	\$1,107.8	\$3,899.3	\$520.7	\$235.6	\$5,763.4	100.0
Agriculture	380.6	934.5	237.9	59.9	1,612.9	28.0
Transportation	468.4	777.1	91.5	91.3	1,428.3	24.8
Non-Project	-	1,000.0	-	-	1,000.0	17.4
Power	22.4	379.0	35.9	44.3	481.6	8.4
Education	175.9	140.9	46.4	17.1	380.3	6.6
Telecommunications	8.9	311.5	-	-	320.4	5.6
Industry	36.0	192.5	52.2	-	280.7	4.9
Water Supply & Sewerage	7.6	111.2	39.7	3.0	161.5	2.8
Other	8.0	52.6	17.1	20.0	97.7	1.7

Source: World Bank Annual Report 1973.

Until the Third Replenishment initial subscriptions were the basis for determining voting power in IDA. Members received a minimum bloc of 500 votes plus an additional vote for each \$5,000 of subscriptions. Contributions under the First and Second Replenishment were not accompanied by voting rights, so that relative contributions diverged more and more from relative voting power. This situation was corrected in the Third Replenishment by permitting new subscriptions calculated to bring relative voting power and contributions into line.

First Replenishment

The Board of Governors of IDA adopted a resolution at their 1962 annual meeting requesting the Executive Directors to draw up a proposal for the replenishment of the Association's resources. Through subsequent negotiations, a plan was agreed upon for the contribution of \$750 million in three equal payments of \$250 million per year commencing in November 1965. The United States portion was \$312 million, representing 41.6% of the total replenishment.

In the First Replenishment, it was agreed that new resources should be provided entirely by the Part I or economically advanced members of the Association and that the replenishment resources would not carry voting rights. This allowed Part II countries to maintain their relative share of the vote.

Second Replenishment

At their 1965 annual meeting, the Board of Governors requested the Executive Directors to draw up a proposal for a Second Replenishment of IDA. Intensive negotiations finally led to a proposal by the Executive Directors, dated March 8, 1968, which provided for contributions by Part I countries and Switzerland amounting to \$1.2 billion, to be paid in three equal annual installments of \$400 million. This represented a 60 percent increase over the First Replenishment. The U.S. share was \$160 million per year, or 40% of the total. As in the First Replenishment, Part II members did not participate in providing resources and the new contributions did not carry voting rights.

The Second Replenishment resources were intended for commitment during the three-year period through June 30, 1970. The replenishment, however, did not become effective until July 23, 1969, the date that the U.S. deposited its formal notification of acceptance, thus making the proposal effective.

This delay was reflected in commitments of only \$107 million during FY 1968.

Partly as a result, Second Replenishment resources were not fully committed until June 30, 1971.

As in the First Replenishment, U.S. payments were made in the form of non-interest bearing letters of credit, to be drawn down by IDA only to meet actual disbursement needs. Under balance-of-payments safeguards negotiated as part of this Replenishment, however, IDA has called upon these letters only as needed to finance procurement in the U.S. and deferred call upon the rest of the U.S. contribution until other Second Replenishment resources are exhausted. This has delayed the balance-of-payments cost to the U.S. until FY 1975.

Third Replenishment

At the 1969 Annual Meeting of the Board of Governors the President of the Association announced his intention to initiate consultation with Part I members on a Third replenishment of IDA.

Discussions began in December 1969 and continued until agreement on a proposal for country contributions totaling \$2.4 billion was reached by the Executive Directors on July 21, 1971. This represented a doubling of the previous replenishment. Contributions were to be paid in over a three-year period beginning in fiscal 1972. The U.S. share was \$320 million per year, or approximately 40% of the total. Contributions for three of IDA's Part II members and Switzerland were included in the total to be provided.

Unlike the previous replenishments, part of the third took the form of subscriptions with voting rights, so as to bring voting power in line with total financial contributions. This increased the voting power of countries that had made special contributions or increased their share and decreased that of countries whose share had declined from the initial subscriptions.

The Third Replenishment resources were for commitment during fiscal years 1972, 1973, and 1974 at an annual rate of roughly \$800 million. The replenishment, however, did not become effective until September 22, 1972, the date when the U.S. gave the Association formal notification that it would make the subscription and contribution authorized for it. In view of the delay, the Association was forced to rely on voluntary advance contributions from a number of donors during fiscal 1972.

World Bank Transfers

Annual transfers from net earnings have been made by the Bank to IDA every year since 1964. These transfers, averaging around 50% of net earnings, have been regarded as alternatives to the distribution of dividends to the Bank's member countries. Such transfers now total \$809 million, as follows:

From FY 1964 income	\$ 50 million
From FY 1965 income	75
From FY 1966 income	75
From FY 1967 income	10
From FY 1968 income	75
From FY 1969 income	100
From FY 1970 income	100
From FY 1971 income	110
From FY 1972 income	107
From FY 1973 income	106.8
	\$808.8 million

U.S. officials have strongly supported these transfers as a valuable and flexible supplement to country contributions. Such transfers, for example, were drawn upon in the FY 1968 period to meet IDA's disbursement needs when members were unable to agree to the provision of new resources under the Second Replenishment.

Other Resources

Although IDA charges its borrowers only a 3/4% per annum service charge, IDA's administrative expenses have been modest and it has enjoyed a small annual net profit. Accumulated net income amounted to \$70 million as of June 30, 1973. IDA's available resources have also been increased by voluntary contributions from a number of countries, releases from the 90% portion of Part II subscriptions, and interest free loans from Switzerland.

D. Total Availabilities

As of September 30, 1973, a total of \$7,241.3 million had become available to the Association. Of this total, \$6,317.6 million had been committed, leaving a balance of \$924 million available for lending. It is expected that this amount will have been fully committed by June 30, 1974.

TABLE 2IDA Finances as of September 30, 1973

(millions of current dollars)

Available for Lending

Initial Subscriptions	\$ 971.5
Part I members (100% of subscription)	\$906.5
Part II members (10% of subscription)	32.9
Part II members (releases in usable form from local currency portion)	31.1
First Replenishment	898.4
Second Replenishment	1,450.2
Third Replenishment	2,949.2
Special Contributions - Denmark, Norway, Sweden	79.4
Voluntary Contribution - New Zealand	7.4
Transfers from IBRD projects	808.8
Net Income, participation and repayments	76.4
TOTAL	<u>\$7,241.3</u>
<u>Committed</u>	<u>\$6,317.6</u>
<u>Uncommitted</u>	<u>\$ 923.7</u>

III. ANALYSIS OF THE PROPOSAL

A. Amount of Proposed Replenishment

Total funds that governments agreed to seek from their legislatures amount to \$4,500 million. This compares with \$1,200 million and \$2,438 million made available by governments under the Second and Third Replenishments, respectively. In real terms it would represent a 55% increase over the Third Replenishment.

The Fourth Replenishment arrangements would involve Part I member countries contributing the equivalent of \$4,415.8 million to the Association in equal annual installments over a 3-year period, with the first installment to be paid on November 8, 1974. In addition, the arrangements provide for three Part II members (Israel, Spain and Yugoslavia) to contribute the equivalent of \$19,333,000. Finally the Swiss Government, which is not an IDA member, will provide \$66,179,147. (See Table 4).

The U.S. share of the Fourth Replenishment would be 33.3% of the total. Payment arrangements would permit the United States to make its contribution available at the rate of \$375 million per year over four years. As with previous contributions, these funds would be made available to IDA in the form of non-interest bearing letters of credit, to be drawn on only to meet disbursement needs.

The new resources are intended for commitment by IDA during the period up to June 30, 1977. The projected commitment rate of \$1,500 million compares with actual commitments averaging slightly under \$800 million per year during FY 1969-73, and \$1,357 million in FY 1973.

Further details are provided in Annex A of this report, consisting of a Report of the Executive Directors of IDA to the Board of Governors and a draft resolution for action by the Governors.

B. Timing and Amount of Payments

Under the agreed arrangements, governments would normally make their payments in three equal annual installments commencing on November 8, 1974. However, any member may advise the Association that it desires to postpone any payment for a period of not more than 12 months. Moreover, members may

TABLE 3
Country Shares in Contributions
(in percentages)

Country	Initial Resources	First Replenishment	Second Replenishment	Third Replenishment	Fourth Replenishment
Australia	2.72	2.64	2.00	1.94	2.00
Austria	.67	.67	.68	.66	.68
Belgium	-	2.20	1.70	1.65	1.70
Canada	5.09	5.56	6.25	6.07	6.10
Denmark	1.18	1.00	1.10	1.07	1.20
Finland	.52	.31	.34	.50	.56
France	7.13	8.25	8.10	6.07	5.63
Germany	7.13	9.68	9.75	9.47	11.43
Iceland	-	-	-	-	.03
Ireland	-	-	-	-	.17
Italy	2.45	4.00	4.03	3.92	4.03
Japan	4.52	5.50	5.54	5.85	11.00
Kuwait	.45	-	.45	.44	.60
Luxembourg	-	.10	.05	.05	.05
Netherlands	3.73	2.20	2.44	2.74	2.95
New Zealand	-	-	-	-	.26
Norway	.90	.88	.89	.97	1.10
South Africa	1.36	.53	.25	.12	.20
Sweden	1.36	2.00	2.47	4.13	4.00
United Kingdom	17.66	12.88	12.96	12.59	11.00
United States	43.12	41.60	40.00	38.86	33.32
Switzerland	-	-	1.00	1.20	1.47
Participating Part II Members	-	-	-	1.70	.43
TOTAL	100.00	100.00	100.00	100.00	100.00

TABLE 4

Proposed Participation in Increase in IDA Resources
(In thousands of U.S. dollars ^{1/} and percentages)

Part I Members	Prior to Present Replenishment				Fourth Replenishment		
	Sub- scriptions	with- out votes	Total	%	In 1960 \$s	In 1973 \$s	%
Australia	20,763	91,217	111,980	2.14	74,606	90,000	2.00
Austria	5,238	29,322	34,560	.66	25,366	30,600	.68
Belgium	8,746	66,954	77,700	1.48	63,415	76,500	1.70
Canada	39,682	264,848	304,530	5.82	227,546	274,500	6.10
Denmark	9,174	61,666	70,840	1.35	44,763	54,000	1.20
Finland	3,952	18,496	22,448	.42	20,890	25,200	.56
France	55,035	306,997	362,032	6.92	210,177	253,545	5.63
Germany	55,963	420,597	476,560	9.11	426,493	514,500	11.43
Iceland	103	447	550	.01	1,119	1,350	.03
Ireland	3,179	3,851	7,030	.13	6,217	7,500	.17
Italy	19,429	173,811	193,240	3.69	150,331	181,350	4.03
Japan	35,356	249,964	285,320	5.46	410,328	495,000	11.00
Kuwait	3,493	19,427	22,920	.43	22,382	27,000	.60
Luxembourg	390	2,160	2,550	.04	1,865	2,250	.05
Netherlands	28,435	112,645	141,080	2.69	110,044	132,750	2.95
New Zealand	-	5,600	5,600	.10	9,736	11,745	.26
Norway	7,012	42,308	49,300	.94	41,033	49,500	1.10
South Africa	10,091	9,989	20,080	.38	7,461	9,000	.20
Sweden	11,592	194,633	206,225	3.94	149,211	180,000	4.00
United Kingdom	134,650	559,650	694,300	13.28	414,059	499,500	11.00
United States	331,900	1,740,390	2,072,290	39.65	1,243,419	1,500,000	33.32
Part II Members							
Israel	1,745	-	1,745	.03	829	1,000	.02
Spain	10,499	2,091	12,590	.24	11,052	13,333	.30
Yugoslavia	4,229	3,851	8,080	.15	4,145	5,000	.11
Switzerland		42,000	42,000	.80	54,858	66,179	1.47
GRAND TOTAL	800,656	4,424,914	5,225,570	100.00	3,731,339	4,501,302	100.00

^{1/} 1960 dollars except for final column of amounts.

choose to pay in four equal annual installments rather than three, if they so advise the Association prior to the due date for the first installment. A member may avail itself of both options, after consultation with the President of the Association.

The Council believes it would be desirable to approach the question of timing of payments in a flexible manner. Since the last U.S. installment under the Third Replenishment will not be sought from the Congress until FY 1975, the Administration is planning to take advantage of the option to postpone the first installment of the Fourth Replenishment to FY 76. Assuming that this would be the preference of the Congress, the Administration would, if U.S. participation is approved, expect to elect the option permitting four annual payments. This would leave open the possibility, should Congress so desire, of adjusting later payments to conform more closely to the normal payment schedule. Proposed legislation should be drafted to allow flexibility in this regard.

C. Maintenance of Value

Initial subscriptions (90% portion) and resources provided under the first three replenishments provided for maintenance of value in terms of 1960 U.S. gold dollars so long as and to the extent that they had not been initially disbursed or exchanged for the currency of another member.

Under the Fourth Replenishment, however, there will be no maintenance of value obligation "in view of the unsettled international monetary conditions prevailing at the present time". Instead, each member will agree to make its contribution in a stated amount of its own currency equal to its share of the replenishment at official New York exchange rates as of the date agreement was reached on the replenishment, September 27, 1973. For the United States, this means simply that the final amount of our contribution would be \$1,500 million, without any future adjustment.

D. Voting Rights

When the Articles of Agreement of IDA were drafted, it was decided to follow the Bank's voting system according to which voting rights are related to subscriptions, except that all countries are given a minimum number of votes regardless

of subscriptions in order to assure a voice in the Bank's affairs for the small countries. Thus IDA members received 500 "membership" votes and one vote for each \$5,000 of initial subscription.

The concept of contributions without voting rights was introduced in connection with the First Replenishment when it was desired to find some way by which only Part I members could contribute to IDA resources without reducing the relative voting power of the Part II members. Resources for the Second Replenishment were also made available in this form. As a result, relative contributions diverged more and more from relative voting power. Certain countries, especially Japan, insisted upon adjustment of voting rights as a condition for their further participation.

Under the Third Replenishment arrangements were made to bring voting rights in line with relative contributions. These arrangements adjusted the voting power of each Part I member to reflect its relative share in total financial contributions by permitting each member to make a subscription calculated so that the proportion of its total subscription votes to the total of all Part I subscription votes would be equal to its proportionate share of total Part I contributions.

It has been decided that the same voting power arrangements should be made in respect to any Fourth Replenishment subscriptions and contributions, so that relative voting power of each Part I member can continue to correspond (except for membership votes) to its relative share of total resources contributed by Part I members.

E. IDA Lending Policies

The Executive Directors have agreed that IDA should continue to give increasing emphasis to the very poor countries and to those sectors which are of direct relevance to the bulk of the population in the poor countries. In this way the Directors believe that the Association will give the largest measure of support to efforts towards economic and social structural adjustment aimed at a more equitable distribution of income and opportunity.

The Council wholeheartedly endorses this emphasis.

IV. IDA OPERATIONS AND THE U.S. BALANCE OF PAYMENTS

The net impact of the international development lending institutions as a group has been favorable to the balance of payments. This favorable inflow has been based on receipts from procurement in the U.S. of goods and services, interest paid to U.S. holders of loan participations and bonds, the administrative expenses of the banks who keep their headquarters in Washington, and investments by the banks in the U.S. While there are undeniably outflows connected with subscriptions and contributions paid in cash, bond sales and loan participations in the U.S., and interest paid on investments in the U.S., the amounts flowing into the U.S. have been larger than the amounts flowing out in all except one of the last eight years.

Participation in IDA, however, normally does involve a balance-of-payments cost for the U.S. This cost reflects the fact that the U.S. share in IDA contributions is based upon broad burden-sharing concepts designed to reflect a country's relative position in the international economy, while the U.S. share in procurement tends to be related to its share in the imports of IDA's borrowers. Thus, the U.S. has had close to 50 percent of GNP of IDA donor countries and been contributing about 40 percent of its country contributions; at the same time its share in IDA procurement has been around 20 percent. This has resulted in a balance-of-payments cost to the U.S. -- a minor one to date but expected to increase. The lower share which has been achieved for the U.S. in contributions, accordingly, will mean a smaller balance-of-payments cost.

The Council has carefully considered the balance-of-payments cost as well as the benefits from U.S. participation in the IDA, and concluded that benefits outweigh the cost.

From the viewpoint of foreign relations, the IDA and other international financial institutions are an important part of the system that has developed since World War II to handle multilateral economic issues on a cooperative basis. Continued leadership in the international development lending institutions is an integral part of our overall effort, which also includes reform of the international monetary system and improvements in the field of international trade and investment. The ability of the U.S. to conclude monetary and trade agreements which we view as essential to our own progress depends on cooperation of the developing countries--

whose support will be influenced by our ability to help meet their concerns for their own progress--as well as other developed countries continuing to feel that the U.S. is doing its fair share in the financing of development. And the effectiveness of our own bilateral assistance programs is dependent in many ways on the complementary assistance provided by IDA and other multilateral institutions.

There are also direct economic benefits to the U.S. from U.S. participation in IDA that are likely to be considerably more important than the direct balance-of-payments costs. Thus, the proposed IDA replenishment will make it possible for the developing countries to undertake investments in productive facilities averaging around \$3 billion per year. While the benefits to the U.S. from these investments may be difficult to quantify, they are bound to result in improved export markets for us, as well as an improved availability of raw materials and semi-manufactures at prices lower than they would otherwise have been.

Moreover, the balance-of-payments cost of any particular replenishment is spread out over a period of years, so that it has little relevance to the current situation. In the case of the IDA, the balance-of-payments cost can be spread out over a period of ten years or more through the use of letters of credit which have an impact on the balance of payments (and budget) only when they are encashed to meet disbursement needs. The U.S. and most other countries have taken advantage of this possibility. As a result, budgetary outlays have been considerably below appropriations for the IDA.

During the first 13 years of its existence -- through June 30, 1973 -- U.S. payments to IDA totalled \$824 million and IDA procurement in the U.S. totalled \$426 million. In addition, IDA earned interest on cash contributions by certain members invested in the U.S. and incurred administrative expenses in the U.S. The average impact of the IDA on the U.S. balance of payments of these items has been less than \$30 million per year (see Table 5).

The balance-of-payments cost of past contributions to the IDA, however, may be expected to average roughly \$150 million annually in the 1975-77 period as a result of higher rates of disbursement and a surge of calls upon the U.S. contributions and the balance-of-payments safeguards of the Second Replenishment, which delayed its impact to 1975. This cost is estimated to peak in 1975-76 and then decline rapidly after 1977.

TABLE 5

Estimated IDA Effects on United States Balance of Payments
from Inception of IDA through June 30, 1973
(In millions of U.S. dollars)

	Inception through 6/30/65	Fiscal Year					Inception through 6/30/73			
		1966	1967	1968	1969	1970	1971	1972	1973	
Received by IDA from United States										
Subscription and contributions	182.3	74.0	106.0	130.1	36.3	54.6	37.7	78.1	125.1	824.2
Investment income in United States	10.8	2.3	2.3	2.9	3.2	5.5	7.3	9.9	11.8	56.0
Total	193.1	76.3	108.3	133.0	39.5	60.1	45.0	88.0	136.9	880.2
Paid by IDA to United States										
Procurement of goods 1/	59.9	64.3	64.0	45.8	32.0	19.4	45.7	35.1	59.8	428.0
Administrative expenses	8.4	3.2	3.6	3.6	3.6	14.3	18.4	27.5	27.3	109.9
Total	68.3	67.5	67.6	49.4	35.6	33.7	64.1	62.6	87.1	535.9
Net received by IDA from United States	124.8	8.8	40.7	83.6	3.9	26.4	(19.1)	25.4	49.8	344.3
Long-term investments in United States 2/	-	10.0	-	-	-	(10.0)	-	-	-	-
Net received by IDA from United States	124.8	(1.2)	40.7	83.6	3.9	36.4	(19.1)	25.4	49.8	344.3

^{1/} Includes procurement specifically identifiable as originating in the United States and the same proportion of procurement not identifiable by country of origin.

^{2/} Maturities over one year.

SOURCE: World Bank

On the other hand, the balance-of-payments cost of the proposed Fourth Replenishment would have a minimum effect through 1976 and peak in 1978. On the assumption that the currency realignments of 1971 and 1973 will increase the U.S. share in IDA procurement from the cumulative 19 percent to perhaps 22 percent, the balance of payments cost to the U.S. of the Fourth Replenishment may be estimated at about \$50 million in FY 1976 and an average of about \$75 million in the subsequent four years. A more dramatic improvement in the U.S. share of procurement would, of course, lessen the balance-of-payments cost.

It should be recognized, however, that the question of IDA's cost to the U.S. balance of payments should be seen in the broader context of U.S. participation in the World Bank, which includes both IDA and IDA's parent institution, the International Bank for Reconstruction and Development. Specifically, when transactions involving the IBRD are taken into account, total balance-of-payments inflows to the U.S. on World Bank account exceed outflows by a wide margin.

V. LEGISLATIVE ACTION

Section 5 of the International Development Association Act (Public Law 86-656, as amended) provides that "unless Congress by law authorizes such action, neither the President nor any persons or agency shall, on behalf of the United States, (a) subscribe to additional funds under article III, section 1, of the articles . . . or (c) make a loan or provide other financing to the Association." Accordingly, in order for the United States to make the additional contributions provided for in the Fourth Replenishment Resolution, Congressional authorization is required.

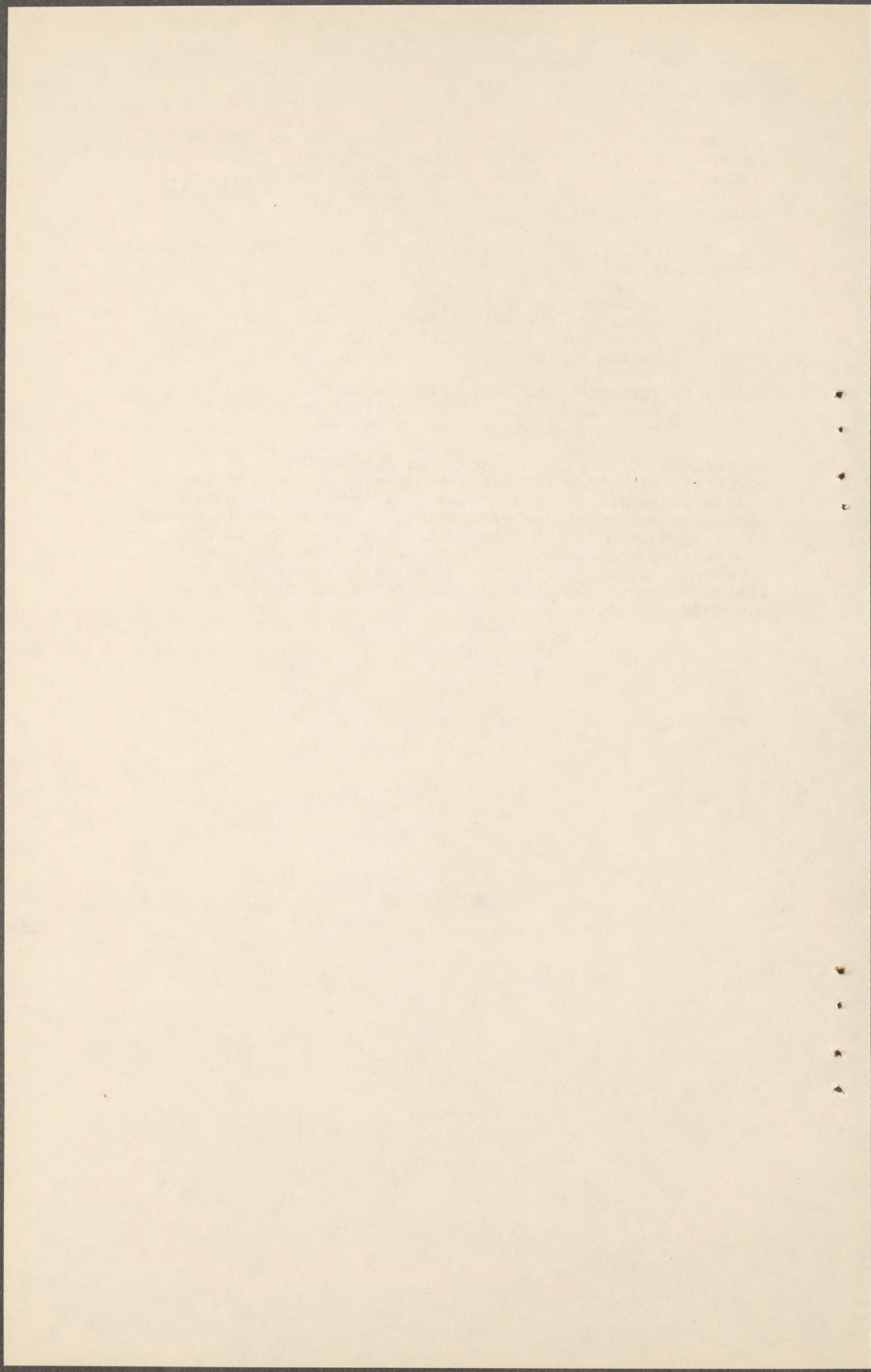
United States participation in the proposed Fourth Replenishment is of vital importance to the Association. In accordance with the terms of the replenishment resolution, at least twelve Part I countries whose subscriptions and contributions aggregate not less than \$3,500 million must formally agree to subscribe and contribute their share of the replenishment on or before June 30, 1974, or such later date as the Executive Directors may determine. As a result, the replenishment cannot come into effect unless the United States agrees to provide its share. And, since U.S. agreement is dependent upon legislative authority, the replenishment cannot become effective by the target date unless the necessary legislative action is completed.

The National Advisory Council therefore considers it a matter of urgency that legislation to permit United States participation in the replenishment be adopted as promptly as possible. Appropriate draft legislation has been submitted which would accomplish this purpose.

The draft bill would amend the International Development Association Act to

- (a) authorize the U.S. Governor of IDA to agree on behalf of the United States to pay to the Association \$1.5 billion as the U.S. contribution to the Fourth Replenishment; and
- (b) authorize the appropriation, without fiscal year limitation, of \$1.5 billion for payment by the Secretary of the Treasury.

Since it is expected that the Association will have committed all its available resources by the end of the fiscal year, and in view of the fact that the replenishment cannot become effective without United States participation, it is very important to the continuing operation of the Association that every effort be made to complete the necessary legislative action at an early date. The Council therefore urges that a high priority be accorded to the proposed legislation.





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October 30, 1973

Report of the Executive Directors to
the Board of Governors on Additions to IDA
Resources; Fourth Replenishment

1. At the 1972 Annual Meeting of the Board of Governors, the President of the Association announced that, since the resources available to IDA would be fully committed by June 30, 1974, he proposed that before the end of 1972 negotiations among members should begin so that by the middle of 1973 the Executive Directors could consider a formal plan on the fourth replenishment for submission to governments. Discussions began in December 1972 and continued over the months which followed until agreement on the proposals to be made to the Executive Directors was reached in Nairobi on September 27, 1973. On October 30, 1973 the President presented this draft report on the replenishment to the Executive Directors, who have reviewed and approved it. The basis on which it is now proposed that members will work to obtain legislative approval of the additional resources is set forth below and in the draft Resolution attached hereto as Annex A.

Amount of the Replenishment

2. As of September 30, 1973, a total of \$7241.7 million had become available to the Association for commitment:

<u>Source</u>	<u>US \$ million</u>	
Initial Subscriptions	971.5 ^{/1}	
First Replenishment	898.4	
Second Replenishment		
Part I members' contributions	1433.1	
Swiss Loan	<u>17.2</u>	1450.3
Third Replenishment		
Part I members' contributions	2893.5 ^{/2}	
Part II members' contributions	<u>12.8^{/3}</u>	
Swiss Loan	<u>42.9</u>	2949.2
Special supplementary contributions		
by Denmark, Norway and Sweden	79.4	
Voluntary contribution from New Zealand	7.4	
Transfers from IBRD profits	808.8	
Net Income, participation and repayments	<u>76.7</u>	
	<u>7241.7</u>	

- ^{/1} This amount includes (i) the subscriptions of Part I members (\$906.5 million), (ii) the 10% portion of the subscriptions of Part II members payable in gold or convertible currency (\$32.9 million), and (iii) that part of the 90% portion of the subscriptions of Part II members released on a convertible basis and releases on a non-convertible basis which have actually been used (\$32.1 million)
- ^{/2} Includes a contribution of \$116.7 million by the Italian Government which has not yet deposited a formal notification
- ^{/3} Not including \$693,402 in 1960 gold dollars of subscriptions and contributions proposed to be made available on exercise of preemptive rights by certain Part II members (see par. 21 below).

Of this total \$6,317.6 million had been committed (net of cancellations) as of September 30, 1973, leaving a balance of approximately \$924.1 million available for lending. On present plans, it is expected that this amount, plus any additional amounts which might become available during FY1974 from further releases from Part II members' subscriptions, cancellations, etc., will have been fully committed by June 30, 1974.

3. There was a wide measure of support for the view that an annual amount of about \$1,140 million in 1975 would represent the same constant effort as the

annual contribution to the Third Replenishment--that is, if Part I countries made contributions at that level, they would contribute exactly the same percentage (0.035%) of their GNP in 1975 as in 1972, and that an increase above this level was justified by the growing needs of the poorest countries for these resources. Accordingly, the participating countries listed in the table below believe that there is a need to increase the resources of the Association, that the amounts and conditions stated below form an appropriate basis for recommendation to legislatures, and consequently they intend to request, where necessary, their legislatures to approve these arrangements with a view to obtaining approval to commit the amounts listed in the table below. It is understood that no commitment by a member government can be made until approval has, where necessary, been obtained from its legislature.

<u>Part I Countries</u>	<u>In National Currencies</u>	<u>US\$ (equivalent)*</u>
Australia	\$A 60,810,811	90,000,000
Austria	S 547,406,460	30,600,000
Belgium	BF 2,834,325,000	76,500,000
Canada	Can\$ 276,037,200	274,500,000
Denmark	DKr 308,394,000	54,000,000
Finland	Fmk 92,816,640	25,200,000
France	F 1,070,264,154	253,545,000
Germany	DM 1,242,774,750	514,500,000
Iceland	IKr 113,130,000	1,350,000
Ireland/ ¹	£Ir 3,100,070	7,500,000
Italy	Lit 102,399,277,500	181,350,000
Japan	¥ 131,472,000,000	495,000,000
Kuwait	KD 7,858,889	27,000,000
Luxembourg	LuxF 83,362,500	2,250,000
Netherlands	f. 336,162,825	132,750,000
New Zealand/ ²	\$NZ 7,935,811	11,745,000
Norway	NKr 273,482,550	49,500,000
South Africa	R 6,060,606	9,000,000
Sweden	SKr 756,306,000	180,000,000
United Kingdom	£ 206,464,680	499,500,000
United States	\$ 1,500,000,000	1,500,000,000
 <u>Part II Countries</u>		
Israel	IE 4,200,000	1,000,000
Spain	Ptas 757,041,074	13,333,000
Yugoslavia	Din 75,000,000	5,000,000
Switzerland/ ³	SwF 200,000,000	66,179,147
TOTAL		<u>4,501,302,147</u>

*At official New York Noon exchange rates of September 27, 1973.

¹ Ireland is at present a Part II country, but see paragraph 4, below.

² New Zealand is not yet a member, but see paragraph 5, below.

³ The contribution of Switzerland would be in the form of a loan. See paragraph 7, below.

4. Ireland is a Part II member of the Association and has advised the Association that it wishes to be regarded as a Part I member and to participate in the Fourth Replenishment as a Part I member. The Executive Directors have approved this change in membership status.

5. New Zealand has applied for admission to membership in the Association in connection with the Fourth Replenishment. Payments of New Zealand's subscription and contribution, when approved, would be made on the same terms as contributions made by Part I members. The Executive Directors recommend the admission of New Zealand to membership in the Association on the terms and conditions set forth in Section C of the attached draft Resolution.

6. The contributions of the three Part II countries^{1/} shown above are to be payable in usable form.^{2/}

7. The Swiss Confederation, which is not a member of the Association, has again expressed its intention to participate in a replenishment of the Association's resources by seeking approval from its Parliament of a loan to the Association in the amount of 200 million Swiss francs to be repayable over a 50-year period without interest.

^{1/} The amounts to be contributed by them would be divided between amounts made available in the form of contributions by Part II members (see paragraph 22), and amounts being made available in the form of subscriptions carrying voting rights being authorized under Section F of the Resolution in order to permit each Part II member to maintain its relative voting power.

^{2/} Resources are deemed to be in usable form if they are provided in freely convertible currency or in local currency available for financing purchases in the donor country, provided there is a reasonable expectation that they will be fully used for procurement in that country during the Fourth Replenishment disbursement period.

8. In view of the resource requirements of the least developed and other poorest countries, member countries are invited, where they can, to make additional voluntary contributions. Such additional contributions would be accepted by the Association on terms to be agreed with the contributing members.

9. Repayments on previous credits over the Fourth Replenishment commitment period are expected to be \$44 million and the Association's net income is expected to be \$19 million. It is also probable that, as in the past, the International Bank for Reconstruction and Development will be in a position to make additional grants to the Association during the Fourth Replenishment commitment period. Even without these transfers, the proposed contributions of Part I and Part II member countries, the Swiss loan and expected repayments and net income, would, when any necessary legislative approvals have been received, provide the Association with the equivalent of at least \$4,564 million for commitment during the Fourth Replenishment commitment period. It is the expectation of the Executive Directors that these resources would be committed at a reasonably even pace over the three fiscal years beginning July 1, 1974 and ending June 30, 1977.

Timing and Amounts of Payments

10. Payment of the subscriptions and contributions, except as noted below, would be made in three equal annual instalments commencing on November 8, 1974, unless that date is postponed. A member may also make payments in ascending, rather than equal amounts, provided that they are made in three instalments the first of which is not less than 25% of the total and is paid by November 8, 1974 or (if the Replenishment is not effective by October 8, 1974), by thirty days after the effective date of the Replenishment. It is also provided that (a) if any member advises the Association not less than 30 days before any payment

is due that because of governmental procedures or administrative problems it is not in a position to make such payment and wishes to postpone it, such payment shall be postponed for a period of not more than 12 months or (b) if any member advises the Association prior to the date when the first instalment is due that it wishes to make payment of its subscription and contribution in four equal annual instalments rather than three, such member may make payment on that basis. If, in exceptional circumstances, a member finds it necessary to avail itself of both the options referred to in the preceeding sentence, it may do so after consultation with the President of the Association. Members would be able to deposit notes or similar obligations in place of funds not needed by the Association in its operations. (See Section B, paragraph 4 of the attached draft Resolution.)

11. At the present time some countries make resources available to the Association in currencies which can be invested pending disbursement. These cash payments are extremely welcome to the Association since they add flexibility to the management of its resources and enable it to derive some income from the investment of such funds prior to their being disbursed on credits. In recognition of the advantages to the Association of receiving these payments, the draft Resolution (Section B, paragraph 4(f)) provides, as did the Third Replenishment Resolution, that any member which agrees to make payment of its subscription and contribution without substituting notes or similar obligations therefor, would be able to make such payment in amounts and on dates other than those specified in paragraph 10 above, provided that in the judgment of the Executive Directors the terms of such payment would be no less favorable to the Association than if notes or similar obligations had been deposited instead.

Maintenance of Value

12. Initial subscriptions of original members of the Association, and subscriptions and contributions to the first three replenishments, were expressed in U.S. dollars of the weight and fineness in effect on January 1, 1960.

Article IV, Section 2 of the Articles of Agreement of the Association provides for the maintenance of value in terms of 1960 U.S. gold dollars of that amount of the 90% portion of the initial subscriptions of original Part I members paid in by the member in its own currency, so long as and to the extent that such currency has not been initially disbursed or exchanged for the currency of another member.

13. Under the first three replenishments, it was decided as a matter of policy to make the maintenance of value provisions of the Articles of Agreement of the Association applicable to the subscriptions and contributions made under these replenishments and provisions to that effect were included in the Resolutions of the Board of Governors authorizing these replenishments. The Part I members are of the view that as a matter of general principle maintenance of value provisions should continue to be made applicable to subscriptions and contributions made under replenishments of the Association's resources. However, they have decided that in view of the unsettled international monetary conditions prevailing at the present time, their proposed subscriptions and contributions to the Fourth Replenishment should not be subject to any maintenance of value obligation and that, instead, each Part I member should agree to make its contribution in a stated amount of its own currency (provided it is "freely convertible" as defined in Article II, Section 2(f) of the Articles of Agreement) without any obligation to maintain the value of these payments if there is a subsequent change

in the exchange value of the currency involved. Members would not have the right to make these payments in a currency other than their own, except with the approval of the Association.

14. For purposes of assessment of voting power (see par. 18 below), the amount of each subscription and contribution would continue to be measured in terms of 1960 US gold dollars at the rate of 1.20635 1973 US dollars are equal to one 1960 US gold dollar.

15. The elimination of the maintenance of value obligation would raise a number of problems for the operations of the Association. One of the problems which arises relates to the Association's commitment authority for the Fourth Replenishment commitment period. Since changes in the value of currencies held by or payable to the Association would not be covered by a maintenance of value obligation, the effective value of the currencies available for commitment might decrease or increase in terms of legal tender dollars depending on whether such currencies depreciated or appreciated vis-a-vis gold or legal tender dollars, respectively. Since it is intended that Fourth Replenishment contributions would be committed over a three-year period, but would be disbursed over a much longer period, the Association would incur the risk of over-committing its resources if it continued its present practice of fully committing its resources in terms of legal tender dollars. There are various ways in which this problem can be dealt with, including the possibility of maintaining a reserve against a possible short-fall of resources, but these would have to be carefully examined before a decision is taken as to which one is to be adopted.

Voting Rights

16. Under the Third Replenishment arrangements were made providing for a comprehensive adjustment of the voting rights of the members, particularly those

of the Part I members. These arrangements were, in summary, as follows:

(a) The voting power of each Part I member was to be adjusted to reflect its relative share in total financial contributions to the Association; this was done by permitting each Part I member to make a subscription under the Third Replenishment calculated so that the proportion of its total subscription votes to the total of all Part I subscription votes would be equal to its proportionate share of total Part I contributions from initial subscriptions, First, Second and Third Replenishments and supplementary contributions.^{1/}

(b) It was agreed that the arrangements should be such as to make it easy for the Part II members to subscribe and thus to maintain their relative voting power. This was done by authorizing Part II subscriptions in the aggregate amount of about \$10 million, payable entirely in local currency; this resulted in the cost of a vote being fixed at the equivalent of \$80.

(c) In order to avoid dilution of the relative voting power of the smaller members of the Association, additional membership votes were also accorded with the making of additional subscriptions so that the total of each country's membership votes would be .25% of the total of potential subscription votes.

17. The voting power adjustment which has been effected as a result of these arrangements is, as of the date of this Report, in substance as follows:

(a) The voting power of each Part I member which has deposited a formal notification agreeing to make the subscription and contribution provided for it

^{1/} Since the issuance of the Report of the Executive Directors on the Third Replenishment, only one supplementary contribution has been made, that of New Zealand. Under the voting power arrangements to be made under the Fourth Replenishment, votes would be accorded in respect of that contribution, as was done for the supplementary contributions made prior to the Third Replenishment.

under the Third Replenishment is in almost exact proportion^{1/} (except for membership votes) as among Part I members to its respective relative share in total financial contributions by Part I members to the Association;

(b) As far as the voting rights of the Part II members are concerned, 70 out of 93 Part II members have taken up additional subscriptions, giving the Part II members as a group 36.30% of total voting power,^{2/} as compared with 37.63% in July 1970 when the Executive Directors' Report on the Third Replenishment was submitted to the Board of Governors. Those Part II members which have not yet deposited formal notifications under the Third Replenishment have the right to do so under the Third Replenishment Resolutions, without limitation as to time.

18. It has been decided that essentially the same voting power arrangements which were made under the Third Replenishment should be made in respect of any Fourth Replenishment subscriptions and contributions as follows:

(a) Part I members which make available additional resources under the Fourth Replenishment will be accorded additional votes calculated so that the relative voting power of each Part I member can continue to correspond (except for membership votes) to its relative share of total resources contributed by Part I members. Votes would be given in respect of New Zealand's supplementary contribution of NZ\$5.0 million made in 1971 (see Par. 16(a), Footnote 1). It is also proposed to accord such additional votes under any Fourth Replenishment

^{1/} All Part I members have deposited formal notifications except Italy. When Italy also does so, the relative voting power of each Part I member as among Part I members will be in exact proportion (except for membership votes) to its relative share in total Part I members' contributions through the Third Replenishment.

^{2/} This figure excludes the additional 1067 votes, equal to .13% of total voting power, which is proposed to be given to Ireland, Spain and Yugoslavia in respect of their supplemental contributions under the Third Replenishment, and to eleven other Part II members that have given notice of their intention to exercise their preemptive rights in connection with this adjustment.

subscriptions and contributions on the basis of the value of the Fourth Replenishment subscriptions and contributions measured in terms of 1960 gold dollars.

(b) In order to make it easy for the Part II members to subscribe and thus to maintain their relative voting power, the cost of a vote for Part II members under the Fourth Replenishment would continue to be kept low. Part II subscriptions would aggregate the equivalent of about \$10 million, all payable in the currency of the subscribing member; this results in the cost of a vote being fixed at \$25. (See Table IV, Column (11))

(c) In order to avoid dilution of the relative voting power of the smaller members of the Association, it is proposed that additional membership votes should be given in connection with the making of additional subscriptions so that the total of each country's membership votes would continue to be .25% of the total of potential subscription votes, including votes to be accorded under both the Third and Fourth Replenishments.

Agreement of Part I Members

19. The making of the arrangements described in paragraph 18 (a) and (b) above would require, under the provisions of Article III, Section 1(c) of the Articles of Agreement, the unanimous agreement of the Part I members. The Part I members have so agreed.

Voting Rights for Additional Resources Provided by Certain Part II Members in Usable Form

20. A special voting power problem arose in connection with the making, under the Third Replenishment, by three Part II members (Ireland, Spain and

Yugoslavia) of additional resources^{1/} available to the Association in "usable form", as that term is defined in the Report, dated July 21, 1970, of the Executive Directors on the Third Replenishment to the Board of Governors. Because of procedural problems in dealing with the preemptive rights of other Part II members which might have delayed the processing of the Third Replenishment, these contributions were not accorded voting rights under the Third Replenishment, although, as the Report of the Executive Directors on the Third Replenishment stated, it would have been reasonable to do so. The Report also stated that it was the understanding of the Executive Directors that if any of these three members requested that the Association convert all or part of their contributions to subscriptions carrying voting rights the Association would "then decide the terms and conditions on which contributions may be so converted."

21. A Part II member which had made such a special contribution thereafter made such a request and the Executive Directors on June 28, 1973, agreed that (i) in accordance with the principle expressed in the said Report, it would be appropriate for votes to be accorded for such contributions; (ii) the same number of additional votes be given for each of these contributions (part of the contribution would be converted into a subscription bearing the appropriate number of votes) as would have been given to a Part I member which had increased its contribution under the Third Replenishment by the same amount, and (iii) they would recommend to the Board of Governors in their Report on the Fourth Replenishment that additional

^{1/} These amounts, which totalled the equivalent of \$9,872,720 in 1960 US dollars, were made available in the form of contributions not carrying voting rights and were in addition to amounts made available in the form of subscriptions (aggregating \$667,280) carrying voting rights. The subscriptions were authorized under Section D of the Third Replenishment Resolution as part of the general scheme designed to permit Part II members to maintain their relative voting power at a nominal cost, i.e. at a cost of \$80 per subscription vote.

votes be given to these three Part II contributors for their special contributions to the Third Replenishment on this basis. Such a recommendation is reflected in the attached draft Resolution (Section D). Eleven Part II members have exercised their preemptive rights under Article III, Section 1(c) of the Articles of Agreement with respect to the subscriptions for such three Part II contributors carrying votes on such a basis; the other Part II members have waived such rights. The attached voting power table (Table II) reflects the votes to be accorded to these members.

22. As noted in paragraph 3 above, three Part II members have indicated their intention to seek legislative approval to make supplemental resources available to the Association under the Fourth Replenishment in usable form. It is proposed to accord votes in respect of such resources (also broken down into subscriptions carrying votes and contributions not carrying votes) on the same basis as is set forth in paragraph 21 above. Six Part II members have exercised their preemptive right under Article III, Section 1(c) of the Articles of Agreement with respect to the subscriptions for such three Part II contributors carrying votes on such a basis; the other Part II members have waived such rights. The attached voting power table (Table IV) reflects the votes to be accorded to these members.

Other Additional Supplementary Resources

23. In accordance with the principles devised for the Third Replenishment and proposed to be followed for the Fourth Replenishment, it is the view of the Executive Directors that any additional supplementary resources made available to the Association after the Fourth Replenishment should also carry votes so that the relative voting power of each member can continue to correspond, as closely as practical, to its relative share in contributions (see paragraph 8). A decision regarding the basis on which votes would be accorded, however, would be taken by the Association at the time when it takes action to accept such resources.

Reconsideration of Voting Rights Amendment

24. Paragraph 17 of the Report dated July 21, 1970 of the Executive Directors to the Board of Governors recommending approval of the Third Replenishment concluded that, in the light of earlier discussions on the subject, further study should be given to the problem of adjustment of voting power, including among other things an amendment of the Articles of Agreement if this should be required as a long term solution to the problem of adjustment of voting power, such study to be completed in time to enable its conclusion to be submitted to the Board of Governors at their 1971 Annual Meeting.

25. In accordance with the said Report, the Executive Directors after reviewing a study, dated June 14, 1971, prepared by the staff of the problem of adjustment of voting power, made a report dated July 13, 1971 to the Board of Governors which concluded that an amendment of the Articles of Agreement of IDA with respect to the adjustment of voting power should not be sought at that time, but that the matter should be kept under review in the light of the experience gained of the voting power adjustment under the Third Replenishment and in any event reconsidered at the time of the beginning of discussions concerning the Fourth Replenishment. At the time of the beginning of discussions concerning the Fourth Replenishment this matter was considered by the representatives of the Part I countries and a clear majority was of the view that circumstances were not such as to warrant proposing an amendment of the Articles at this time. In reaching this conclusion, it was noted among other things that (a) as described in more detail in paragraphs 16 and 17 above, special arrangements had been made under the Third Replenishment to make it easy for the Part II members to retain their relative voting power; (b) the relative voting power of the Part II members had nevertheless

declined from 37.63% in July 1970 (when the Executive Directors' report on the Third Replenishment was submitted to the Board of Governors) to 36.30%,^{1/} although this latter figure would be increased as and to the extent that Part II members exercise their option to subscribe under the arrangements referred to in subparagraph (a) above, and (c) the arrangements for an adjustment of voting power under the Third Replenishment could be repeated for the Fourth Replenishment, including in particular the basis on which the Part II members could subscribe in order to maintain their relative voting power as a group. Such arrangements are now being proposed for the Fourth Replenishment (see paragraph 18 above). Accordingly, it is concluded that, while the relative voting power of the Part II members as a group should be kept under review, an amendment of the Articles of Agreement should not now be proposed.

General Consideration

26. The Executive Directors consider that arrangements under the Fourth Replenishment should be regarded as without prejudice to any arrangements in connection with subsequent replenishments.

IDA Lending Policies

27. The Executive Directors have noted that the International Development Strategy for the Second Development Decade, which was approved by the General Assembly of the United Nations, calls for convergent efforts in all spheres of economic and social life "to bring about a more equitable distribution of income and wealth for promoting social justice and efficiency of production, to raise substantially the level of employment, to achieve a greater degree of income security and to expand and improve facilities for education, health, nutrition, housing and social welfare and to safeguard the environment." The Executive

^{1/} As of September 30, 1973

Directors have also noted that the President of the Association, at the Third Session of the United Nations Conference on Trade and Development, stated that if the developing countries adopt policies to ensure that the benefits of growth will be more equitably distributed among their own peoples, then these countries both need and deserve the assistance necessary to ensure that a reasonable rate of overall growth can be achieved. Earlier this year, the Executive Directors, considering a Memorandum from the President on IDA Lending Policies, agreed with the proposal that the increased emphasis which had been given by the Association to the very poor countries, including the least developed, be continued; and that the Bank Group, and IDA in particular, continue to give increasing emphasis in lending to those sectors which are of direct relevance to the bulk of the population in the poor countries. The Executive Directors believe that the Association should continue to give the largest measure of support to efforts in developing countries towards economic and social structural adjustment aimed at a more equitable distribution of income and opportunity.

Effective Date of the Fourth Replenishment

28. It is proposed that the Fourth Replenishment should not become effective, and the obligation to contribute new resources should not become binding on any member, unless and until members, including at least 12 Part I members, whose contributions and subscriptions aggregate not less than \$3,500 million give the Association formal notification that they will make both the contribution and the subscription authorized for each of them. On the date when that condition shall have been satisfied, each member who shall have given the Association such notification shall be entitled to the voting rights accorded to its subscription as specified in the attached draft Resolution. Each member which on any date thereafter shall give the Association such notification shall be entitled, as of that

date, to the voting rights accorded to its subscription as specified in the attached draft Resolution.

Recommendation

29. The Executive Directors recommend that the Board of Governors adopt the draft Resolution attached as Annex A to this Report.

Table I

IDA FOURTH REPLENISHMENT
RESOURCES CONTRIBUTED BY MEMBER COUNTRIES

<u>Part I Countries</u>	<u>In National Currencies</u>	<u>US\$ (equivalent)^{a/}</u>
Australia	\$A 60,810,811	90,000,000
Austria	S 547,406,460	30,600,000
Belgium	BF 2,834,325,000	76,500,000
Canada	Can\$ 276,037,200	274,500,000
Denmark	DKr 308,394,000	54,000,000
Finland	Fmk 92,816,640	25,200,000
France	F 1,070,264,154	253,545,000
Germany	DM 1,242,774,750	514,500,000
Iceland	IKr 113,130,000	1,350,000
Ireland ^{b/}	£Ir 3,100,070	7,500,000
Italy	Lit 102,399,277,500	181,350,000
Japan	¥ 131,472,000,000	495,000,000
Kuwait	KD 7,858,889	27,000,000
Luxembourg	Lux F 83,362,500	2,250,000
Netherlands	f. 336,162,825	132,750,000
New Zealand ^{c/}	\$NZ 7,935,811	11,745,000
Norway	NKr 273,482,550	49,500,000
South Africa	R 6,060,606	9,000,000
Sweden	SKr 756,306,000	180,000,000
United Kingdom	£ 206,464,680	499,500,000
United States	\$ 1,500,000,000	<u>1,500,000,000</u>
Total Part I Countries		4,415,790,000
<u>Part II Countries</u>		
Israel	I£ 4,200,000	1,000,000
Spain	Ptas 757,041,074	13,333,000
Yugoslavia	Din 75,000,000	<u>5,000,000</u>
Total Part II Countries		19,333,000
Total Members		4,435,123,000
Loan from Switzerland SwF	200,000,000	66,179,147
Total Resources		<u>4,501,302,147</u>

a/ At official New York Noon exchange rates of September 27, 1973.

b/ Ireland which is currently a Part II member, will become a Part I member.

c/ New Zealand which is not currently a member of IDA, will become a Part I member.

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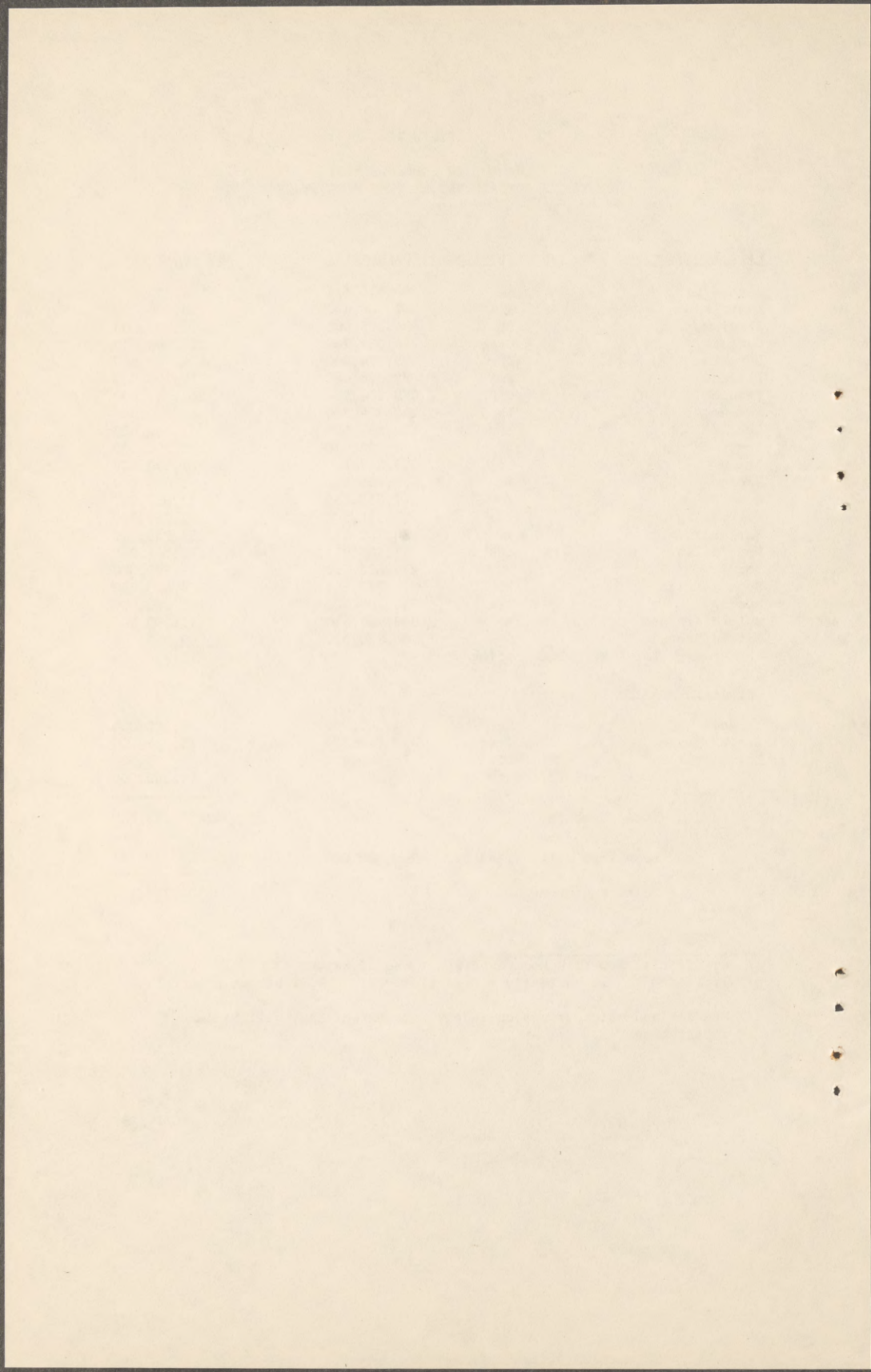


TABLE II
IDA FOURTH REPLENISHMENT

PRESENT VOTING POWER OF MEMBER COUNTRIES AND ADJUSTMENTS TO REFLECT
PART II SPECIAL CONTRIBUTIONS AND PREEMPTIVE RIGHTS UNDER THE
THIRD REPLENISHMENT ^{a/}

Member	Voting Power		Voting Power ^{b/}		Adjustments		Adjusted Voting Power ^{a/}	
	(As of Sept. 30, 1973)				Part II Special	Preemptive		
	No. of Votes (1)	% of Total (2)	No. of Votes (3)	% of Total (4)	Contributions ^{c/} No. of Votes (5)	Rights ^{d/} No. of Votes (6)	No. of Votes (7)	% of Total (8)
Part I Countries								
Australia	13,079	1.55	13,079	1.45			13,079	1.45
Austria	5,232	.62	5,232	.58			5,232	.58
Belgium	9,597	1.14	9,597	1.06			9,597	1.06
Canada	32,464	3.86	32,464	3.60			32,464	3.59
Denmark	8,922	1.06	8,922	.99			8,922	.99
Finland	4,037	.48	4,037	.45			4,037	.45
France	38,284	4.55	38,284	4.24			38,284	4.24
Germany	49,874	5.93	49,874	5.52			49,874	5.52
Iceland	1,806	.21	1,806	.20			1,806	.20
Italy ^{b/}	4,132	.49	<u>21,239</u>	<u>2.35</u>			21,239	2.35
Japan	30,541	3.63	30,541	3.38			30,541	3.38
Kuwait	4,089	.49	4,089	.45			4,089	.45
Luxembourg	2,010	.24	2,010	.22			2,010	.22
Netherlands	15,989	1.90	15,989	1.77			15,989	1.77
Norway	6,739	.80	6,739	.75			6,739	.75
South Africa	3,777	.45	3,777	.42			3,777	.42
Sweden	22,538	2.68	22,538	2.50			22,538	2.49
United Kingdom	71,857	8.54	71,857	7.96			71,857	7.95
United States	<u>210,927</u>	<u>25.07</u>	<u>210,927</u>	<u>23.36</u>			<u>210,927</u>	<u>23.33</u>
Total Part I Members	535,894	63.70	553,001	61.25			553,001	61.17

^{a/} Present Voting Power of Member Countries and Adjustments to Reflect Votes to be accorded in respect of:

(i) Part II Special Contributions made by Ireland, Spain and Yugoslavia under the Third Replenishment.

(ii) Contributions to be made by certain other Part II members in exercise of their preemptive rights because of votes to be accorded under (i).

^{b/} Members from whom formal notifications have not been received. The underlined figures in columns 3 and 4 show what the voting power would be if formal notifications are received from all members.

^{c/} The adjustment is based on the allocation of additional votes to the three Part II members which made special contributions under the Third Replenishment, by converting a portion of these special contributions into subscriptions carrying voting rights. The number of additional votes in respect of these special contributions is based on the number of votes that a Part I member would have received under the Third Replenishment if it had increased its contribution by the same amounts, i.e. one vote for each \$9,905.75 contributed in usable form. Subscriptions would be authorized at the rate of \$80 for each vote received, and the balance of the special contributions (i.e. \$9,825.75 for each vote received) would remain as contributions carrying no votes. These amounts are expressed in terms of US dollars of the weight and fineness in effect on January 1, 1960.

^{d/} Part II members which have given notice of their intention to exercise their preemptive rights in connection with the adjustment shown in column 5. Votes to be accorded to such members would be on the same basis as described in footnote ^{c/}.

^{e/} Including effect of adjustments and assuming that all countries give formal notification under the Third Replenishment.

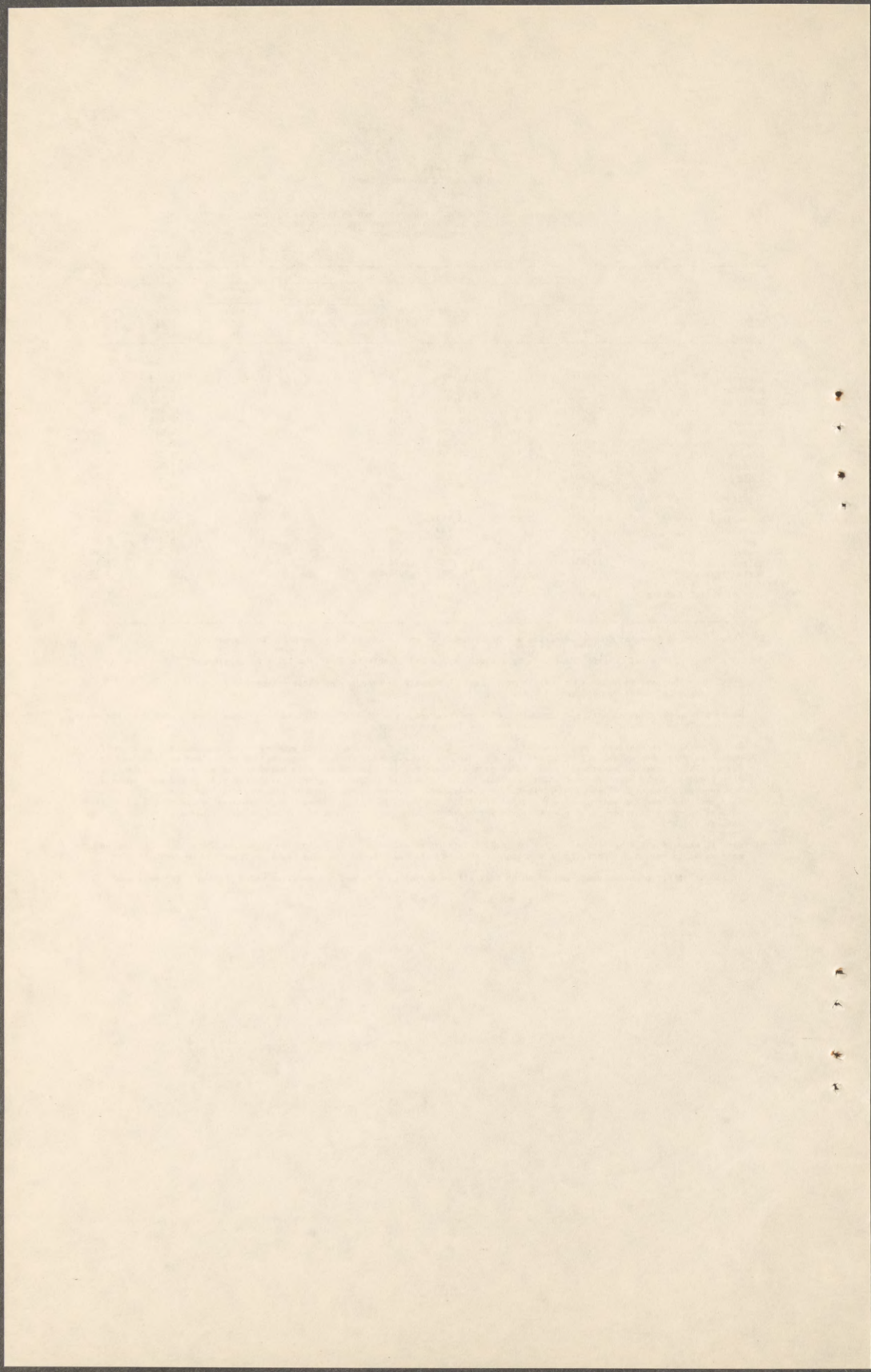


TABLE II
IDA FOURTH REPLENISHMENT

PRESENT VOTING POWER OF MEMBER COUNTRIES AND ADJUSTMENTS TO REFLECT
PART II SPECIAL CONTRIBUTIONS AND PREEMPTIVE RIGHTS UNDER THE
THIRD REPLENISHMENT ^{a/}

Member	Voting Power		Voting Power ^{b/}		Adjustments		Adjusted Voting Power ^{a/}	
	(As of Sept. 30, 1973)				Part II Special Contributions ^{c/}	Preemptive Rights ^{d/}		
	No. of Votes (1)	% of Total (2)	No. of Votes (3)	% of Total (4)			No. of Votes (7)	% of Total (8)
Part II Countries								
Afghanistan	2,437	.29	2,437	.27			2,437	.27
Algeria	4,510	.54	4,510	.50			4,510	.50
Argentina ^{d/}	14,661	1.74	14,661	1.62		16	14,677	1.62
Bangladesh	5,444	.65	5,444	.60			5,444	.60
Bolivia	2,473	.29	2,473	.27			2,473	.27
Botswana	1,859	.22	1,859	.21			1,859	.21
Brazil ^{d/}	14,661	1.74	14,661	1.62		16	14,677	1.62
Burma	3,138	.37	3,138	.35			3,138	.35
Burundi	2,273	.27	2,273	.25			2,273	.25
Cameroon ^{b/}	702	.08	2,437	.27			2,437	.27
Central African Republic ^{b/}	600	.07	2,093	.23			2,093	.23
Chad	2,093	.25	2,093	.23			2,093	.23
Chile ^{b/}	1,206	.14	4,168	.46			4,168	.46
China	22,503	2.68	22,503	2.49			22,503	2.49
Colombia ^{d/}	4,168	.50	4,168	.46		5	4,173	.46
Congo, People's Rep. of ^{b/}	600	.07	2,093	.23			2,093	.23
Costa Rica	1,892	.23	1,892	.21			1,892	.21
Cyprus ^{b/}	652	.08	2,273	.25			2,273	.25
Dahomey ^{b/}	600	.07	2,093	.23			2,093	.23
Dominican Republic ^{d/}	2,022	.24	2,022	.22		2	2,024	.22
Ecuador	2,200	.26	2,200	.24			2,200	.24
Egypt, Arab Rep. of	5,231	.62	5,231	.58			5,231	.58
El Salvador ^{b/}	560	.07	1,951	.22		2	1,953	.22
Equatorial Guinea	1,967	.23	1,967	.22			1,967	.22
Ethiopia ^{d/}	2,093	.25	2,093	.23		2	2,095	.23
Fiji	2,130	.25	2,130	.24			2,130	.24
Gabon ^{b/}	600	.07	2,093	.23			2,093	.23
Gambia, The	1,931	.23	1,931	.21			1,931	.21
Ghana	3,372	.40	3,372	.37			3,372	.37
Greece	3,480	.41	3,480	.39			3,480	.38
Guatemala	2,022	.24	2,022	.22			2,022	.22
Guinea	2,437	.29	2,437	.27			2,437	.27
Guyana	2,308	.27	2,308	.26			2,308	.26
Haiti ^{b/}	652	.08	2,273	.25			2,273	.25
Honduras ^{d/}	1,951	.23	1,951	.22			1,951	.22
India	29,426	3.50	29,426	3.26			29,426	3.26
Indonesia	9,360	1.11	9,360	1.04			9,360	1.04
Iran	4,868	.58	4,868	.54			4,868	.54
Iraq	2,273	.27	2,273	.25			2,273	.25
Ireland	3,825	.46	3,825	.42	392		4,217	.47
Israel	2,904	.35	2,904	.32			2,904	.32
Ivory Coast	2,437	.29	2,437	.27			2,437	.27
Jordan ^{b/}	560	.07	1,951	.22			1,951	.22
Kenya	2,904	.35	2,904	.32			2,904	.32
Khmer Republic	2,452	.29	2,452	.27			2,452	.27
Korea	2,615	.31	2,615	.29			2,615	.29

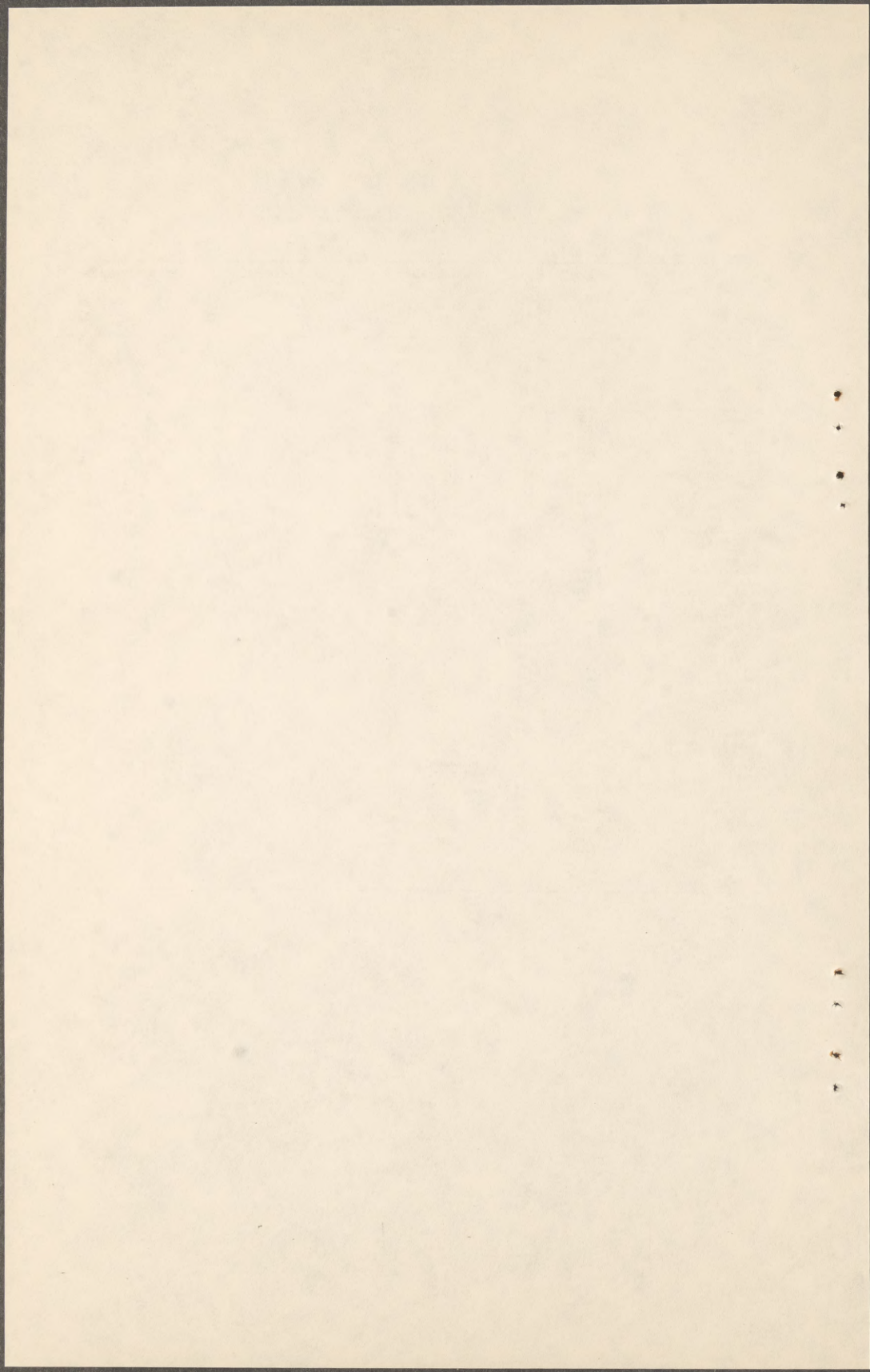


TABLE II
IDA FOURTH REPLENISHMENT

PRESENT VOTING POWER OF MEMBER COUNTRIES AND ADJUSTMENTS TO REFLECT
PART II SPECIAL CONTRIBUTIONS AND PREEMPTIVE RIGHTS UNDER THE
THIRD REPLENISHMENT ^{a/}

Member	Voting Power		Voting Power ^{b/}		Adjustments		Adjusted Voting Power ^{e/}	
	(As of Sept. 30, 1973)		No. of Votes (1)	% of Total (2)	Part II Special Contributions ^{c/} No. of Votes (5)	Preemptive Rights ^{d/} No. of Votes (6)	No. of Votes (7)	% of Total (8)
	No. of Votes (1)	% of Total (2)						
Laos	2,093	.25	2,093	.23			2,093	.23
Lebanon ^{b/}	590	.07	2,057	.23			2,057	.23
Lesotho	1,859	.22	1,859	.21			1,859	.21
Liberia	2,273	.27	2,273	.25			2,273	.25
Libyan Arab Republic	2,437	.29	2,437	.27			2,437	.27
Malagasy Republic ^{b/}	702	.08	2,437	.27			2,437	.27
Malawi	2,273	.27	2,273	.25			2,273	.25
Malaysia	3,480	.41	3,480	.39			3,480	.38
Mali	2,346	.28	2,346	.26			2,346	.26
Mauritania	2,093	.25	2,093	.23			2,093	.23
Mauritius ^{d/}	2,344	.28	2,344	.26		3	2,347	.26
Mexico ^{b/}	2,248	.27	7,751	.86			7,751	.86
Morocco	4,168	.50	4,168	.46			4,168	.46
Nepal	2,093	.25	2,093	.23			2,093	.23
Nicaragua	1,951	.23	1,951	.22			1,951	.22
Niger ^{b/}	600	.07	2,093	.23			2,093	.23
Nigeria	4,057	.48	4,057	.45			4,057	.45
Oman ^{d/}	1,951	.23	1,951	.22		2	1,953	.22
Pakistan ^{d/}	8,673	1.03	8,673	.96		10	8,683	.96
Panama ^{b/}	504	.06	1,767	.20			1,767	.20
Peru ^{b/}	1,951	.23	1,951	.22			1,951	.22
Paraguay	854	.10	2,960	.33			2,960	.33
Philippines ^{d/}	5,211	.62	5,211	.58		6	5,217	.58
Rwanda ^{b/}	652	.08	2,273	.25			2,273	.25
Saudi Arabia ^{b/}	1,240	.15	4,291	.47			4,291	.47
Senegal ^{b/}	836	.10	2,904	.32			2,904	.32
Sierra Leone ^{b/}	652	.08	2,273	.25			2,273	.25
Somalia	2,273	.27	2,273	.25			2,273	.25
Spain	8,673	1.03	8,673	.96	213		8,886	.98
Sri Lanka	3,825	.46	3,825	.42			3,825	.42
Sudan	2,437	.29	2,437	.27			2,437	.27
Swaziland	1,968	.23	1,968	.22			1,968	.22
Syrian Arab Republic	2,400	.29	2,400	.27			2,400	.27
Tanzania	2,904	.35	2,904	.32			2,904	.32
Thailand	3,825	.46	3,825	.42			3,825	.42
Togo	2,273	.27	2,273	.25			2,273	.25
Trinidad and Tobago ^{b/}	2,770	.09	2,676	.30			2,676	.30
Tunisia	2,793	.33	2,793	.31			2,793	.31
Turkey ^{d/}	5,733	.68	5,733	.63		6	5,739	.63
Uganda	2,904	.35	2,904	.32			2,904	.32
Upper Volta ^{b/}	600	.07	2,093	.23			2,093	.23
Viet-Nam	2,793	.33	2,793	.31			2,793	.31
Yemen Arab Republic	2,041	.24	2,041	.23			2,041	.23
Yemen, People's Dem. Rep. of	2,561	.30	2,561	.28			2,561	.28
Yugoslavia	4,525	.54	4,525	.50	392		4,917	.54
Zaire	3,823	.45	3,823	.42			3,823	.42
Zambia ^{b/}	1,038	.12	3,591	.40			3,591	.40
Total Part II Members	305,342	36.30	349,915	38.75	997	70	350,982	38.83
Grand Total	841,236	100.00	902,916	100.00	997	70	903,983	100.00

Because of rounding detail may not add to total.

P & B
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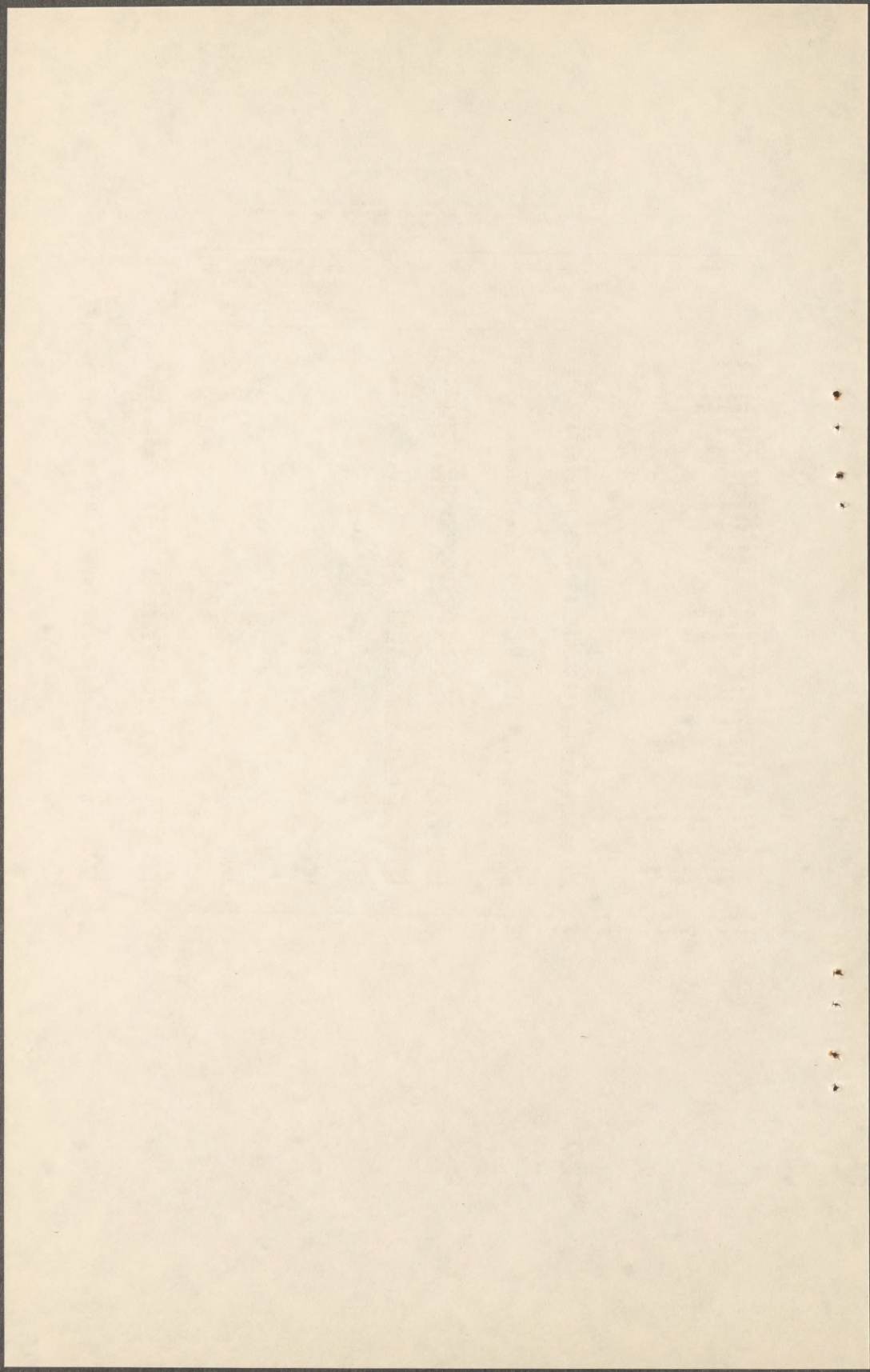


TABLE 111
 SIX FOURTH RETIREMENT
 ADJUSTMENT OF VOTES OF PART 1 MEMBERS

Member	Subscriptions, Contributions and Voting Power after giving Effect to All Adjustments				Additional Resources from Part 1				Additional Votes and Subscriptions to Retiree Additional Resources from Part 1				Additional Voting Power			
	Amount of Part 1	Amount of Part 2	Amount of Part 3	% of Total	Amount of Part 1	Amount of Part 2	Amount of Part 3	% of Total	Amount of Part 1	Amount of Part 2	Amount of Part 3	% of Total	Amount of Part 1	Amount of Part 2	Amount of Part 3	% of Total
Australia	20,753	31,217	13,219	2.26	1,555	35,000	27,500	1.68	1,555	35,000	27,500	1.68	1,555	35,000	27,500	1.68
Belgium	17,426	5,712	4,664	1.12	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68
Canada	1,748	1,717	1,555	0.39	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68
France	3,178	1,717	1,555	0.39	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68
Germany	55,035	7,721	1,555	0.19	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68
Italy	3,193	1,717	1,555	0.39	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68
Japan	19,549	2,441	1,555	0.39	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68
United Kingdom	17,426	5,712	4,664	1.12	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68	1,555	27,500	27,500	1.68
United States	231,269	52,321	3,052,050	33.23	3,052,050	3,052,050	3,052,050	33.23	3,052,050	3,052,050	3,052,050	33.23	3,052,050	3,052,050	3,052,050	33.23
Total Part 1 Members	785,148	100.00	5,372,827	100.00	5,372,827	5,372,827	5,372,827	100.00	5,372,827	5,372,827	5,372,827	100.00	5,372,827	5,372,827	5,372,827	100.00

1/ Subscriptions, contributions and voting power after giving effect to all adjustments. The United States and the adjustments shown in Table 11, columns (5) and (6), become effective.

2/ Equivalent of amounts paid in cash for the purchase of United States dollars at the official New York bank exchange rates of September 22, 1932. These resources will be divided into subscriptions carrying votes as shown in column (4) and (5).

3/ Part 1 resources have been calculated on the basis of the official New York bank exchange rates of September 22, 1932. These resources will be divided into subscriptions carrying votes as shown in column (4) and (5).

4/ Part 2 resources have been calculated on the basis of the official New York bank exchange rates of September 22, 1932. These resources will be divided into subscriptions carrying votes as shown in column (4) and (5).

5/ Part 3 resources have been calculated on the basis of the official New York bank exchange rates of September 22, 1932. These resources will be divided into subscriptions carrying votes as shown in column (4) and (5).

6/ Difference between adjusted subscription volume (100 million) and the total subscription volume (100 million) is the amount of the subscription volume which is not currently subscribed to.

7/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

8/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

9/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

10/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

11/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

12/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

13/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

14/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

15/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

16/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

17/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

18/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

19/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

20/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

21/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

22/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

23/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

24/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

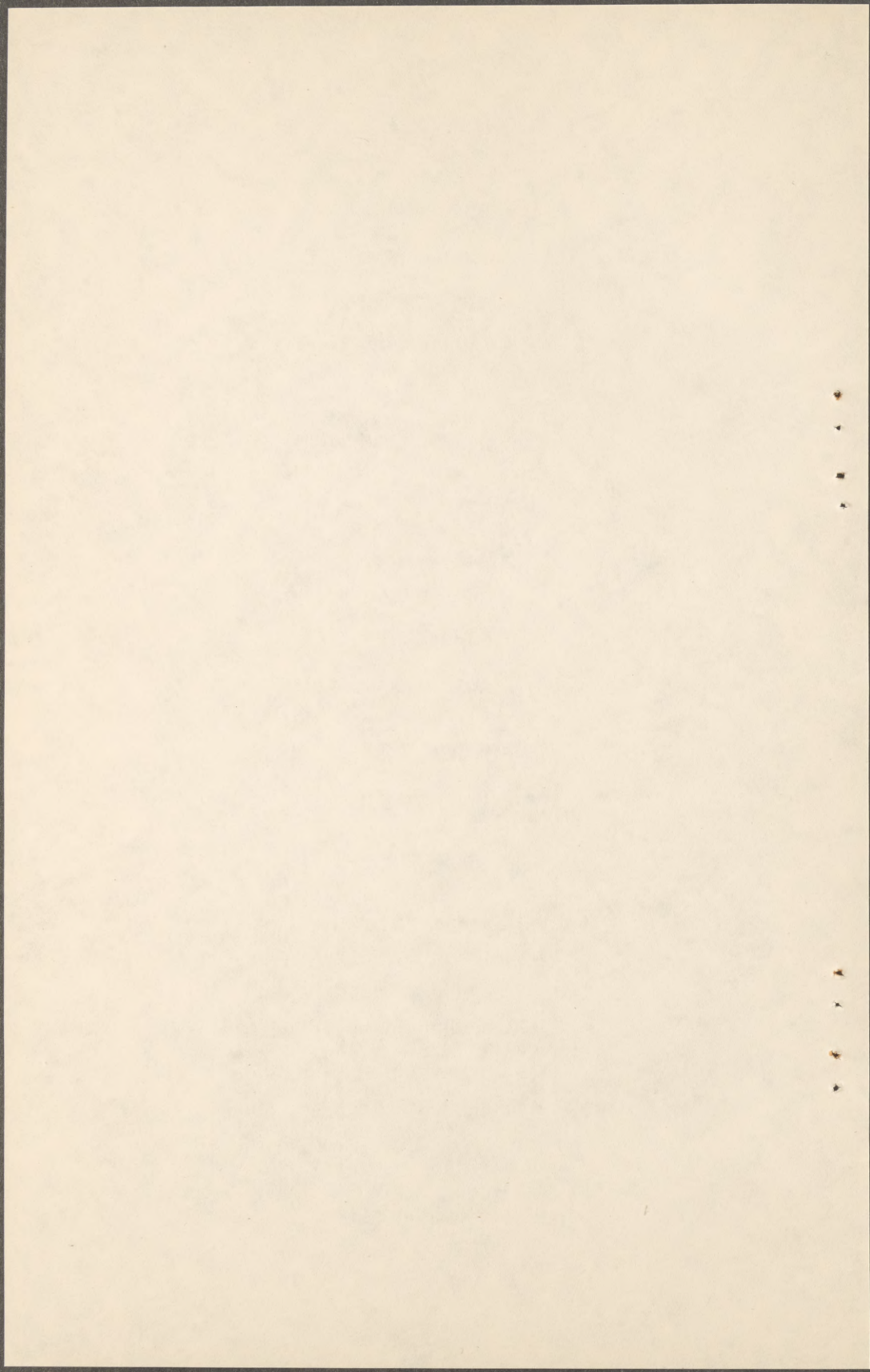
25/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

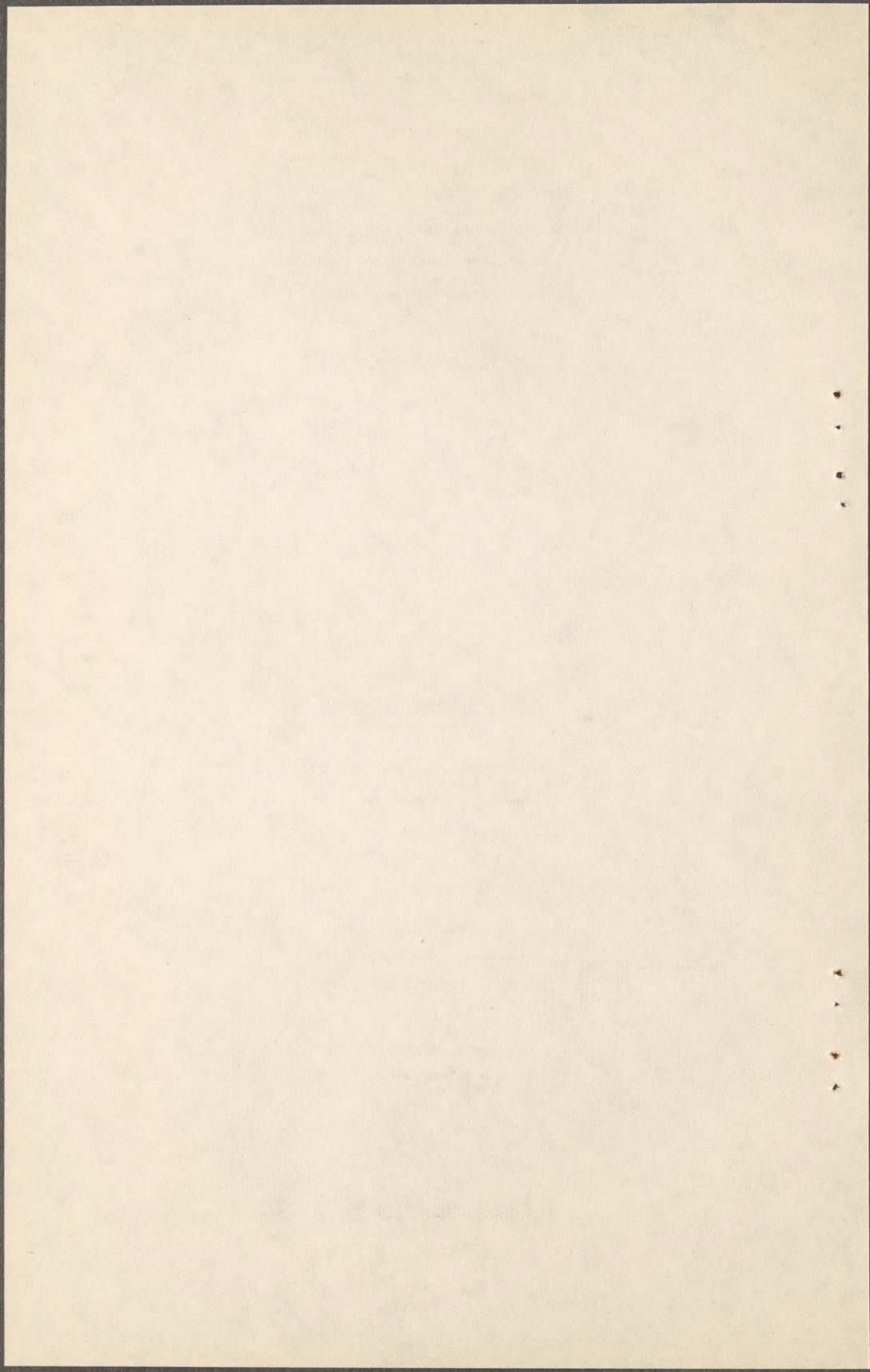
26/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

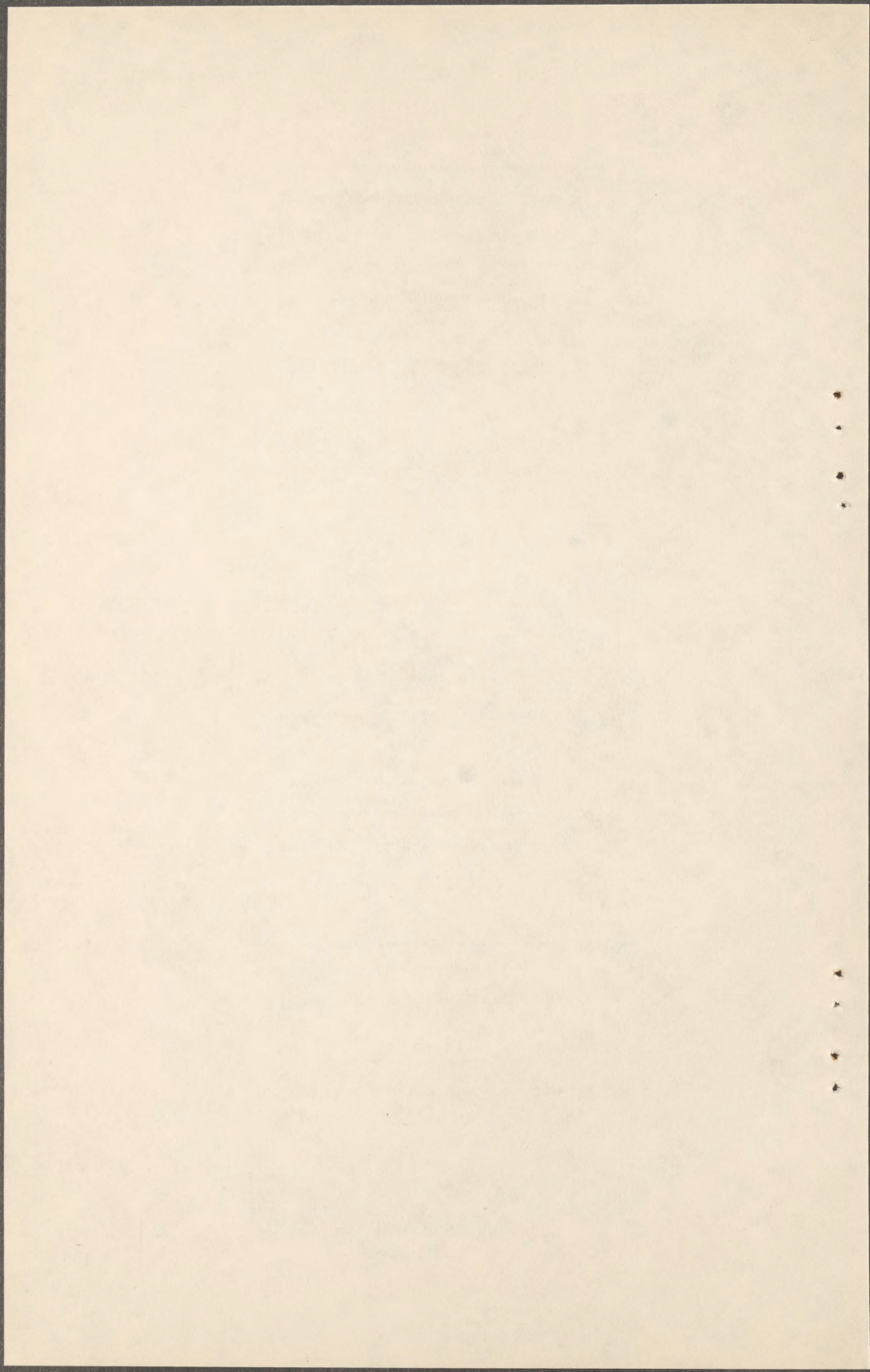
27/ Equivalent of the amount of the subscription volume which is not currently subscribed to.

Because of rounding, total may not add to total.

6.5
 10/20/73







(DRAFT)

ANNEX AINTERNATIONAL DEVELOPMENT ASSOCIATIONRESOLUTION NO.Additions to Resources; Fourth ReplenishmentSection A. Introduction

1. WHEREAS

(a) The Executive Directors of the International Development Association have considered its prospective financial requirements and have concluded that additional resources should be made available to the Association for new commitments for the period extending from July 1, 1974 to June 30, 1977 in the amounts and on the basis described in the Report of the Executive Directors dated October 30, 1973 submitted to the Board of Governors;

(b) The Part I members and certain Part II members of the Association believe that there is a need to increase the resources of the Association, that the amounts and conditions described in this Resolution form an appropriate basis for recommendation to legislatures, and consequently they intend to request, where necessary, their legislatures to approve these arrangements with a view to obtaining approval to commit the amounts listed in Table I,^{1/} it being understood that no commitment by a member government can be made until approval has, where necessary, been obtained from its legislature;

(c) The Swiss Confederation has expressed its intention to seek legislative approval to make a loan to the Association to be repayable over a 50-year period without interest;

(d) In view of the resource requirements of the least developed and other poorest countries, member countries have recognized the desirability of obtaining additional resources which would be provided by way of additional

^{1/} Tables referred to in this Resolution are those attached to the said Report of the Executive Directors.

voluntary contributions; such additional contributions would be accepted by the Association on terms to be agreed with the contributing members;

2. NOW THEREFORE the Board of Governors resolves that the said Report of the Executive Directors is accepted by the Board of Governors and its conclusions adopted.

Section B. Additional Resources Provided by Part I Members

3. WHEREAS

(a) A portion of the resources proposed to be made available by Part I members, in accordance with Section A of this Resolution, would be made available partly in the form of subscriptions carrying voting rights and partly in the form of contributions not carrying voting rights;

(b) The respective portions of the total amount proposed to be made available by each such member by way of subscriptions have been calculated in such a way as to result in the adjustment of each member's relative share in the aggregate voting power of the Part I members (not counting votes given in respect of membership) so as to correspond to the relative share in the total amount of resources which has been and is proposed to be made available by such member to the Association on the basis set forth in the said Report of the Executive Directors;

(c) Each Part I member of the Association has agreed to the foregoing arrangements to the extent that such arrangements require its agreement under Article III, Section 1(c) of the Articles of Agreement of the Association;

4. NOW THEREFORE the Board of Governors resolves that

(a) The Association is authorized to accept additional resources from the Part I members of the Association in the amounts set forth for each such member, respectively, in Table I, such amounts being divided into amounts for

subscriptions carrying voting rights and contributions not carrying voting rights as specified in Table III;

(b) Each member shall, in respect of such subscriptions, have the voting rights specified for it in Table III calculated on the basis of 3850 votes plus one additional vote per \$25 of such subscription;

(c) Payment of each such subscription and of such contribution shall, except as noted below, be made in three equal annual instalments on or before November 8, 1974, November 8, 1975 and November 8, 1976, provided, however, that if the replenishment authorized by this Resolution shall not have become effective in accordance with Section G(a) below by October 8, 1974, payment of such instalment shall be postponed and shall be made not later than 30 days after the date when the replenishment shall have become effective. Such payment shall be made at the option of the member either (i) in the currency of the member if it is a freely convertible currency (as that term is defined in Article II, Section 2(f) of the Articles of Agreement of the Association), or (ii) with the approval of the Association, in the freely convertible currency of another member,

(d) A member may at its option make payments in ascending, rather than equal, amounts, provided that they are made in three instalments the first of which is not less than 25% of the total and is paid by November 8, 1974 or (if the Replenishment is not effective by October 8, 1974) by thirty days after the effective date. If a member avails itself of this option, the options described in paragraph (e) below will not be available to it.

(e) If any member advises the Association (i) not less than 30 days before any payment is due that because of governmental procedures or administrative problems it is not in a position to make such payment and wishes to postpone it, such payment shall be postponed for a period of not more than 12 months or (ii) prior

to the date when the first instalment is due that it wishes to make payment of its subscription and contribution in four equal annual instalments rather than three, such member may make payment on that basis. If in exceptional circumstances a member finds it necessary to avail itself of both the options referred to above in this paragraph (e), it may do so after consultation with the President of the Association;

(f) Notwithstanding the foregoing, any member which agrees to make payment of its subscription and contribution without exercising its right to substitute notes or similar obligations therefor may make such payment in amounts and on dates other than those specified pursuant to paragraphs (c), (d) and (e) above provided that in the judgment of the Executive Directors the terms of such payment would be no less favorable to the Association than if notes or similar obligations had been deposited instead;

(g) The rights and obligations of the Association and the members in regard to the subscriptions and contributions shall be the same (except as otherwise provided in this Resolution) as those which govern the ninety percent portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles of Agreement by members listed in Part I of Schedule A of the Articles, provided, however, that the provisions of Article IV, Section 2 of the Articles of Agreement shall not be applicable to the subscriptions and contributions;

(h) If any member shall deposit the notification referred to in Section G(a) below after the date when the first instalment shall be payable, including any postponement thereof (as provided in paragraph (c) above), payment of such instalment by such member shall be made within 30 days after the date of such deposit.

Section C. Membership of New Zealand

5. WHEREAS

(a) The Government of New Zealand has applied for admission to membership in the International Development Association in accordance with Section 1(b) of Article II of the Articles of Agreement of the Association;

(b) The Government of New Zealand has expressed its intention to seek legislative approval to make a subscription and a contribution in connection with the Fourth Replenishment in the amount and on the basis set forth below;

(c) Pursuant to Section 9 of the By-Laws of the Association, the Executive Directors, after consultation with representatives of the Government of New Zealand, have made recommendations to the Board of Governors regarding the application of New Zealand for admission to membership to the Association;

6. NOW THEREFORE, the Board of Governors hereby resolves that

The terms and conditions upon which New Zealand shall be admitted to membership in the Association shall be as follows:

(a) The terms and conditions of the membership of New Zealand in the Association other than those specifically provided for in this Resolution shall be those set forth in the Articles of Agreement with respect to the membership of original members listed in Part I of Schedule A thereof;

(b) Upon accepting membership in the Association, New Zealand shall make resources available to the Association in the amount specified in Table I divided into a subscription carrying voting rights as specified in Table III and into a contribution not carrying voting rights;

(c) New Zealand shall, in respect of such subscription, have the voting rights specified for it in Table III, calculated on the basis of 5600 votes plus one additional vote per \$25 of such subscription;

(d) Payment of such subscription and contribution shall be made on the same basis, and the rights and obligations of the Association and New Zealand with respect to such subscription and contribution, shall be on the same terms and conditions, as provided in Section B of this Resolution for the subscriptions and contributions of Part I members;

(e) New Zealand may accept membership in the Association pursuant to this Resolution until June 30, 1974, provided, however, that (i) if extraordinary circumstances are deemed by the Executive Directors to warrant an extension of the period during which it may accept membership pursuant to this Resolution the Executive Directors may extend such period, and (ii) the membership of New Zealand in the Association shall not become effective until the replenishment authorized by this Resolution shall have become effective pursuant to Section G of this Resolution.

Section D. Voting Rights for Additional Resources Provided by
Certain Part II Members under the Third Replenishment

7. WHEREAS

(a) Part II members, Ireland, Spain and Yugoslavia, made available additional resources in usable form to the Association under the Third Replenishment in the form of contributions not carrying voting rights;

(b) It was agreed in connection with the Third Replenishment that, upon request of one such member, such contributions could be converted, in whole or in part, into subscriptions carrying voting rights on terms and conditions to be decided by the Association;

(c) Such a request has been made and it has been decided to convert such contributions in part into subscriptions carrying voting rights on the basis set forth below;

(d) With respect to such subscriptions carrying voting rights, eleven Part II members, as listed in Table II, have exercised their right to subscribe, under the provisions of Article III, Section 1(c), an amount which will enable each of them to maintain its relative voting power on the basis set forth below;

(e) The remaining Part II members have waived such right to subscribe;

8. NOW THEREFORE the Board of Governors resolves that

(a) Such contribution shall be converted in part into subscriptions carrying voting rights on the basis specified in Table II, with the balance thereof remaining in the form of contributions not carrying voting rights;

(b) The said eleven Part II members shall be entitled to make subscriptions carrying voting rights, together with contributions not carrying voting rights, on the basis specified in Table II.

Section E. Additional Resources Provided by Certain Part II Members under the Fourth Replenishment

9. WHEREAS

(a) Part II members, Israel, Spain and Yugoslavia, have expressed their intention to seek legislative approval to make available additional resources to the Association in usable form, partly in the form of subscriptions carrying voting rights and partly in the form of contributions not carrying voting rights on the basis set forth in the said Report of the Executive Directors;

(b) With respect to such subscriptions carrying voting rights, six Part II members, as listed in Table IV, have exercised their right to subscribe under the provisions of Article III, Section 1(c) an amount which will enable each of them to maintain its relative voting power on the basis set forth below;

(c) The remaining Part II members have waived such right to subscribe;

10. NOW THEREFORE the Board of Governors resolves that

(a) The Association is authorized to accept additional resources from the members listed in paragraph 9(a) above in the amounts set forth for each

such member, respectively, in Table IV, column (12), such amounts being divided into amounts for subscriptions carrying voting rights and contributions not carrying voting rights as specified in Table IV, columns (15) and (16) respectively;

(b) Each member shall, in respect of such subscription, have the voting rights specified for it in Table IV, column (13), calculated on the basis of one vote per \$25 of such subscription;

(c) Payment of each such subscription and contribution shall be made in usable form but otherwise shall be made on the same basis, and the rights and obligations of the Association and the member concerned with respect to such subscription and contribution, shall be on the same terms and conditions, as provided in Section B of this Resolution for the subscriptions and contributions of Part I members, provided, however, that the provisions of Article IV, Section 2 of the Articles of Agreement shall not be applicable to the subscriptions and contributions;

(d) The said six Part II members shall be entitled to make subscriptions carrying voting rights, as shown in Table IV, columns (14) and (15), together with contributions not carrying voting rights, as shown in Table IV, column (16), on the same basis as specified in subparagraph (c) above.

Section F. Part II Subscriptions; Article III, Section 1(c)

11. WHEREAS proposed additional subscriptions are being authorized for the Part I members under Sections B and C of this Resolution and therefore, under the provisions of Article III, Section 1(c) of the Articles of Agreement of the Association, each Part II member shall be given an opportunity to subscribe, under such conditions as shall be reasonably determined by the Association, an amount which will enable it to maintain its relative voting power;

12. NOW THEREFORE the Board of Governors resolves that

(a) The Association is authorized to accept additional subscriptions from the Part II members of the Association in the amounts and carrying the voting rights as set forth for each such member, respectively, in Table IV,

columns (11), (8) and (10), calculated on the basis of 3850 votes plus one additional vote per \$25 of such subscription;

(b) Payment of each such subscription shall be made in the currency of the subscribing member but otherwise on the same terms and conditions as those provided in Section B of this Resolution for the subscriptions of the Part I members;

(c) The rights and obligations of the Association and the members in regard to such subscriptions shall be the same (except as otherwise provided in this Resolution) as those which govern the ninety percent portion of the initial subscriptions of original members payable under Article II, Section 2(d) of the Articles of Agreement by members listed in Part II of Schedule A of the Articles, provided, however, that the provisions of Article IV, Section 2 of the Articles of Agreement shall not be applicable to such subscriptions.

Section G. Effectiveness

13. The Board of Governors hereby resolves that

(a) None of the subscriptions and contributions authorized by this Resolution shall become payable unless the following condition has been satisfied:

Members, including at least 12 Part I members, whose subscriptions and contributions aggregate not less than the equivalent, determined as in paragraph 3 of the Report of the Executive Directors, of \$3,500,000,000 shall have given the Association, on or before June 30, 1974 or such later date as the Executive Directors may determine, formal notification that they will make both the subscription and the contribution authorized hereunder for each such member in accordance with the terms of this Resolution; provided that for the purpose of determining whether the condition set

forth in this paragraph with respect to numbers and amount of subscriptions and contributions has been satisfied, account shall be taken of the subscription and contribution of New Zealand upon its acceptance of membership in the Association;

(b) The replenishment authorized by this Resolution shall become effective on the date when the condition specified in paragraph (a) above shall have been satisfied; provided, however, that no member shall be obligated to make the subscription and contribution authorized hereunder for such member unless it shall have notified the Association that it will do so. On the date when that condition shall have been satisfied, each member who shall have given the Association such notification shall be entitled to the voting rights accorded to its subscription as specified in this Resolution. Each member who on any date thereafter shall give the Association such notification shall be entitled, as of that date, to the voting rights accorded to its subscription as specified in this Resolution.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Memorandum Relating to the Financial Statements

JUNE 30, 1973

Attached hereto are the following statements of the Association:

Statement of Condition	Appendix A
Statement of Income and Expenses.	Appendix B
Statement of Changes in Resources Available for Commitment	Appendix C
Summary Statement of Development Credits	Appendix D
Statement of Subscriptions, Voting Power and Supplementary Resources.	Appendix E
Notes to Financial Statements.	Appendix F

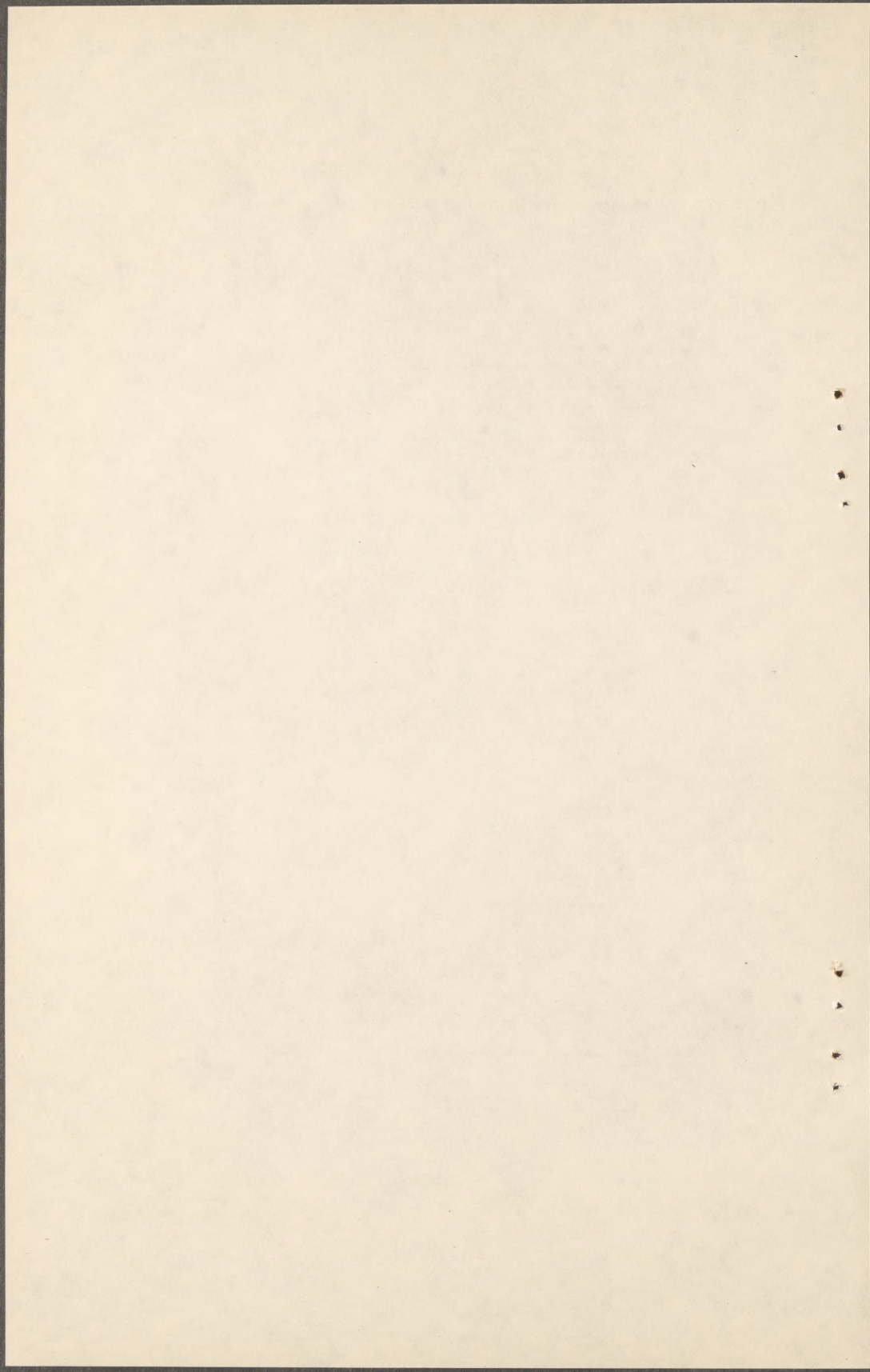
Summary data on certain aspects of the Association's activities are set forth below:
(Expressed in Millions of United States Dollars)

1. DEVELOPMENT CREDIT AGREEMENTS APPROVED	
July 1 to March 31, 1973	\$ 587.04
April 1 to June 30, 1973:	
370 YDR Yemen, People's Democratic Republic of	\$ 3.50
372 CE Sri Lanka	6.00
374 AF Afghanistan	2.50
376 YAR Yemen Arab Republic	10.90
379 TH Thailand	5.50
380 AF Afghanistan	2.00
381 BD Bangladesh	19.70
393 IND Indonesia (Amendment).	5.00
382 TA Tanzania	18.50
383 MLI Mali	9.50
384 MLI Mali	6.70
385 JO Jordan	8.70
386 JO Jordan	10.20
387 IND Indonesia.	13.50
388 IND Indonesia.	14.00
389 NI Nicaragua.	20.00
390 IN India	55.00
391 IN India	33.00
392 IN India	38.00
393 UAR Egypt, Arab Republic of	36.00
394 KO Korea	20.00
395 LBR Liberia	2.60
396 PAK Pakistan	45.00
397 NEP Nepal	5.50
398 CK Zaïre	8.50
399 IND Indonesia.	46.00
400 IND Indonesia.	7.80
401 SYR Syrian Arab Republic	15.00
402 IN India	100.00
403 IN India	80.00
404 SE Senegal	8.20
405 IND Indonesia.	50.00
406 IVC Ivory Coast	7.50
407 BD Bangladesh	21.00
408 BD Bangladesh	25.00
409 BD Bangladesh	4.00
410 BD Bangladesh	7.50
411 MAS Mauritius.	4.00
412 UAR Egypt, Arab Republic of	15.00
Burma	16.30
Burma	16.70
Congo, People's Republic of (Amendment).	.60
Dahomey	11.80
Ethiopia	21.00
Ethiopia	17.00
Ethiopia	10.00
Mali	5.00
Pakistan	18.00
Upper Volta	4.50
Upper Volta	2.85
	914.55

Development Credits Approved in Fiscal Year (Including \$144.78 million of reactivated credits to Bangladesh) \$1,501.59

2. DEVELOPMENT CREDIT DISBURSEMENTS		
	Quarter Ended	Fiscal Year Ended
	June 30, 1973	
Disbursements (Total Disbursed \$3,215.2)	\$150.1	\$492.8

Controller's Department
August 8, 1973



INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of Condition

JUNE 30, 1973 AND JUNE 30, 1972

Expressed in United States Currency (IN THOUSANDS)-See Notes to Financial Statements, Appendix F

APPENDIX A

ASSETS

	1973	1972
DUE FROM BANKS AND OTHER DEPOSITORIES		
Unrestricted currencies	\$ 214,609	\$ 144,104
Currencies subject to restrictions-Note B	59,276	80,103
	\$ 273,885	\$ 304,208
INVESTMENTS		
Obligations of governments and their instrumentalities (At cost or amortized cost; face amount \$180,109 - 1973; \$232,724 - 1972)	\$ 179,229	\$ 232,868
Time deposits (face amount \$140,090 - 1973; \$25,951 - 1972)	140,091	25,951
Accrued interest	3,274	3,269
	322,594	262,088
RECEIVABLE ON ACCOUNT OF SUBSCRIPTIONS AND SUPPLEMENTARY RESOURCES		
Non-negotiable, non-interest-bearing, demand obligations		
Unrestricted	\$1,480,183	1,007,320
Subject to restrictions-Note B	192,937	168,068
Amounts due on additional subscriptions and supplementary resources	349,745	20
Amounts required to maintain value of currency holdings-Note C	27,034	9,888
	2,049,869	1,185,276
RECEIVABLE FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT-Note D	341,876	288,815
RECEIVABLE FROM NON-MEMBER-Note E	4,053	3,648
RECEIVABLE FROM SWISS CONFEDERATION-Note F	14,798	-
DEVELOPMENT CREDITS (See Appendix D)-Note G	\$6,197,793	\$6,818,888
Less-Development credits approved but not yet effective	1,188,150	714,000
Effective development credits (including undisbursed balance \$1,800,922 - 1973; \$1,462,175 - 1972)	5,009,643	3,804,888
ACCURED SERVICE CHARGES ON DEVELOPMENT CREDITS-Note G	7,732	5,407
RECEIVABLE FROM PURCHASER ON ACCOUNT OF EFFECTIVE DEVELOPMENT CREDIT AGREED TO BE SOLD (Undisbursed balance \$40 - 1973; \$65 - 1972)	100	100
OTHER ASSETS-Note C		
Provisional amounts receivable to maintain value of currency holdings	\$ 170,946	11,082
Miscellaneous	216	879
	171,162	11,741
TOTAL	\$8,195,712	\$5,785,868
LIABILITIES, SUBSCRIPTIONS, SUPPLEMENTARY RESOURCES, TRANSFERS AND ACCUMULATED NET INCOME		
LIABILITIES		
Amounts required to maintain value of currency holdings-Note C	\$ 2,529	\$ 5,561
Provisional amounts payable to maintain value of currency holdings-Note C	54,482	-
Accounts payable and other liabilities	10,778	-
Undisbursed balance of effective development credits (See Appendix D) Held by Association	\$1,800,922	1,382,175
Agreed to be sold	40	68
	1,800,962	1,382,243
Loans from Swiss Confederation-Note F	62,153	12,823
SUBSCRIPTIONS AND SUPPLEMENTARY RESOURCES (See Appendix E)-Note B		
Subscriptions (\$1,061,290 - United States dollars of 1960)	\$1,280,407	1,103,932
Supplementary resources (\$4,281,943 - United States dollars of 1960)	5,165,517	2,656,883
	\$6,445,924	3,760,815
Less-Portion for which payment is not yet due	961,291	82,103
	5,484,633	3,678,712
Payments on account of pending subscriptions and supplementary resources	216	591
TRANSFERS FROM INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT-Note D	703,265	585,000
CONTRIBUTION FROM NON-MEMBER-Note E	6,755	6,000
ACCUMULATED NET INCOME		
At beginning of fiscal year - July 1	\$ 64,246	45,708
Net translation adjustments as a result of currency revaluations-Note F	(1,506)	17,644
	\$ 62,740	63,352
Fiscal Year (See Appendix B)	7,199	884
	69,939	64,246
TOTAL	\$8,195,712	\$5,785,868

INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of Income and Expenses

FOR THE FISCAL YEARS ENDED JUNE 30, 1973 AND JUNE 30, 1972

Expressed in United States Currency (IN THOUSANDS)-See Notes to Financial Statements, Appendix F

	July 1 - June 30	
	1972/73	1971/72
INCOME		
Income from investments	\$15,268	\$12,086
Income from development credits.	20,371	16,060
Exchange adjustments	2,444	1,835
Total Income	<u>\$38,083</u>	<u>\$29,981</u>
EXPENSES		
Management Fee to International Bank for Reconstruction and Development	<u>\$30,884</u>	<u>\$29,087</u>
NET INCOME	<u>\$ 7,199</u>	<u>\$ 894</u>

INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of Changes in Resources Available for Commitment

FOR THE FISCAL YEARS ENDED JUNE 30, 1973 AND JUNE 30, 1972

Expressed in United States Currency (IN THOUSANDS)-See Notes to Financial Statements, Appendix F

	July 1 - June 30	
	1972/73	1971/72
SOURCE OF RESOURCES		
From Members:		
Subscriptions, unrestricted	\$ 39,619	\$ 2,045
Supplementary resources	1,992,371	486,734
Increase in value of assets derived from unrestricted subscriptions and supplementary resources as a result of the devaluation of the United States dollar-Note A	328,131	69,930
Transfer from International Bank for Reconstruction and Development-Note D	107,000	110,000
Loan from Swiss Confederation	34,559	-
Net Income	7,199	894
Repayments of development credits	4,022	2,002
Participation in development credit	-	100
Other increases in resources as a result of currency revaluations	4,811	969
Total Source of Resources	\$ 2,517,712	\$ 672,674
APPLICATION OF RESOURCES		
Development credit agreements approved	\$ 1,501,585	\$ 999,650
Development credit agreements approved in fiscal year 1972 subject to availability of resources	319,500	(319,500)
	\$ 1,821,085	\$ 680,150
Cancellations and refundings	(115,834)	(6,573)
Total Application of Resources	\$ 1,705,251	\$ 673,577
NET INCREASE (DECREASE) IN RESOURCES AVAILABLE FOR COMMITMENT	\$ 812,461	\$ (903)
RESOURCES AVAILABLE FOR COMMITMENT		
Beginning of Period	2,565	3,488
End of Period	\$ 815,026	\$ 2,565
COMPOSITION OF RESOURCES AVAILABLE FOR COMMITMENT		
Unrestricted currencies	\$ 214,609	\$ 144,104
Investments	322,594	262,088
Unrestricted receivables on account of subscriptions and supplementary resources	1,846,800	1,009,025
Receivable from International Bank for Reconstruction and Development	340,611	288,615
Receivable from Swiss Confederation	14,798	-
Receivable from non-member, accrued service charges and other assets	171,515	18,865
Subscriptions and supplementary resources not yet due Less - Undisbursed development credits (including development credits not yet effective), accounts payable and other liabilities	959,517	62,103
	(3,055,418)	(1,782,235)
	\$ 815,026	\$ 2,565

INTERNATIONAL DEVELOPMENT ASSOCIATION
Summary Statement of Development Credits

APPENDIX D

JUNE 30, 1975 AND JUNE 30, 1972

Expressed in United States Currency (IN THOUSANDS)—See Notes to Financial Statements, Appendix F

Members in whose territories development credits have been made (1)	Effective development credits held by Association			Development credits approved but not yet effective (4)
	Disbursed portion (2)	Undisbursed portion (3)	Total	
Afghanistan	\$ 6,406	\$ 9,428	\$ 15,834	\$ -
Australia:				
Papua New Guinea	10,860	16,054	26,894	13,500
Bangladesh	16,225	118,835	135,050	80,350
Bolivia	29,568	15,822	45,390	-
Botswana	7,879	5,161	13,040	-
Burma	-	-	-	33,000
Burundi	2,645	1,005	3,648	-
Cameroon	25,130	20,882	46,012	-
Central African Republic	7,511	5,866	13,377	-
Chad	3,330	7,457	10,787	-
Chile	22,586	-	22,586	-
China	15,582	-	15,582	-
Colombia	23,074	-	23,074	-
Congo, People's Republic of	4,597	11,097	15,694	600
Costa Rica	5,384	-	5,384	-
Czechoslovakia	9,382	5,725	15,107	11,800
Dominican Republic	1,378	7,904	9,082	13,000
Ecuador	15,962	17,575	33,537	-
Egypt, Arab Republic of	10,658	45,953	56,611	51,000
El Salvador	15,492	411	15,903	-
Equatorial Guinea	-	2,000	2,000	-
Ethiopia	41,512	30,735	72,247	70,000
Gambia, The	1,239	2,274	3,513	-
Ghana	24,683	26,159	50,842	-
Guyana	1,197	8,448	9,645	-
Haiti	418	-	418	-
Honduras	25,081	1,202	26,283	-
India	1,678,567	591,865	2,270,432	399,000
Indonesia	103,743	263,478	367,221	122,300
Ivory Coast	-	-	-	7,500
Jordan	15,383	8,345	23,728	18,900
Kenya	58,802	37,899	96,701	-
Korea	54,080	41,557	95,637	20,000
Lesotho	4,946	-	4,946	5,600
Liberia	50	8,350	8,400	2,600
Malagasy Republic	22,381	40,004	62,385	-
Malawi	41,116	22,106	63,222	-
Mali	19,702	10,425	30,127	21,200
Mauritania	10,971	4,693	15,664	-
Mauritius	2,145	6,774	8,919	4,000
Morocco	19,023	20,436	39,459	-
Nepal	1,085	7,409	8,494	11,500
Nicaragua	3,580	3,580	7,160	20,000
Niger	12,278	3,356	15,634	-
Nigeria	29,638	10,213	39,851	-
Pakistan	443,076	56,288	499,364	63,000
Paraguay	25,605	6	25,611	5,100
Philippines	539	22,177	22,716	-
Rwanda	2,411	10,058	12,469	-
Senegal	19,582	15,006	34,588	24,200
Sierra Leone	4,071	6,963	11,034	-
Somalia	12,312	11,378	23,690	12,950
Sri Lanka	11,061	9,985	21,046	6,000
Sudan	15,437	25,971	41,408	42,000
Swaziland	-	3,329	3,329	-
Syrian Arab Republic	8,658	15,078	23,736	15,000
Tanzania	56,228	30,958	87,186	28,800
Thailand	-	-	-	25,000
Togo	3,856	459	4,315	-
Tunisia	34,092	29,719	63,811	-
Turkey	110,914	55,797	166,711	30,000
Uganda	35,211	14,531	49,542	-
Upper Volta	2,383	9,822	12,205	7,350
Yemen Arab Republic	253	7,447	7,700	10,900
Yemen, People's Democratic Republic of	793	1,458	2,251	3,500
Zaire	13,843	41,162	55,005	8,500
Totals June 30, 1973	\$3,208,721	\$1,800,922	\$5,009,643	\$1,188,150
Totals June 30, 1972	\$2,427,691	\$1,387,175	\$3,804,866	\$ 714,000

- (1) All development credits have been made to member governments or to the government of a territory of a member.
- (2) The disbursed portions at June 30, 1973 include adjustments to reflect the devaluation of the United States dollar on May 8, 1972 and the prospective change in the par value of the United States dollar announced in February 1973.
- (3) Of the undisbursed balance at June 30, 1973 the Association has entered into irrevocable commitments to disburse \$2,877,000 (\$2,682,000 - 1972).
- (4) As at June 30, 1973, agreements in the amount of \$123,750,000 providing for these development credits have been approved but not signed. In addition, agreements for development credits in the amount of \$1,064,400,000 have been signed, but the development credits do not become effective and disbursements thereunder do not start until the borrower takes certain action and furnishes certain documents to the Association.

INTERNATIONAL DEVELOPMENT ASSOCIATION
Statement of Subscriptions, Voting Power
and Supplementary Resources

JUNE 30, 1973

Expressed in United States Dollars of the Weight and Fineness in Effect on
January 1, 1960 (IN THOUSANDS)—See Notes to Financial Statements, Appendix F

Number (1)	Subscriptions (2)		Voting Power		Supplementary	Total Subscriptions and
	Amounts (3)	Percent of total	Number of votes	Percent of total	Resources (5)	Supplementary Resources Amounts (3) (4)
Australia	\$ 20,763	1.96	13,079	1.59	\$ 91,217	\$ 111,980
Austria	5,238	.49	5,232	.64	29,322	34,560
Belgium	8,746	.82	9,597	1.16	68,954	77,700
Canada	39,682	3.74	32,464	3.94	264,848	304,530
Denmark	9,174	.86	8,922	1.08	61,466	70,840
Finland	3,952	.37	4,037	.49	18,496	22,448
France	55,035	5.19	38,284	4.65	306,597	362,032
Germany	55,963	5.27	49,874	6.06	420,597	476,560
Iceland	103	.01	1,806	.22	447	550
Italy	18,160	1.71	4,132	.50	78,360	96,520
Japan	35,356	3.33	30,541	3.71	249,964	285,520
Kuwait	3,493	.33	4,089	.50	19,427	22,920
Luxembourg	390	.04	2,010	.24	2,160	2,550
Netherlands	28,435	2.68	15,989	1.94	112,645	141,080
Norway	7,012	.66	6,739	.82	42,308	49,320
South Africa	10,091	.95	3,777	.46	9,989	20,080
Sweden	11,592	1.09	22,538	2.74	194,633	206,225
United Kingdom	134,650	12.69	71,857	8.72	559,650	694,300
United States	331,900	31.27	210,927	25.61	1,740,390	2,072,290
TOTALS PART I MEMBERS	\$ 779,735	73.46	535,894	65.07	\$ 4,272,070	\$ 5,051,805
Afghanistan	\$ 1,049	.10	2,437	.30	\$ -	\$ 1,049
Algeria	4,030	.38	1,306	.16	-	4,030
Argentina	19,562	1.84	14,661	1.78	-	19,562
Bangladesh	5,589	.53	5,444	.66	-	5,589
Bolivia	1,101	.10	2,473	.30	-	1,101
Botswana	166	.02	1,859	.23	-	166
Brunei	19,562	1.84	14,661	1.78	-	19,562
Burma	2,099	.20	3,138	.38	-	2,099
Burundi	790	.07	2,273	.28	-	790
Cameroon	1,010	.09	702	.08	-	1,010
Central African Republic	500	.05	600	.07	-	500
Chad	519	.05	2,093	.25	-	519
Chile	3,530	.33	1,206	.15	-	3,530
China	31,436	2.96	22,503	2.73	-	31,436
Colombia	3,667	.35	4,168	.51	-	3,667
Congo, People's Republic of	500	.05	600	.07	-	500
Costa Rica	208	.02	1,892	.23	-	208
Cyprus	760	.07	652	.08	-	760
Dahomey	500	.05	600	.07	-	500
Dominican Republic	415	.04	2,022	.25	-	415
Ecuador	676	.06	2,200	.27	-	676
Egypt, Arab Republic of	5,277	.50	5,231	.63	-	5,277
El Salvador	300	.03	560	.07	-	300
Equatorial Guinea	332	.03	1,967	.24	-	332
Ethiopia	519	.05	2,093	.25	-	519
Fiji	581	.05	2,130	.26	-	581
Gabon	500	.05	600	.07	-	500
Gambia, The	277	.03	1,931	.24	-	277
Ghana	2,452	.23	3,372	.41	-	2,452
Greece	2,520	.24	1,004	.12	-	2,520
Guttemala	415	.04	2,022	.25	-	415
Guinea	1,049	.10	2,437	.30	-	1,049
Guyana	842	.08	2,308	.28	-	842
Haiti	760	.07	652	.08	-	760
Honduras	300	.03	560	.07	-	300
India	41,919	3.95	29,426	3.57	-	41,919
Indonesia	11,531	1.09	9,360	1.14	-	11,531
Iran	4,540	.43	1,408	.17	-	4,540
Iraq	790	.07	2,273	.28	-	790
Ireland	3,148	.30	3,825	.46	3,882	7,030
Israel	1,680	.16	836	.10	-	1,680
Ivory Coast	1,049	.10	2,437	.30	-	1,049
Jordan	300	.03	560	.07	-	300
Kenya	1,745	.16	2,904	.35	-	1,745
Kuwait Republic	1,060	.10	2,452	.30	-	1,060
Korea	1,309	.12	2,615	.32	-	1,309

continued

INTERNATIONAL DEVELOPMENT ASSOCIATION

Statement of Subscriptions, Voting Power

and Supplementary Resources (continued)

JUNE 30, 1973

Expressed in United States Dollars of the Weight and Fineness in Effect on
January 1, 1960 (IN THOUSANDS)-See Notes to Financial Statements, Appendix F

Member (1)	Subscriptions (2)		Voting Power		Supplementary Resources		Total Subscriptions and Supplementary Resources
	Amounts (\$)	Percent of total	Number of votes	Percent of total	Amounts (\$)		Amounts (\$) (4)
Laos	\$ 519	.05	2,093	.25	\$ -		\$ 519
Lebanon	450	.04	590	.07	-		450
Lesotho	166	.02	1,859	.23	-		166
Liberia	790	.07	2,273	.28	-		790
Libyan Arab Republic	1,010	.09	702	.08	-		1,010
Malagasy Republic	1,010	.09	702	.08	-		1,010
Malawi	790	.07	2,273	.28	-		790
Malaysia	2,618	.25	3,480	.42	-		2,618
Mali	870	.08	674	.08	-		870
Mauritania	519	.05	2,093	.25	-		519
Mauritius	894	.08	2,544	.29	-		894
Mexico	8,740	.82	2,248	.27	-		8,740
Morocco	3,667	.35	4,168	.51	-		3,667
Nepal	519	.05	2,093	.25	-		519
Nicaragua	311	.03	1,951	.24	-		311
Niger	500	.05	600	.07	-		500
Nigeria	3,491	.33	4,057	.49	-		3,491
Oman	311	.03	1,951	.24	-		311
Pakistan	10,482	.99	8,673	1.05	-		10,482
Panama	20	(5)	504	.06	-		20
Paraguay	311	.03	1,951	.24	-		311
Peru	1,770	.17	854	.10	-		1,770
Philippines	5,236	.49	5,211	.63	-		5,236
Romania	760	.07	652	.08	-		760
Saudi Arabia	3,700	.35	1,240	.15	-		3,700
Senegal	1,680	.16	836	.10	-		1,680
Sierra Leone	760	.07	652	.08	-		760
Somalia	760	.07	652	.08	-		760
Spain	10,482	.99	8,673	1.05	2,108		12,590
Sri Lanka	3,148	.30	3,825	.46	-		3,148
Sudan	1,049	.10	2,437	.30	-		1,049
Swaziland	332	.03	1,968	.24	-		332
Syrian Arab Republic	987	.09	2,400	.29	-		987
Tanzania	1,745	.16	2,904	.35	-		1,745
Thailand	3,148	.30	3,825	.46	-		3,148
Togo	790	.07	2,273	.28	-		790
Trinidad and Tobago	1,350	.13	770	.09	-		1,350
Tunisia	1,569	.15	2,793	.34	-		1,569
Turkey	6,026	.57	5,733	.70	-		6,026
Uganda	1,745	.16	2,904	.35	-		1,745
Upper Volta	500	.05	600	.07	-		500
Viet-Nam	1,569	.15	2,793	.34	-		1,569
Yemen Arab Republic	446	.04	2,041	.25	-		446
Yemen, People's Democratic Republic of	1,226	.12	2,561	.31	-		1,226
Yugoslavia	4,197	.39	4,525	.55	3,883		8,080
Zaire	3,138	.30	3,823	.46	-		3,138
Zambia	2,690	.25	1,038	.13	-		2,690
TOTALS PART II MEMBERS-Note B	\$ 281,655	26.54	287,715	34.93	\$ 9,873		\$ 291,528
GRAND TOTALS	\$1,061,390	100.00	825,609	100.00	\$4,281,943		\$5,343,333

(1) The subscriptions of, and the supplementary resources provided by, Part I members are payable in freely convertible currencies and may be freely used or exchanged by the Association.

(2) Subscriptions include initial subscriptions of all members and additional subscriptions taken up by members under the third replenishment of the resources of the Association.

(3) Amounts are expressed in United States dollars of the weight and fineness in effect on January 1, 1960. For translation purposes one United States dollar as used in this Appendix is approximately equal to 1.20635 current United States dollars. For more details see Note A.

(4) Amounts aggregating the equivalent of \$1,118,781,000 receivable from members are included, of which \$321,921,000 equivalent was past due at June 30, 1973 and the balance, \$796,860,000 equivalent, was not yet due.

(5) Less than .005 percent.

General: \$69,000 from Malta and \$9,000 from Western Samoa have been received on account of their initial subscriptions pending admission to membership.

INTERNATIONAL DEVELOPMENT ASSOCIATION

Notes to Financial Statements

JUNE 30, 1973 AND JUNE 30, 1972

NOTE A - Translation of Currencies

The Association's accounts are expressed in current United States dollar equivalents, translated as described below:

At June 30, 1973:

As to 84 members, at the par values, prospective par values or central rates as communicated to the International Monetary Fund (IMF) and, in the cases of those members which have advised the IMF that the market rates of their currencies temporarily will not be confined within the announced limits, at market rates; as to the remaining 28 members, at the rates used by such members in making payments of subscriptions to the Association adjusted to reflect the prospective par value of the United States dollar announced in February 1973. Swiss francs are translated into United States dollars at the rate of SwF 2.92826 to one United States dollar.

Where amounts are expressed in United States dollars of the weight and fineness in effect on January 1, 1960, they have been translated at the prospective par value equivalent to \$42.2222 per ounce of fine gold as announced by the United States in February 1973.

At June 30, 1972:

As to 78 members, at the par values or central rates as communicated to the IMF; as to the remaining 30 members, at the rates used by such members in making payments of subscriptions to the Association adjusted to reflect the devaluation of the United States dollar in May 1972. Swiss francs were translated into United States dollars at the rate of SwF 3.76172 to one United States dollar.

Where amounts were expressed in United States dollars of the weight and fineness in effect on January 1, 1960, they were translated at the par value equivalent to \$38 per ounce of fine gold as communicated to the IMF in May 1972.

The effect of taking into account the proposed devaluation of the United States dollar as announced in February 1973 and the exchange rate changes since June 1972 has been to increase in terms of United States dollars the Association's assets, liabilities and supplementary resources and to decrease the accumulated net income as at June 30, 1973, as compared to June 30, 1972.

The principles followed in regard to the translation of currencies at June 30, 1973 and June 30, 1972 are substantially the same. However, at June 30, 1973, a large number of members had announced to the IMF that the market rates of their currencies would not be confined within the announced limits and therefore the currencies of those members at that date have been translated into United States dollars at market rates of exchange. If currencies which were not confined within the announced limits at June 30, 1972, had been revalued at the then existing market rates, the net effect of such revaluation would not have been significant.

No representation is made that any currency held by the Association is convertible into any other currency at any rate or rates.

NOTE B - Restricted Currencies

Article IV, Section 1(a) of the Articles of Agreement of the Association provides that the currency of any Part II member, whether or not freely convertible, received by the Association in payment of the ninety percent portion of its initial subscription may be used by the Association for administrative expenses incurred by the Association in the territories of such members and, insofar as consistent with sound monetary policies, in payment for goods and services produced in the territories of such members and required for projects financed by the Association and located in such territories; and in addition when and to the extent justified by the economic and financial situation of the member concerned as determined by agreement between the member and the Association, such currency shall be freely convertible or otherwise usable for projects financed by the Association and located outside the territories of the member. Currencies paid by Part II members for additional subscriptions under the third replenishment are, by agreement, subject to the provisions of Article IV, Section 1(a). The amounts of \$59,276,000 (\$60,102,000 - 1972) under the heading Due from Banks and Other Depositories and \$192,927,000 (\$188,046,000 - 1972) included under the heading Receivable on Account of Subscriptions and Supplementary Resources are subject to such restrictions.

NOTE C - Maintenance of Value

Article IV, Section 2 provides for the maintenance as of the time of subscription of the value of the Association's holdings of the currency (or substituted notes) representing ninety percent of each member's initial subscription, to the extent that such currency has not been initially disbursed or exchanged for the currency of another member. This Section requires the member to make additional payments to the Association in the event of a reduction in the par value of its currency or if the foreign exchange value of its currency has, in the opinion of the Association, depreciated to a significant degree and requires the Association to reimburse the member in the event of an increase in the par value of its currency or a significant appreciation of its currency in its territories.

The total amounts of supplementary resources of the Association and additional subscriptions under the third replenishment have, by agreement, the same respective rights and obligations as to maintenance of value as are set forth in Article IV, Section 2.

(Continued)

INTERNATIONAL DEVELOPMENT ASSOCIATION

APPENDIX F

Notes to Financial Statements (continued)

JUNE 30, 1973 AND JUNE 30, 1972

Certain members have communicated central rates to the International Monetary Fund (IMF). By action of the Executive Directors of the Association on June 19, 1972 it has been determined that such central rates represent the *de facto* value of such currencies for maintenance of value purposes. The Executive Directors further decided that with respect to any member currency functioning under a system under which the market rate is not confined within the announced limits, maintenance of value obligations for currencies disbursed would be determined on the basis of market rates in effect on the respective dates of disbursement. The equivalent of \$27,034,000 is due from 30 members (\$8,889,000 from 34 members - 1972) and the equivalent of \$2,529,000 is payable to eight members (\$5,561,000 to four members - 1972) in order to maintain the value of the Association's currency holdings or notes substituted therefor as required under Article IV, Section 2 and in accordance with the above decisions of the Executive Directors. In the cases of those members which have proposed changes in their par values or have indicated their intention to maintain the parity of their currencies in terms of the United States dollar having the new par value, provisional amounts receivable or payable by the Association have been established based on the prospective par values. Similarly, in the cases of those members which have advised the IMF that the market rates of their currencies temporarily will not be confined within the announced limits, provisional amounts receivable or payable by the Association have been established based on the market rates of their currencies. The aggregate provisional amounts thus receivable \$170,946,000 (\$11,082,000 - 1972) or payable \$54,482,000 (nil - 1972) by the Association have been included in Other Assets or Liabilities, respectively.

If and when new par values or central rates are established, maintenance of value obligations will become effective as described above.

NOTE D - Transfers from International Bank for Reconstruction and Development

The International Bank for Reconstruction and Development has authorized transfers by way of grants to the Association totaling \$705,000,000 (\$595,000,000 - 1972) from the net income of the Bank for the fiscal years ended June 30, 1964 through 1972. Of this amount, \$363,124,000 had been received as of June 30, 1973 (\$306,385,000 - 1972). The resolution of the Board of Governors regarding the transfer of \$110,000,000 by way of grant out of fiscal year 1972 net income provides that up to the equivalent of \$3,000,000 may be used by the Association for grants for agricultural research. As at June 30, 1973, grants aggregating \$2,020,000 had been made against which \$1,735,000 had been disbursed. The disbursed amount of these grants is not included in these financial statements.

NOTE E - Contribution from Non-Member

New Zealand, which is not a member of the Association, has made a voluntary contribution of NZ\$ 5 million (approximately US equivalent \$6,755,000) to the Association, to be paid in five equal instalments. The first two instalments had been received prior to June 30, 1973, the third instalment was received in July 1973 and the remaining two will be received in each of the years 1974 and 1975.

NOTE F - Loans from Swiss Confederation

The Association has entered into agreements to borrow a total of SFr 182 million (approximately US equivalent \$62,153,000) from the Swiss Confederation. The first loan for SFr 52 million, which was made in fiscal year 1967, has been received in full. The second loan for SFr 130 million was signed in November 1972, and SFr 86.7 million has been received; the balance will be received in November 1973. The loans carry no interest and are each repayable in forty annual instalments commencing July 1, 1979, in the case of the first loan and November 8, 1983, in the case of the second loan. The first ten instalments in each instance will be at 1% of the respective principal amounts and the remaining thirty instalments will be at 3% of such principal amounts.

NOTE G - Development Credits

The principal amounts disbursed and outstanding on development credits and the accrued service charges are denominated in United States dollars of the weight and fineness in effect on January 1, 1960. The equivalent is payable by the borrowers in currencies which the Association determines to be freely convertible or freely exchangeable by the Association for currencies of other members of the Association, except that such amount would be reduced if (a) there is a uniform proportionate reduction in the par values of the currencies of all members of the International Monetary Fund or (b) the Association so decides because of a substantial reduction in the value of one or more major currencies of members. The foregoing does not apply to a development credit of \$9,000,000 which is expressed and is repayable in legal tender dollars.

NOTE H - Subscriptions and Supplementary Resources

The Association's Articles of Agreement and subsequent replenishment resolutions define subscriptions and supplementary resources in terms of United States dollars of the weight and fineness in effect on January 1, 1960. On June 30, 1973, all subscriptions and supplementary resources are expressed in current United States dollars unless otherwise indicated.

NOTE I - Accumulated Net Income

The accumulated net income has been charged during the current fiscal year with net translation adjustments of \$1,506,000 (Credited with \$17,644,000 - 1972) as a result of currency revaluations.

GENERAL - Third Replenishment of Resources

The third replenishment of the resources of the Association became effective on September 22, 1972. As at June 30, 1973, 18 Part I countries and three Part II countries with contributions and subscriptions aggregating \$2,789,500,000 equivalent had notified the Association that they would participate in the replenishment. In addition, 59 Part II countries had notified the Association that they would take up additional subscriptions under the third replenishment aggregating \$9,727,000 equivalent. As at June 30, 1973, an amount of \$1,311,036,000 equivalent was receivable, of which \$349,745,000 equivalent was past due and the balance, \$961,291,000 equivalent, which was not yet due, is receivable as follows: \$960,286,000 equivalent on or before November 8, 1973, and \$1,005,000 equivalent on October 22, 1974.

Annex C

INTERNATIONAL DEVELOPMENT ASSOCIATION
STATEMENT OF DEVELOPMENT CREDITS — JUNE 30, 1973
EXPRESSED IN UNITED STATES CURRENCY

PAGE 1 of 12

Development Credit Number	Developing Country	Kind of activity financed Development Credits have been made Charges on project	Date of Development agreement	Maturity	Grace period years	Original principal amount \$	Exchange adjustment \$	Conversions, interest, and refunds \$	Principal repayments \$	Effective Development Credit Amount \$	Prepaid amount \$	Unbalanced Interest of Development Credit \$	Develop- ment Credit Number
48	AFGHANISTAN	MAFZ	4/0 15	NOV. 21, 1964	3/AS	5,500,000.00	23,488.59	3,522,687.38		1,201.21	1,201.21		48
188	AFGHANISTAN	HIGHWAY PROJECT	108 J/O 15	JUNE 24, 1969	3/AS	5,500,000.00	509,001.29			5,509,001.29	3,660,519.61	1,886,481,68 138	188
222	AFGHANISTAN	AGRICULTURAL DEVELOPMENT PROJECT	222 J/O 15	JUNE 24, 1970	3/AS	5,500,000.00	255,510.00			5,500,000.00	3,660,519.61	1,886,481,68 138	222
378	AFGHANISTAN	AVIATION PROJECT	378 J/O 15	MAY 21, 1973	3/AS	2,500,000.00	29,335.80			2,500,000.00	2,500,000.00	2,500,000.00	378
379	AFGHANISTAN	INDUSTRIAL DEVELOPMENT PROJECT	379 J/O 15	MAY 21, 1973	3/AS	2,500,000.00				2,500,000.00	2,500,000.00	2,500,000.00	379
380	AFGHANISTAN	INDUSTRIAL DEVELOPMENT PROJECT	380 J/O 15	MAY 21, 1973	3/AS	2,500,000.00				2,500,000.00	2,500,000.00	2,500,000.00	380
					TOTAL	32,000,000.00	856,724.98	3,522,687.38		15,838,437.60	6,605,586.76	9,426,456.84 AF	
137	AUSTRALIA	SMALLHOLDER LIVESTOCK CREDIT PROJECT	137 W/S 1	JAN. 31, 1969	3/AS	1,500,000.00	21,004.71			1,747,004.71	1,865,148.31	181,862,440 137	
138	AUSTRALIA	SMALLHOLDER LIVESTOCK CREDIT PROJECT	138 W/S 1	JAN. 31, 1970	3/AS	1,500,000.00	518,888.50			5,258,888.50	3,660,519.61	1,886,481,68 138	
139	AUSTRALIA	SMALLHOLDER LIVESTOCK CREDIT PROJECT	139 W/S 1	JAN. 31, 1971	3/AS	1,500,000.00	928,889.49			9,208,889.49	3,660,519.61	1,886,481,68 139	
236	AUSTRALIA	SMALLHOLDER LIVESTOCK CREDIT PROJECT	236 W/S 1	JAN. 31, 1972	3/AS	1,500,000.00				9,208,889.49	3,660,519.61	1,886,481,68 236	
348	AUSTRALIA	SMALLHOLDER LIVESTOCK CREDIT PROJECT	348 W/S 1	JAN. 31, 1973	3/AS	1,500,000.00				9,208,889.49	3,660,519.61	1,886,481,68 348	
					TOTAL	6,000,000.00	1,659,444.70			28,406,088.50	10,460,088.53	10,460,088.53	
339	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	339 A/O 15	OCT. 18, 1972	3/AS	25,000,000.00				25,000,000.00		25,000,000.00	339
340	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	340 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 340	
341	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	341 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 341	
342	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	342 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 342	
343	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	343 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 343	
344	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	344 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 344	
345	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	345 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 345	
346	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	346 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 346	
347	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	347 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 347	
348	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	348 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 348	
349	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	349 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 349	
350	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	350 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 350	
351	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	351 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 351	
352	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	352 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 352	
353	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	353 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 353	
354	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	354 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 354	
355	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	355 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 355	
356	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	356 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 356	
357	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	357 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 357	
358	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	358 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 358	
359	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	359 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 359	
360	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	360 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 360	
361	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	361 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 361	
362	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	362 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 362	
363	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	363 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 363	
364	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	364 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 364	
365	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	365 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 365	
366	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	366 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 366	
367	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	367 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 367	
368	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	368 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 368	
369	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	369 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 369	
370	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	370 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 370	
371	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	371 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 371	
372	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	372 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 372	
373	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	373 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 373	
374	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	374 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 374	
375	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	375 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 375	
376	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	376 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 376	
377	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	377 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 377	
378	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	378 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 378	
379	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	379 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 379	
380	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	380 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 380	
381	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	381 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 381	
382	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	382 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 382	
383	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	383 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 383	
384	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	384 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 384	
385	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	385 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 385	
386	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	386 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 386	
387	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	387 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 387	
388	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	388 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 388	
389	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	389 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 389	
390	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	390 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 390	
391	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	391 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 391	
392	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	392 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 392	
393	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	393 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00	129,223.28			13,129,223.28	979,071.45	12,150,151.83 393	
394	BANGLADESH	REHABILITATION & CYCLONE PROTECTION PROJ.	394 W/S 1	OCT. 18, 1972	3/AS	13,000,000.00							

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Member to whom amounts Development Credits have been made (Government or private)	Disburse- ment Credit amount	Start annual payment beginning date	Date of development agreement	Maturity	Service charge rate	Original principal amount	Exchange adjustment	Guarantee, commitment, and refunding	Principal repayments	Effective disburse- ment amount added for amortization	Principal amount repaid	Unallocated balance of development credits	Develop- ment Credit number
DOUGLAS PORT PROJECT													
329 J/D 1 JAN. 14, 1971	1981-2020	3/4%				1,500,000.00				1,500,000.00		477,465.78	289
382 A/D 1 APR. 28, 1972	1982-2021	3/4%				3,700,000.00				3,700,000.00		1,913,555.96	199
388 J/D 15 JUNE 28, 1972	1982-2022	3/4%				9,000,000.00				9,000,000.00		5,100,000.00	370
TOTAL						42,700,000.00	3,311,992.83			46,011,992.83	25,129,833.88	20,882,159.15	CM
CENTRAL AFRICAN REPUBLIC (CAR)													
146 M/S 1 APR. 3, 1969	1979-2019	3/4%				4,200,000.00				4,200,000.00		4,198,433.82	146
388 J/D 15 MAY 28, 1972	1982-2022	3/4%				3,400,000.00				3,400,000.00		3,314,985.34	199
TOTAL						12,400,000.00				12,400,000.00		7,513,419.16	CA
CHAD (CHD)													
126 J/D 1 AUG. 14, 1968	1978-2018	3/4%				3,100,000.00				3,100,000.00		3,009,433.20	126
126 J/D 1 AUG. 29, 1968	1978-2018	3/4%				1,800,000.00				1,800,000.00		1,734,453.20	127
281 J/D 1 JUNE 18, 1971	1981-2020	3/4%				2,200,000.00				2,200,000.00		2,134,376.92	281
287 J/D 1 MAY 31, 1972	1982-2021	3/4%				10,100,000.00				10,100,000.00		71,982.91	287
TOTAL						15,200,000.00	487,036.44			15,687,036.44	3,329,885.26	14,357,151.18	CD
CHILE (CHI)													
4 J/D 1 JUNE 28, 1961	1971-2011	3/4%				19,000,000.00		2,444.58	290,938.99	22,585,735.40	22,876,176.49		4
TOTAL						19,000,000.00		2,444.58	290,938.99	22,585,735.40	22,876,176.49		CM
CHINA (CHN)													
4 M/S 15 AUG. 30, 1961	1972-2011	3/4%				3,200,000.00				3,200,000.00		2,657,700.48	4
7 M/S 15 AUG. 30, 1961	1972-2011	3/4%				3,700,000.00				3,700,000.00		2,447,700.48	7
17 M/S 15 DEC. 31, 1961	1972-2011	3/4%				15,900,000.00				15,900,000.00		9,799,332.84	17
TOTAL						22,800,000.00	2,682,039.30			25,482,039.30	15,755,735.80		CM
COLOMBIA (COL)													
9 J/D 1 AUG. 28, 1961	1971-2011	3/4%				19,500,000.00		3,880,935.22	404,797.44	23,376,186.04	23,480,995.92		9
TOTAL						19,500,000.00		3,880,935.22	404,797.44	23,376,186.04	23,480,995.92		CD
CONGO, THE PEOPLES REPUBLIC OF THE (CON)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
COSTA RICA (CRI)													
18 M/H 1 OCT. 13, 1961	1971-2011	3/4%				5,900,000.00				5,900,000.00		5,879,784.05	18
TOTAL						5,900,000.00				5,900,000.00		5,879,784.05	CD
DAOMONEY (DAM)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
DOMINICAN REPUBLIC (DOM)													
289 A/D 1 FEB. 18, 1971	1981-2020	3/4%				4,000,000.00				4,000,000.00		3,979,784.05	289
289 M/H 15 MAY 19, 1971	1981-2020	3/4%				5,000,000.00				5,000,000.00		4,979,784.05	289
388 M/H 15 JUNE 17, 1973	1983-2022	3/4%				15,000,000.00				15,000,000.00		7,990,017.58	388
TOTAL						24,000,000.00				24,000,000.00		15,949,586.48	DOM
ECUADOR (ECU)													
31 F/A 1 MAY 28, 1964	1974-2014	3/4%				8,000,000.00				8,000,000.00		7,779,497.84	31
126 F/A 1 JUNE 28, 1968	1978-2018	3/4%				5,100,000.00				5,100,000.00		4,979,784.05	126
281 F/A 1 JUNE 18, 1971	1981-2020	3/4%				10,000,000.00				10,000,000.00		9,849,586.48	281
287 F/A 1 MAY 31, 1972	1982-2021	3/4%				31,400,000.00				31,400,000.00		15,979,487.84	287
TOTAL						54,500,000.00				54,500,000.00		31,778,770.17	ECU
EL SALVADOR (ESA)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
GUATEMALA (GUA)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
HONDURAS (HON)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
INDONESIA (IND)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
JAMAICA (JAM)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
JAPAN (JPN)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
PERU (PER)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
RUSSIA (RUS)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
UNITED STATES (USA)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON
VENEZUELA (VEN)													
189 M/H 15 MAY 28, 1970	1980-2020	3/4%				1,900,000.00				1,900,000.00		1,850,475.84	189
237 A/D 15 MAR. 28, 1971	1981-2020	3/4%				3,600,000.00				3,600,000.00		3,444,130.80	237
237 M/S 1 APR. 3, 1972	1982-2022	3/4%				6,500,000.00				6,500,000.00		3,114,376.56	276
TOTAL						12,000,000.00				12,000,000.00		8,409,083.20	CON

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Development credit number	Date of Development agreement	Maturities	Service charge and interest	Original principal amount	Exchange adjustment ¹	Conversions, interest, principal and refunding	Principal repayments	\$	\$	Disbursements paid by IDA for Development Credit ²	Undisbursed balance of Development Credit ²	Development
362	J/J 15 MAR, 24, 1979	1983-2025	3/4%	2,000,000.00						2,000,000.00	2,000,000.00	2,000,000.00
		TOTAL		2,000,000.00						2,000,000.00	2,000,000.00	2,000,000.00
181	M/M 1 APR, 17, 1970	1979-2019	3/4%	24,000,000.00						24,000,000.00	24,000,000.00	24,000,000.00
182	J/O 15 APR, 17, 1970	1979-2019	3/4%	24,000,000.00						24,000,000.00	24,000,000.00	24,000,000.00
399	J/O 15 APR, 17, 1970	1979-2019	3/4%	24,000,000.00						24,000,000.00	24,000,000.00	24,000,000.00
412	A/O 15 JUNE 29, 1979	1983-2025	3/4%	10,000,000.00						10,000,000.00	10,000,000.00	10,000,000.00
		TOTAL		10,000,000.00						10,000,000.00	10,000,000.00	10,000,000.00
227	M/M 1 NOV, 2, 1962	1978-2022	3/4%	8,000,000.00						8,000,000.00	8,000,000.00	8,000,000.00
228	A/O 15 JAN, 13, 1971	1981-2020	3/4%	15,000,000.00						15,000,000.00	15,000,000.00	15,000,000.00
		TOTAL		23,000,000.00						23,000,000.00	23,000,000.00	23,000,000.00
39	M/M 1 FEB, 27, 1965	1978-2013	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
186	M/M 1 FEB, 16, 1966	1978-2013	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
187	J/O 15 MAR, 24, 1979	1983-2025	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
188	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
189	J/O 15 MAR, 24, 1979	1983-2025	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
190	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
191	J/O 15 MAR, 24, 1979	1983-2025	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
192	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
193	J/O 15 MAR, 24, 1979	1983-2025	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
194	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
195	J/O 15 MAR, 24, 1979	1983-2025	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
196	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
197	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
198	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
199	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
200	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
201	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
202	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
203	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
204	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
205	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
206	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
207	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
208	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
209	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
210	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
211	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
212	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
213	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
214	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
215	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
216	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
217	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
218	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
219	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
220	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
221	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
222	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
223	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
224	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
225	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
226	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
227	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
228	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
229	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
230	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
231	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
232	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
233	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
234	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
235	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
236	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
237	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
238	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
239	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
240	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
241	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
242	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
243	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
244	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
245	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
246	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
247	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
248	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
249	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
250	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
251	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
252	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
253	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
254	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
255	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
256	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
257	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
258	F/A 15 MAY, 28, 1970	1980-2020	3/4%	16,179,959.94						16,179,959.94	16,179,959.94	16,179,959.94
259	F/A 15 MAY, 28, 1											

STATEMENT OF DEVELOPMENT CREDITS — JUNE 30, 1973

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EXPENSES IN UNITED STATES CURRENCY.

INDIA BIRH

Develop- ment Credit number	Sum- mitment amount date	Date of disburse- ment agreement	Maturity	Service start	Original amount	Exchange adjustment ¹	Conventions, remissions, refinancing	Principal payments	Effective Credit and by	Principal amount received	Unallocated amount of Disburse- ment
					\$			\$	\$	\$	\$
1	F/A 15	JUNE 21, 1961	1974-2011	3/68	66,000,000.00	12,112,713.57		1,250,501.11	70,342,212.56	71,582,713.67	3
2	N/A 1	SEPT. 6, 1961	1974-2011	3/68	4,000,000.00	699,158.42		1,114,258.29	4,713,858.31	4,713,858.31	13
3	A/O 15	MAY 22, 1961	1972-2011	3/68	4,500,000.00	699,158.42		1,114,258.29	4,713,858.31	4,713,858.31	14
4	N/A 15	MAY 22, 1961	1972-2011	3/68	4,500,000.00	699,158.42		1,114,258.29	4,713,858.31	4,713,858.31	15
5	N/A 15	MAY 22, 1961	1972-2011	3/68	10,000,000.00	1,831,153.41		2,004,229.48	11,835,329.48	11,835,329.48	16
6	N/A 15	MAY 22, 1961	1972-2011	3/68	18,500,000.00	3,493,734.27		3,983,734.27	20,483,734.27	20,483,734.27	17
7	J/A 1	JUNE 19, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	18
8	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	19
9	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	20
10	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	21
11	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	22
12	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	23
13	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	24
14	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	25
15	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	26
16	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	27
17	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	28
18	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	29
19	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	30
20	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	31
21	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	32
22	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	33
23	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	34
24	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	35
25	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	36
26	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	37
27	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	38
28	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	39
29	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	40
30	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	41
31	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	42
32	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	43
33	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	44
34	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	45
35	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	46
36	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	47
37	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	48
38	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	49
39	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	50
40	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	51
41	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	52
42	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	53
43	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	54
44	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	55
45	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	56
46	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	57
47	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	58
48	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	59
49	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	60
50	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	61
51	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	62
52	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	63
53	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	64
54	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	65
55	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	66
56	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	67
57	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	68
58	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	69
59	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	70
60	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	71
61	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	72
62	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	73
63	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	74
64	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	75
65	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	76
66	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	77
67	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	78
68	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	79
69	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	80
70	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	81
71	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	82
72	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	83
73	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	84
74	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	85
75	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	86
76	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433.59	15,727,433.59	15,727,433.59	87
77	J/A 1	JULY 18, 1962	1972-2012	3/68	13,000,000.00	2,474,433.59		2,727,433			

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Development Project number	Activity or Activities Development Credits were made □ Program or project	Date of Development agreement	Sponsor Name	Original estimated amount	Exchange Adjustment	Conventions, conditions and refinancing	Principal payments	Effective development amount received Actual/Est.	Principal repaid disbursed ¹	Unbalanced amount of Effective disbursed ²
KOREA, SOUTH										
180	ROAD PROJECT	1	1962	1973-2012	5/48	14,000,000,000	2,479,766,498	7,076,135	12,671,479,225	35
181	SECOND RAILROAD PROJECT	1	1962	1973-2012	5/48	14,000,000,000	2,479,766,498	7,076,135	12,671,479,225	35
182	THIRD RAILROAD PROJECT	1	1962	1973-2012	5/48	14,000,000,000	2,479,766,498	7,076,135	12,671,479,225	35
183	INTEGRATED DAIRY BEEF DEVELOPMENT PROJECT	1	1962	1973-2012	5/48	14,000,000,000	2,479,766,498	7,076,135	12,671,479,225	35
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,118,412	11,964,118,412
286	AGRICULTURAL CREDIT PROJECT	1	1972	1982-2021	5/48	15,000,000,000	3,035,881,588	11,964,118,412	11,964,11	

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Member in whose territory Development Credit is made (Country or project)	Develop- ment credit number	Some annual payments due	Date of Development Credit agreement	Maturity	Grace period, years	Original principal amount	Exchange Adjustment	Commitments, interest, and refunds	Principal repayments	Unallocated Development Credits by Association ^a	Projected amount of Development Credit ^a	Balance of Development Credit ^a	Develop- ment credit number
MOROCCO (MOR)													
ROAD PROJECT	79	M/A 15	OCT. 11, 1965	1976-2015	3/A/8	11,000,000.00	1,752,927.62			12,752,927.62	10,816,408.75	1,936,518.87	79
INDUSTRIAL PROJECT	187	M/A 15	MAY 13, 1969	1980-2019	3/A/8	7,000,000.00	904,013.77			8,004,013.77	8,208,413.77	1,195,600.00	187
SECOND EDUCATION PROJECT	266	M/A 15	AUG. 18, 1971	1981-2021	3/A/8	6,000,000.00				10,000,000.00	10,000,000.00	10,000,000.00	266
SECOND AGRICULTURAL CREDIT PROJECT	338	M/A 15	OCT. 10, 1972	1981-2021	TOTAL	36,000,000.00	2,689,931.19			39,450,931.19	19,102,827.52	20,348,103.67	338
NEPAL (NEP)													
TELECOMMUNICATIONS PROJECT	166	M/A 15	MAY 10, 1969	1979-2019	3/A/8	1,700,000.00	81,589.20			1,781,589.20	876,564.19	905,025.01	166
TELECOMMUNICATIONS PROJECT	293	F/A 15	MAY 22, 1972	1982-2022	3/A/8	4,000,000.00	2,311,987.80			4,200,000.00	2,004,764.40	2,195,235.60	293
SINGAPORE IRRIGATION PROJECT	379	M/A 15	APR. 18, 1973	1982-2022	3/A/8	4,000,000.00				4,200,000.00	509,234.45	4,699,234.45	379
TELECOMMUNICATIONS PROJECT	397	M/A 15	JUNE 29, 1973	1983-2023	TOTAL	19,000,000.00	93,583.00			8,493,583.00	1,008,790.50	7,484,792.50	397
NICARAGUA (NIC)													
MANAGUA WATER SUPPLY PROJECT	26	M/A 15	SEPT. 7, 1962	1972-2012	3/A/8	3,000,000.00	618,300.34			3,168,300.34	3,168,300.34	3,168,300.34	26
LAKEHOLME RECONSTRUCTION PROJECT	389	J/O 1	JUNE 24, 1973	1983-2023	TOTAL	21,000,000.00	618,300.34			3,168,300.34	3,168,300.34	3,168,300.34	389
RIGGS (RIG)													
ROAD PROJECT	55	J/J 15	JUNE 24, 1964	1978-2014	3/A/8	1,000,000.00	309,256.36			1,309,256.36	1,309,256.36	1,309,256.36	55
INDUSTRIAL PROJECT	287	J/J 15	JUNE 24, 1970	1980-2020	3/A/8	6,000,000.00	20,511.51			6,020,511.51	179,791.57	5,840,719.94	287
SECOND HIGHWAY CONSTRUCTION PROJECT	291	J/J 15	JAN. 29, 1971	1981-2020	TOTAL	31,000,000.00	1,710,488.48			32,710,488.48	12,277,497.61	20,432,990.87	291
RIGGS (RIG)													
INDUSTRIAL PROJECT	72	F/A 15	MAR. 1, 1965	1975-2014	3/A/8	20,000,000.00	1,387,905.92			21,387,905.92	11,176,780.62	10,211,125.30	72
NORTHERN ROAD PROJECT	75	F/A 15	MAR. 1, 1965	1975-2014	TOTAL	33,000,000.00	4,145,788.81			37,145,788.81	29,657,645.97	10,211,125.30	75
PAKISTAN (PAK)													
INDUSTRIAL PROJECT	11	A/O 1	OCT. 19, 1961	1972-2011	3/A/8	1,000,000.00	204,709.42			1,204,709.42	1,204,709.42	1,204,709.42	11
INDUSTRIAL PROJECT	16	A/O 1	MAY 22, 1961	1972-2011	3/A/8	2,000,000.00	3,408,473.75			5,408,473.75	5,408,473.75	5,408,473.75	16
INDUSTRIAL PROJECT	38	A/O 15	MAY 21, 1962	1973-2012	3/A/8	4,000,000.00	1,327,129.41			5,327,129.41	5,327,129.41	5,327,129.41	38
INDUSTRIAL PROJECT	89	J/J 1	JUNE 24, 1963	1973-2013	3/A/8	9,000,000.00	1,083,717.57			10,083,717.57	6,933,748.01	3,150,000.00	89
INDUSTRIAL PROJECT	91	A/O 1	AUG. 14, 1963	1973-2013	3/A/8	20,000,000.00	1,762,287.05			21,762,287.05	21,762,287.05	21,762,287.05	91
INDUSTRIAL PROJECT	99	M/A 15	MAR. 25, 1964	1974-2013	3/A/8	4,000,000.00	1,762,287.05			5,762,287.05	4,456,534.02	1,305,753.03	99
INDUSTRIAL PROJECT	98	M/A 15	MAR. 25, 1964	1974-2013	3/A/8	8,000,000.00	1,762,287.05			9,762,287.05	4,456,534.02	5,305,753.03	98
INDUSTRIAL PROJECT	94	A/O 15	JUNE 11, 1964	1974-2014	3/A/8	17,000,000.00	3,281,130.76			20,281,130.76	19,351,529.61	929,601.15	94
INDUSTRIAL PROJECT	95	M/A 15	JUNE 24, 1964	1974-2014	3/A/8	17,000,000.00	5,050,863.59			22,050,863.59	22,050,863.59	22,050,863.59	95
INDUSTRIAL PROJECT	96	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	96
INDUSTRIAL PROJECT	97	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	97
INDUSTRIAL PROJECT	98	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	98
INDUSTRIAL PROJECT	99	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	99
INDUSTRIAL PROJECT	100	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	100
INDUSTRIAL PROJECT	101	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	101
INDUSTRIAL PROJECT	102	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	102
INDUSTRIAL PROJECT	103	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	103
INDUSTRIAL PROJECT	104	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	104
INDUSTRIAL PROJECT	105	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	105
INDUSTRIAL PROJECT	106	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	106
INDUSTRIAL PROJECT	107	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	107
INDUSTRIAL PROJECT	108	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	108
INDUSTRIAL PROJECT	109	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	109
INDUSTRIAL PROJECT	110	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	110
INDUSTRIAL PROJECT	111	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	111
INDUSTRIAL PROJECT	112	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	112
INDUSTRIAL PROJECT	113	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	113
INDUSTRIAL PROJECT	114	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	114
INDUSTRIAL PROJECT	115	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	115
INDUSTRIAL PROJECT	116	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	116
INDUSTRIAL PROJECT	117	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	117
INDUSTRIAL PROJECT	118	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	118
INDUSTRIAL PROJECT	119	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	119
INDUSTRIAL PROJECT	120	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	120
INDUSTRIAL PROJECT	121	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	121
INDUSTRIAL PROJECT	122	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	122
INDUSTRIAL PROJECT	123	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	123
INDUSTRIAL PROJECT	124	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	124
INDUSTRIAL PROJECT	125	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	125
INDUSTRIAL PROJECT	126	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	126
INDUSTRIAL PROJECT	127	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	127
INDUSTRIAL PROJECT	128	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	128
INDUSTRIAL PROJECT	129	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	129
INDUSTRIAL PROJECT	130	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	130
INDUSTRIAL PROJECT	131	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	131
INDUSTRIAL PROJECT	132	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	132
INDUSTRIAL PROJECT	133	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	133
INDUSTRIAL PROJECT	134	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	134
INDUSTRIAL PROJECT	135	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	135
INDUSTRIAL PROJECT	136	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	136
INDUSTRIAL PROJECT	137	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39,070,704.81	137
INDUSTRIAL PROJECT	138	M/A 15	JULY 1, 1964	1975-2015	3/A/8	38,000,000.00	1,070,704.81			39,070,704.81	39,070,704.81	39	

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Development Credits have been made () Foreign currency	Development Credit number	Date of disbursement agreement	Maturity	Service rate	Original amount	Exchange adjustment ¹	Conversions into dollars	Principal repayments	Effective Disbursements and by Amortization	Principal amount disbursed	Unallocated balance of Development Credit ²	Development Credit number
CREDITS APPROVED BUT NOT DISBURSED												
INDONESIA CREDIT												
INDONESIA WATER TRANSPORT PROJECT		7/4 1		3/6 5	15,700,000.00							
THIRD MALAYSIAN PROJECT		7/4 1		3/6 5	25,700,000.00							
CHINA, THE PEOPLE'S REPUBLIC OF THE CREDIT												
CHINA CREDIT		8/9 1		3/6 5	600,000.00							
SECOND HONGKONG PROJECT		4/7 15		3/6 5	31,800,000.00							
PRINCIPAL CREDIT												
AGRICULTURAL MACHINERY PACKAGE PROJECT		7/4 1		3/6 5	21,000,000.00							
AGRICULTURAL MACHINERY PACKAGE PROJECT		4/7 15		3/6 5	17,000,000.00							
THIRD EXAMINATION PROJECT		4/7 15		3/6 5	30,000,000.00							
MALE CREDIT		4/7 15		3/6 5	5,000,000.00							
EDUCATION PROJECT												
PAKISTAN CREDIT		4/7 1		3/6 5	18,000,000.00							
THIRD MANGROVE PORT PROJECT												
UPPER VOLTA CREDIT		4/7 15		3/6 5	1,500,000.00							
EDUCATION PROJECT		4/7 15		3/6 5	2,850,000.00							
					\$ 123,790,000.00							
GRAND TOTAL					\$ 5,907,179,000.00	\$ 4,039,317,841	186,233,403.40	6,371,310,211	5,609,463,406.23	7,215,132,950.23	1,800,862,363.81	

NOTE 1/ AMOUNTS IN THE TOTAL AMOUNT OF \$ 1,400,000,000 PROVIDED FOR THESE DEVELOPMENT CREDITS HAVE BEEN CLAIMED UNTIL THE DEVELOPMENT CREDITS DO NOT BECOME EXPIRED. THE ASSOCIATION HAS ASSOCIATED WITH THE AMOUNTS TAKEN CERTAIN ACTION AND PROVIDED CERTAIN DOCUMENTS TO THE ASSOCIATION.

NOTE 2/ AMOUNTS TO BE PAID FOR THE DEVELOPMENT OF THE UNITED STATES DOLLAR IN JULY 1972 AND THE PROPOSED CHANGE IN THE PAID VALUE OF THE UNITED STATES DOLLAR IN JULY 1972.

NOTE 3/ EXCHANGED IN TERMS OF THE UNITED STATES DOLLAR OF THE METHOD AND PROVIDED IN JULY 1970. AMOUNTS TO BE PAID FOR THE DEVELOPMENT OF THE UNITED STATES DOLLAR IN JULY 1970.

NOTE 4/ AMOUNTS TO BE PAID FOR THE DEVELOPMENT OF THE UNITED STATES DOLLAR IN JULY 1970 AND THE PROPOSED CHANGE IN THE PAID VALUE OF THE UNITED STATES DOLLAR IN JULY 1970.

NOTE 5/ AMOUNTS TO BE PAID FOR THE DEVELOPMENT OF THE UNITED STATES DOLLAR IN JULY 1970 AND THE PROPOSED CHANGE IN THE PAID VALUE OF THE UNITED STATES DOLLAR IN JULY 1970.

NOTE 6/ THE ASSOCIATION HAS ENTERED INTO AN AGREEMENT TO BE \$ 100,000.00 OF THIS DEVELOPMENT CREDIT.

CONTROLLER'S DEPARTMENT
WASHINGTON, D.C. 20540
JUL 12, 1973

A LETTER FROM THE CHAIRMAN, NATIONAL
ADVISORY COUNCIL ON INTERNATIONAL
MONETARY AND FINANCIAL POLICIES

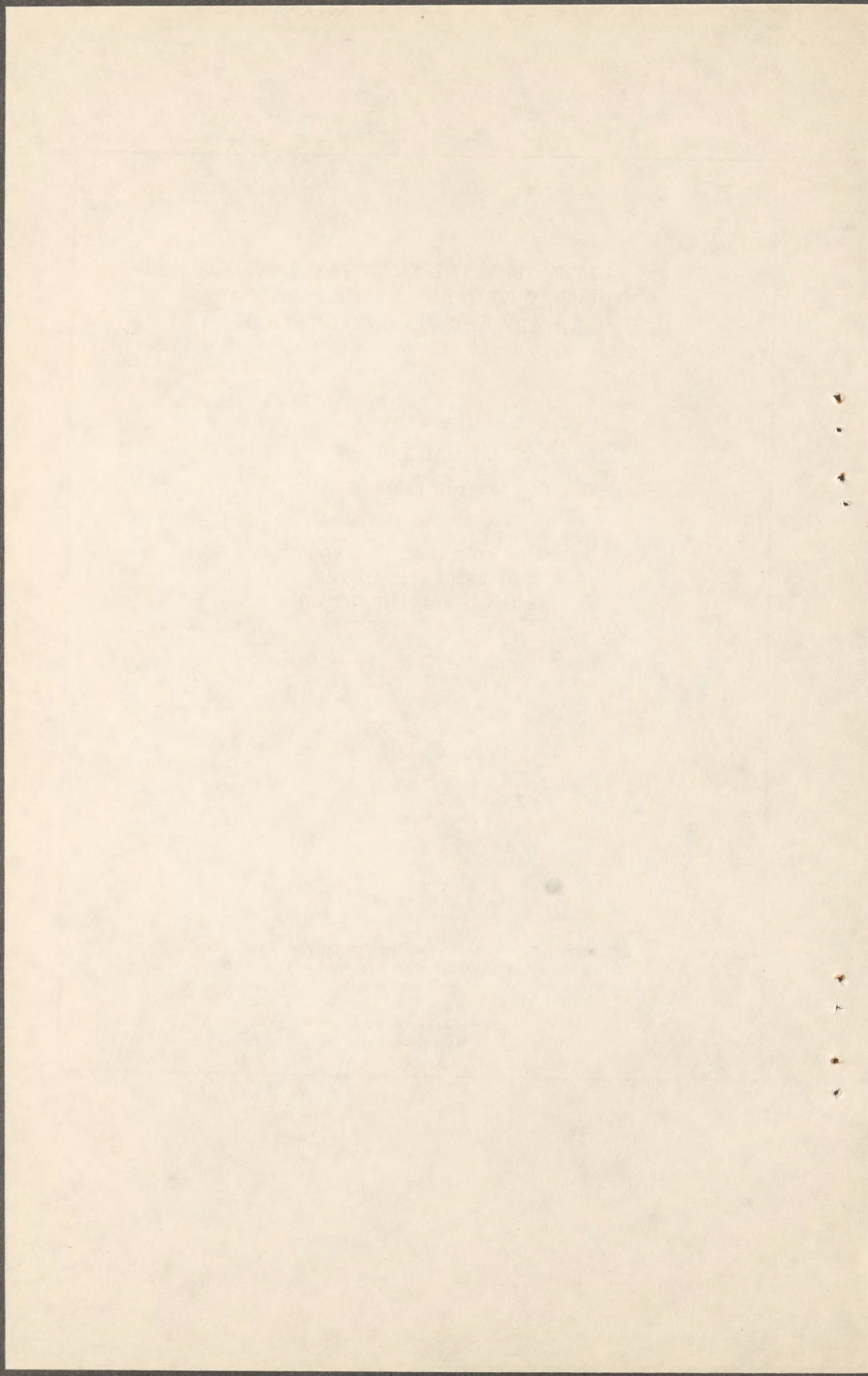
TRANSMITTING A
SPECIAL REPORT
TO THE PRESIDENT
AND TO THE CONGRESS
ON A PROPOSED CONTRIBUTION AND SUBSCRIPTION
OF RESOURCES TO THE
ASIAN DEVELOPMENT BANK



NOVEMBER 1973

NOVEMBER 7, 1973.—Referred to the Committee on Banking and
Currency and ordered to be printed

U.S. GOVERNMENT PRINTING OFFICE
WASHINGTON : 1973



LETTER OF TRANSMITTAL

NOVEMBER 6, 1973.

HON. CARL B. ALBERT,
Speaker, House of Representatives,
Washington, D.C.

DEAR MR. SPEAKER: As Chairman of the National Advisory Council on International Monetary and Financial Policies, I am pleased to transmit herewith the Council's special report recommending the U.S. subscription to its share in an increase in the Asian Development Bank's capital stock and contribution to the establishment of a new Asian Development Fund. This report has received the unanimous approval of the members of the Council, which includes the Secretary of State, the Secretary of Commerce, the Chairman of the Board of Governors of the Federal Reserve System, and the President of the Export-Import Bank.

Copies of the report are also being submitted to the President and to the President of the Senate pro tempore.

Sincerely yours,

GEORGE P. SHULTZ,
Chairman, National Advisory Council
on International Monetary and Financial Policies.

NATIONAL ADVISORY COUNCIL ON
INTERNATIONAL MONETARY AND
FINANCIAL POLICIES

SPECIAL REPORT

TO THE PRESIDENT
AND TO THE CONGRESS
ON A PROPOSED CONTRIBUTION AND SUBSCRIPTION
OF RESOURCES TO THE
ASIAN DEVELOPMENT BANK

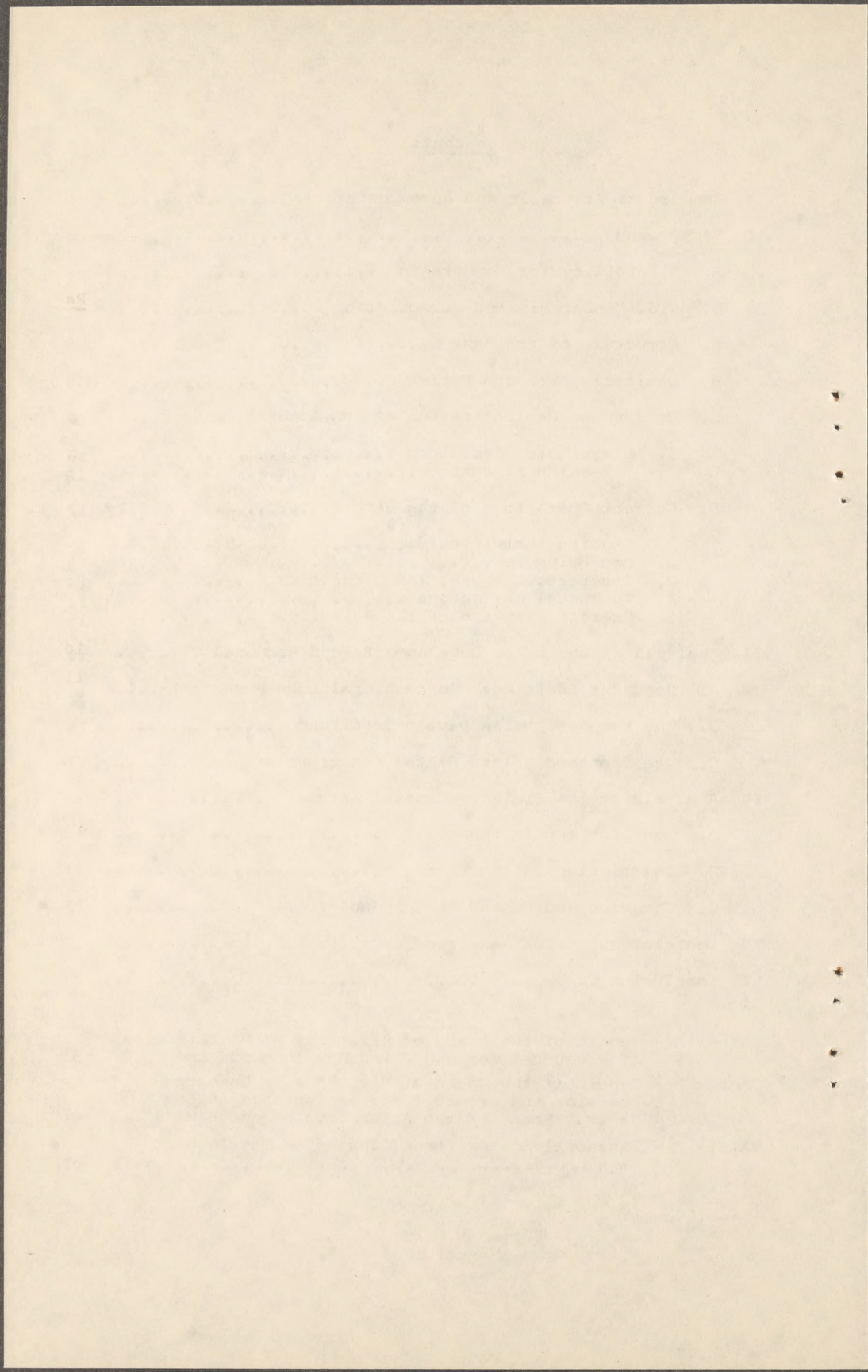
NOVEMBER 1973

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Contribution and Subscription of Resources to the
Asian Development Bank

I. Summary of Proposals and Recommendations

The National Advisory Council recommends that the United States join with other developed member nations of the Asian Development Bank in a program of contributions to the Asian Development Fund (ADF) to enable the Bank to continue its concessional loan operations for the poorer countries of the Asian region. The Council also recommends that the United States subscribe to its share in the increase in the Bank's Ordinary Capital Stock, in order to provide the Bank with needed additional resources for its hard loan operations and to restore the U.S. voting position in the Bank.

The Board of Governors of the Asian Development Bank agreed at their Sixth Annual Meeting in April 1973 to transform the Bank's present loosely-structured funding arrangements for concessional loan resources into an Asian Development Fund, as a means of expanding the Bank's concessional lending operations, particularly for the poorer countries of Asia. At a special meeting in Bonn on October 12, 1973, representatives of the governments of ADB's developed member countries agreed to seek approval from their respective legislatures for arrangements designed to provide the Bank with \$525 million in contributions to this Fund.

The increase in capital stock is already in effect, as of November 23, 1972, when the required number of other stockholders notified the Bank of their intent to subscribe, but the U.S. has not yet taken up its share, slightly under 20%. This increase was needed for the continuation of the Bank's effective role in promoting the economic development of Asia and will permit a ten percent per annum expansion of the Bank's ordinary capital lending activity over the next four years.

U.S. participation in providing these resources to the ADB is fully consistent with our overall interests and with our policies in the Asian region. At minimal budgetary cost, leveraged by contributions of other countries and by access to private capital through borrowing operations, our contributions will promote expanded cooperation among regional and non-regional countries in achieving the peaceful economic and social development of Asia. By strengthening this important financial institution we are also helping it to take a more prominent part in economic reconstruction and development efforts following the close of hostilities in Southeast Asia.

* * * *

The proposals contemplate the following actions by the United States:

- A U.S. contribution to the Bank's concessional loan window of \$150 million, consisting of
 - \$100 million already authorized and pending appropriation this fiscal year
 - \$50 million to be newly authorized for future appropriation, as recommended in this Special Report
- A U.S. subscription to the Bank's Ordinary Capital or hard loan window of \$362 million, to be authorized now for payment over 3 years, with an initial appropriation in FY 1974 of \$121 million

The overall financial framework for these resources is as follows:

(in millions of current dollars)

	<u>Original</u>	<u>Increase</u>	<u>Total</u>	<u>U.S. Share</u>
1.Subscribed Capital	1,212	1,818	3,030	
of which U.S.	241	362	603	19.9%
2.Special Funds 1/	251	-	251	
Asian Development Fund	<u>-</u>	<u>525</u>	<u>525</u>	
Total Concessional Funds	251	525	776	
of which U.S.	-	150	150	19.3%

1/ Excluding technical assistance.

In brief, the proposals are as follows:

Asian Development Fund - At its Sixth Annual Meeting in April 1973, the Board of Governors adopted a resolution entitled "Establishment of the Asian Development Fund," which laid down the basic principles for a new form of Special Fund and authorized the Bank to make arrangements with potential contributors for mobilizing resources for the Fund. These arrangements were to be modeled on those for the World Bank's affiliate, the International Development Association, and would replace ad hoc arrangements under which the ADB had previously received about \$250 million in voluntary contributions by other

countries to Special Funds. The United States did not contribute to these Special Funds, but a contribution of \$100 million was authorized by Congress in 1972.^{1/}

Subsequent agreement was reached among the Bank's developed member countries, subject to approval of their respective legislatures, on an initial resource mobilization for the Fund of \$525 million for the three-year period ending December 31, 1975, of which \$150 million would be provided by the U.S.

The proposed mobilization of resources would be in two stages:

- a) Contributions in the first stage would aggregate \$350 million. Each member's contribution to this stage would be in an amount equivalent to two-thirds of the total contribution proposed for the member. This contribution could be tied to procurement from the contributor. The proposed U.S. contribution to this stage would be \$100 million.
- b) Contributions in the second stage would aggregate \$175 million. Each member's contribution to this stage would be for the remaining one-third of its total contribution and could not be tied. The proposed U.S. contribution to the second stage would be \$50 million, for which this Special Report recommends U.S. authorization.

Each stage would be the subject of a separate authorizing Resolution of the Board of Governors. Amounts authorized under the First Resolution would be committed to the Bank on or before June 30, 1974 and paid in full by June 30, 1975. Amounts authorized under the Second Resolution would be committed to the Bank on or before June 30, 1975 and paid in full by December 31, 1975 or in exceptional circumstances by not later than March 31, 1976. Individual commitments under the First Resolution become effective only when members have filed Instruments of Contribution in an aggregate amount of not less than \$260 million representing commitments by the members to make payment of contributions in the manner and on the terms set forth in the Resolution.

^{1/} The Council has on two occasions submitted Special Reports on proposed U.S. participation in ADB Special Funds: on September 28, 1967 (House Document No. 166) and on February 26, 1970 (House Document No. 91-261).

The proposal to divide the resource mobilization effort into two stages, the first of which may be tied, was specifically designed to accommodate the position of the U.S., since it would allow the U.S. to contribute the \$100 million already authorized by Congress (and being requested for appropriation in FY 1974) as its contribution to the first stage and require only a \$50 million further contribution for the second stage. In this way, the U.S. cumulative share in the ADB's Special Funds (old and new) would be limited to less than 20%.

Since the Bank is in urgent need of resources to enable it to continue its concessional lending operations in the interim before the arrangements become effective -- its Special Funds will be exhausted by the end of this year -- countries are urged to make interim contributions to the existing Multi-Purpose Fund. To facilitate this, the First Resolution provides that contributions to the Multi-Purpose Fund after December 31, 1972 may, on request of the contributor, be credited to their contribution to the new Fund.

The Council strongly recommends passage of legislation that will allow the U.S. to take advantage of this opportunity to contribute previously authorized tied funds to meet two-thirds of the U.S. contribution to the new Asian Development Fund and that will authorize the necessary additional contribution of \$50 million needed to bring the overall arrangement into full effect.

Ordinary Capital - An increase of roughly \$2 billion (current dollars)* in the ADB's authorized capital stock formally came into effect on November 23, 1972, based on a Board of Governors resolution of November 1971 which authorized a 150 percent capital increase and requested members to subscribe to their appropriate shares. Under the resolution, authorized capital was increased from \$1.1 billion to \$2.75 billion (in current dollars from \$1.327 billion to \$3.317 billion). The increase consists of both callable and paid-in portions and is payable in equal installments in fiscal years 1973, 1974, and 1975. The callable capital portion comprising 80 percent of the total provides backing for borrowings in the private capital markets of the world. The paid-in portion of 20 percent is needed to maintain the sound financial position of the Bank and to give it flexibility in timing its approach to specific markets. Forty percent of each member's paid-in portion is to be made available in cash; the remaining sixty percent can be made available in the form of non-interest-bearing letters of credit for later drawdown as actually needed to cover Bank disbursements.

* \$1.65 billion in 1966 dollars

The U.S. share of the overall increase amounts to \$362 million. The callable capital portion, which is in the nature of a guarantee and therefore does not constitute an actual budgetary outlay, is \$290 million. The paid-in portion, which the U.S. would provide over a three-year period in fiscal 1974, 1975, and 1976 (assuming authorization this year), is \$72 million, composed of \$29 million in cash (\$9.6 million per year) and \$43 million in the form of letters of credit. Actual budgetary outlay in the first three fiscal years, therefore, would be limited to the \$9.6 million in each year, with the \$43 million in letters of credit to be drawn down later over a period of several years and only as needed to cover disbursements.

Since other member countries have subscribed to their shares in the increase and thereby brought the agreement into full legal effect, our voting power has fallen from 16% to 7.6%. The Council believes that we cannot expect to exercise an appropriate degree of influence within the Bank under these conditions. It, accordingly, strongly recommends passage of legislation authorizing a United States subscription to the already effective increase of Ordinary Capital resources and the appropriation of funds to carry out this program.

II. Background

The Asian Development Bank came into existence on August 22, 1966, and was declared open for business on December 19, 1966. It is a regional institution expressly established to foster economic growth and cooperation in Asia and the Far East and to contribute to the acceleration of economic development in its recipient member countries. The Bank's continued existence and success represent an outstanding milestone in Asian initiative and economic cooperation during the decade of the 1960's.

The Bank's origins lie with the First Ministerial Conference on Asian Economic Cooperation in December 1963 and that Conference's recommendation for the establishment of a bank with a particularly Asian direction and character. In 1965, the 21st Plenary Session of the United Nations Economic Commission for Asia and the Far East (ECAFE) appointed a consultative committee composed of nine Asian nations to draw up a draft charter.

Between October 21 and November 1 of 1965, a Preparatory Committee meeting on the Asian Development Bank proposal was convened in Bangkok, Thailand, and attended by representatives of 31 regional and non-regional nations. It was this meeting that drew up the Articles of Agreement later adopted by the Second Ministerial Conference on Asian Economic Cooperation which met in Manila from November 29th to December 1st of 1965. Immediately following this meeting, a Conference of Plenipotentiaries on the Asian Development Bank was held from December 2 to 4, 1965, in Manila at which twenty-two countries, mainly regional, signed the Articles of Agreement. The later decision of the United States to become a member on March 16, 1966; (Asian Development Bank Act; P.L. 89-369) was a determinative factor in assuring major non-regional support for the Bank.

A. Eligibility for Membership

Under the provisions of the Articles of Agreement, membership is open to all members of ECAFE and other regional countries and non-regional developed nations participating in the United Nations or any of its specialized agencies. The Bank now has 40 members, the most recent admissions being Burma and the Solomon Islands. Twenty-six of the members are regional countries, including the developed nations of Japan, Australia and New Zealand. Fourteen of the members are non-regional countries including the United States and Canada and twelve western European countries.

B. U.S. Membership and Subscription

United States membership in the Asian Development Bank was authorized by the Asian Development Bank Act (P.L. 89-369), dated March 16, 1966. The Act provides for a United States equity holding of \$200 million, or twenty percent of the originally authorized ordinary capital stock.

As with other stockholders, fifty percent of the original U.S. share (\$100 million) is in the form of callable capital, which provides a guarantee for flotations of Asian Development Bank bonds in the private capital markets of the world. This capital represents a contingent liability of the United States Government and would only be drawn down in the unlikely event it were needed to meet bond obligations of the Bank, and then only on a pari passu basis with that of other stockholders.

The remaining fifty percent of the original United States ordinary capital share is in the form of paid-in capital. Fifty percent of this amount was provided in annual cash payments over a five-year period from 1966 to 1970. The other fifty percent of the paid-in portion was provided in the form of non-interest bearing letters of credit, some of which have since been encashed.

C. Structure of the Bank

The Board of Governors is the paramount decision making body of the Bank in which all powers are vested. It meets at least on an annual basis with each member country being represented by one Governor and one Alternate. In the case of the United States, the Governor is the Secretary of the Treasury, and the Alternate Governor is the Under Secretary of State for Economic Affairs.

The Bank also has a Board of Directors which is responsible for the supervision of the general operations of the Bank. To meet this responsibility, the Board has been delegated certain powers by the Governors. Its members are permanently assigned to the Bank's headquarters in Manila and meet as needed to conduct business. At present there are twelve Directors and twelve Alternates who are elected to act in the absence of the Directors. Eight of the Directors and their Alternates are elected by non-regional countries. Terms are for two years. The United States, Japan and India are each represented by a Director and an Alternate. Each of the remaining Directors and Alternates represents a specific voting group of member countries. At the present time, the United States Director is Paul Rex Beach. The Alternate is Jesun Paik.

The staff of the Bank is headed by a president and vice president. The president is Mr. Shiro Inoue, who was elected in November of 1972 to succeed Mr. Takeshi Watanabe, the first president of the Bank. The vice-president is Mr. C. S. Krishna Moorthi, who has held that office since the establishment of the Bank.

D. Capitalization and Voting

The original authorized capital of the Bank was \$1,000 million. Under the provisions of Resolution 10, approved by the Board of Governors in November 1966, this amount was increased to \$1,100 million in order to allow for subscriptions by new members. Of these authorized amounts, a total of \$1,005 million was subscribed, \$625 million by regional countries, (including \$200 million by Japan) and \$380 million by the non-regional members (including \$200 million by the United States). The concept of the founders in establishing an Asian Bank with an Asian direction was followed in that 62.2 percent of the Bank's capital was subscribed by its regional members.

Under the Articles of Agreement which governed the original capitalization, half of each member's original capital share consisted of callable capital to provide backing for borrowing operations by the Bank in private capital markets of the world. The remaining half, comprising the paid-in shares, was, in turn, payable half in gold or convertible currency and half in the member nation's national currency. The national currency portion has been made available in the form of non-interest-bearing letters of credit. Thus far, one-third of the national currency portion has been drawn down for use by the Bank.

In November 1971, the Board of Governors of the Bank approved a replenishment resolution providing for a 150 percent increase in the capital stock.

The replenishment resolution also provided for the increase to be allocated among members on the basis of their existing equity positions, with a residual amount to be left available for new members. A year later, in November of 1972, this increase came into legal effect when members holding rights to 100,000 shares of the increase formally notified the Bank of their intent to subscribe. At that point, the authorized capital stock of the Bank rose to \$2,986 million. As of March 3, 1973, thirty-one members of the Bank, holding 107,670 of the additional shares, had taken up their allocation of the increase.

Under the terms of the replenishment resolution, eighty percent of each member's share was to be in callable capital to provide additional backing for borrowing operations and twenty percent was to be in paid-in capital form. Forty percent of the paid-in portion was to be made available in gold or convertible currency over a three-year period and sixty percent was to be provided in letter of credit form for later draw-down. The capital structure changes, represented by greater reliance on callable capital, reflected the Bank's ability to mobilize private capital resources for its development purposes.

In February 1973, the authorized capital stock of the Bank was further increased by \$40,000,000 to accommodate a special increase in the capital subscription of the Republic of Korea. This special increase was approved by resolution of the Board of Governors of the Bank under the provisions of Article 5, paragraph 3, of the Articles of Agreement. It was needed since the remaining unsubscribed portions of earlier authorized capital stock were available only for new members and not for increases in the share of current members. The current authorized capital stock of the Bank is \$3,361 million (in terms of 1973 dollars).

The following table summarizes the components of the Bank's authorized and subscribed capital stock:

(All dollars in millions)

Authorized capital	<u>Original (1966) \$</u>	<u>Current \$</u>
Initial	\$1,000	\$1,206
Increase for new members	1,100	1,327
Replenishment	2,750	3,317
Special Increase (for Korea)	2,787	3,361
Original Subscription	1,005	
of which U.S. (U.S. share)	200 (19.9%)	
Subscribed (as of 3/31/73)		2,626
of which U.S. (U.S. share)		241* (9.2%)

*Of which, approximately \$24 million represents a maintenance of value obligation stemming from the October 1973 devaluation, which has not yet been met.

As is the case with other international financial institutions of which the United States is a member, the Asian Development Bank employs a system of weighted voting. Twenty percent of the aggregate voting power is distributed equally among all member countries. These votes are known as basic votes. The remaining eighty percent of the aggregate voting power is assigned among the members by number equal to the number of capital stock shares held. These votes are known as proportional votes.

Aside from certain exceptional matters specified in the Articles of Agreement, all matters before both the Board of Governors and the Board of Directors are decided by a majority of the voting power represented at the meeting.

E. Origin and Capitalization of ADB Special Funds

From the outset, the Asian Development Bank was designed to be a financial institution that would have at its disposal resources for lending on both conventional and concessional terms; that is, it would have an "ordinary" operations and a "special" operations window. The Bank's Articles of Agreement empower it to: 1) accept and administer contributions with which to carry on special financing operations; and, 2) set aside up to 10 percent of unimpaired, paid-in ordinary capital subscriptions.

1. Contributed Resources. Contributions to the Special Funds may be accepted from any country eligible for membership in the Bank. In September 1968, as required by the Articles of Agreement, the Board of Directors of the Bank adopted Rules and Regulations for the handling of Special Funds. They established the "Consolidated Special Funds of the Asian Development Bank," which consisted of an Agricultural Special Fund, a Technical Assistance Special Fund, and a Multi-Purpose Special Fund. The Rules and Regulations make possible contributions on terms agreed to between the Bank and the contributors.

The major contributor to Special Funds resources is Japan, which has made available the equivalent of \$6.5 million to the Technical Assistance Special Fund through six separate contributions, the equivalent of \$27.2 million to the Agricultural Special Fund through one contribution, and the equivalent of \$154.0 million to the Multi-Purpose Special Fund through four separate contributions. Thus, as of March 31, 1973, Japanese contributions accounted for 71.8 percent of total Special Funds contributions.

Although the United States has contributed \$1,250,000 to the Technical Assistance Special Fund for procurement of services in the United States, it has not contributed to the Special Funds for financing capital costs of projects.

2. Set-Aside Resources. In April 1969, the Board of Governors set aside \$15.8 million for Special Funds operations from the convertible currency portion of paid-in Ordinary Capital subscriptions pursuant to Article 19. In April 1971, an additional \$10.8 million was set aside, bringing the total set-aside to \$26.6 million. In terms of current dollars, the total set-aside amounted to \$29.6 million, as of March 31, 1973.

On May 22, 1973, with the consent of the concerned contributors (i.e., Denmark, Japan, and the Netherlands) the Bank terminated the Agricultural Special Fund, and transferred the resources in the Fund to the Multi-Purpose Special Fund. Total contributions to the Agricultural Special Fund amounted to \$28.6 million, of which \$.9 million was uncommitted, and thus available for drawing.

This consolidation of resources is an important step toward achieving the aim of having all resources available for financing loans on concessional terms consolidated into a new and unified Fund. The following table shows the amounts of resources contributed by member countries into the unified Multi-Purpose Special Funds, as of March 31, 1973.

(in millions of dollars)

<u>Contributors</u>	<u>Subscribed Resources</u>	<u>Percent of Total</u>
Australia	\$12.33	4.9%
Canada	27.06	10.8
Denmark	2.40	1.0
Finland	0.53	0.2
Germany	8.95	3.6
Japan	181.16	72.3
Netherlands	2.74	1.1
New Zealand	0.56	0.2
United Kingdom	<u>14.88</u>	<u>5.9</u>
Total	\$250.61	100.0%

The voting procedures and shares described in Section D, above, with respect to Ordinary Capital apply identically to Special Funds matters.

F. Current Operations of the Bank

1. Lending Activities

In its 7th year of operations, the Asian Development Bank clearly has emerged as an important economic development lender in Asia and the Far East. For some of its recipient member countries it has become the primary source of foreign capital.

As of September 30, 1973, total loan funds committed by the Bank amounted to \$1,079 million and involved 127 individual projects in 19 different countries. Of these projects, 82 loans totalling \$830 million were financed from ordinary capital resources at near market rates of interest and at maturities of from 10 to 25 years. The remaining \$249 million represented 54 loans financed from Special Funds resources at concessional or less than market rates of interest with maturities ranging from 12 to 40 years. In calendar year 1972, its most recent complete year of operations, the Bank made Ordinary Capital and Special Funds loan commitments of \$330 million.

In terms of geography, the Bank has made loans in nineteen of its developing member countries from Afghanistan in Western Asia to Western Samoa in the Pacific. Much of this activity has taken place in countries which have been important to the political and economic foreign policy interests of the United States.

For example, \$213 million of Ordinary Capital resources has been lent to Korea; \$100 million to the Republic of China; \$116 million to the Philippines; and \$96 million to Thailand. From Special Funds resources, Indonesia has received \$78 million and Pakistan, \$18 million. These and other countries whose economic and social progress are making significant contributions to stability in Asia, and to United States interests there, have benefitted from a large proportion of the Bank's resources at a minimal, burden-sharing cost to the United States.

From an economic sector point of view, the Bank's projects have been mainly in electric power (27%), industry and development banks relending to industry (23%), and communications and transport (24%). Agriculture and water supply projects have also been emphasized, and recently the Bank financed two projects for education from its Special Funds resources.

At the end of 1972, the total estimated cost of projects for which the Bank has provided direct financing reached \$1,640 million, of which Bank loans accounted for 46 percent. In addition, the Bank had provided indirect financing through intermediate credit institutions for projects with estimated total cost of about \$600 million of which the Bank's portion amounted to 27 percent.

Thus far, the Asian Development Bank has provided financing only to cover the foreign exchange costs of its projects. In the great majority of instances, these have been direct foreign exchange costs based on international competitive bidding for procurement of specific goods and services. In a few special cases, the Bank has also financed indirect foreign exchange costs by estimating the foreign exchange component of goods bought off the shelf in the recipient country. The difference between the Bank's cumulative lending level and the total cost of Bank-related projects, accordingly, is attributable to the self-help efforts of individual recipient countries who are mobilizing their own domestic resources for Bank-assisted development purposes.

In calendar year 1972, two perceptible trends emerged: greater attention to least-developed member countries and a sharp increase in the commitment level of Special Funds Resources. The loan share of the six least-developed members (Nepal, Papua New Guinea, Fiji, Sri Lanka, Republic of Vietnam, and Western Samoa) rose to 17.5 percent as opposed to 7.8 percent in the previous year. Special Funds loan approvals rose from \$42.8 million in 1971 to \$94.3 million in 1972. Ordinary Capital loan approvals in 1972 were \$246 million.

2. Borrowing

For a relatively young institution, the Bank has moved rapidly to firmly establish itself as a reputable borrower in the world's private capital markets. Its reputation is based on the market's high assessment of its management capability and the merits of its overall loan portfolio. Its authority to borrow is based upon the callable capital subscriptions of its member countries.

The Bank first entered the international capital market in September 1969, when it arranged a bond flotation in the Federal Republic of Germany. In 1970, it borrowed in Austria and Japan, being, in fact, the first foreign entity to sell Japanese Yen Bonds to the public in Japan. In 1971, the Bank sold \$20 million in U.S. dollar-denominated bonds to

regional central banks and borrowed in Switzerland, the United States and Belgium, and for a second time in both Austria and Japan. The United States borrowing amounted to \$50 million, half in 5-year notes at 6-1/2 percent and half in 25-year bonds at 7-3/4 percent. In 1972, the Bank borrowed \$8.9 million in Luxembourg, \$32.5 million in a third Japanese issue and \$17.2 million in Italy. Through June 30, cumulative funded debt was \$250.5 million. Although redemption requirements in 1972 were a minimal \$404,040, this requirement will rise to \$22,869,742 in 1973.

The share of total funded debt raised thus far in the United States is twenty percent. The corresponding figures for Japan and Western Europe are respectively forty percent and thirty-one percent. This geographical distribution of the Asian Development Bank's funded debt is similar to the recent borrowings of other multilateral lending institutions, which are placing increased reliance on capital markets outside the United States.

3. Interest, Charges, and Maturities

a. Ordinary Capital

The ordinary capital operations of the Asian Development Bank constitute the "hard loan window" of the Bank. In contrast to the special funds or "soft loan window," these "hard" resources are provided to recipient countries at a close to commercial market rate which reflects two competing criteria: the needs of recipient countries and the discipline of the private capital market.

Because of its basic purpose as a development institution, the Bank is firmly committed to maintaining a lending rate as low as possible in order to promote the economic and social progress of its developing member countries. At the same time, because it must borrow funds from private capital markets, the Bank is required to build up adequate reserves and to maintain a sound general financial condition.

Taking these two criteria into account, the Bank initially established an ordinary capital lending rate of 6-7/8 percent. In June of 1970, that rate was raised to the current level of 7-1/2 percent as a result of a general rise in the world-wide interest rate structure and the related increase in the Bank's cost of capital. Maturities range up to 28 years. As the Bank depends less on governmental contributions and more on private capital markets to replenish its ordinary capital resources, the importance of its reputation as a sound financial institution is heightened.

In addition to interest, the Asian Development Bank also levies a graduated commitment charge rising to three-fourths of one percent per annum on undisbursed portions of approved Ordinary Capital loans. This charge encourages recipients to implement their projects as expeditiously as possible.

b. Special Funds

The Special Funds resources of the Asian Development Bank are used to finance priority development projects and programs, chiefly in the least developed countries of the region, on concessional terms. Interest charges on loans from the Special Funds have ranged from 1.5 to 3.0 percent per annum, while repayment terms have varied from 12 to 40 years, including grace periods of 3 to 10 years.

Because the amount of Special Funds resources available for commitment in 1973 was insufficient to meet the lending program for the year, the Directors of the Bank in June of 1973 authorized an interim arrangement whereby Special Funds resources are "blended" with Ordinary Capital resources in such a way as to: (1) maintain the overall concessional terms under which Special Fund projects in individual members were being financed and (2) enable the Bank to proceed with its lending program. Under this arrangement, the individual project would receive two loans, one from each lending window, in order to maintain legal and accounting separation of the funds.

As a result, Special Fund loans are being made on especially soft terms for a limited period. For example, terms in this Special Fund portion might be as low as: interest rate of 1 percent, repayment over 40 years, including grace period of 10 years.

No commitment charge is levied on loans made from Special Funds resources.

4. Technical Assistance

In addition to its Ordinary Capital and Special Funds lending, the Asian Development Bank conducts a wide-ranging and successful technical assistance program. As of September 30, 1973, 89 separate technical assistance projects amounting to \$12.2 million had been undertaken in its recipient countries and \$4.3 million had been committed for 17 different regional programs.

These projects have been designed to prepare feasibility studies and detailed reports for possible future Bank loans as well as for advisory and operational purposes not directly related to future Bank loans. Examples of technical assistance for project preparation are flood control and irrigation studies in Afghanistan, power transmission studies in the Khmer Republic and planning for a fisheries port construction in the Philippines. Examples of advisory and operational assistance are projects for improvement of national accounts in Singapore and modernization of an agricultural development bank in Indonesia.

The Bank has also financed or contributed to the budgetary support of regional efforts such as the Regional Vegetable Research Center in Taiwan, the Asian Industrial Survey and a study of the Economy of Southeast Asia in the 1970's. The technical assistance projects and the regional programs have been financed both from ordinary capital resources and from special contributed funds. In those instances when grants result in loan projects, the Bank may fold part or all of the original grant into the loan and recoup resources for further efforts. By the end of 1972, 16 of the feasibility studies had produced project loans totalling \$143 million.

5. Present Standing of the Bank

Almost eight years after its formal inauguration in December 1965, the Asian Development Bank is firmly established as a fully viable development lender enjoying an excellent reputation in the private capital markets of the world. Its contributions to the economic and social advance of developing countries in Asia and the Far East are apparent from examination of its lending and technical assistance programs. Its reputation with bond holders is demonstrated by its ability to raise large amounts of funds in all major markets.

As of December 31, 1972 the Bank's Ordinary Capital assets totalled \$1,252.4 million in comparison with \$958.7 million at the close of Calendar Year 1971. Its net income in 1972 was \$11.2 million compared with \$14.6 million for 1971. This decline in net income, in the face of a substantial rise in gross income, stemmed from a doubling of interest expenses on funded debt from \$6.7 million in 1971 to \$13.8 million in 1972. The ratio between net income plus financial expenses and interest on funded debt is 1.8.

Each year, net income from the Bank's Ordinary Capital resources has been credited, by vote of the Governors, to Ordinary Reserves. Following action at this year's annual meeting in Manila, these reserves stood at \$42.3 million. Commitment charges on undischursed portions of approved loans are deducted from gross income and credited to the Special Reserve.

The Annexes to this Report include the Balance Sheet of the Asian Development Bank as of December 31, 1972 and the comparative Statement of Income and Expenses for the years ending December 31, 1971 and December 31, 1972.

III. Analysis of the Asian Development Fund Proposal

A. Need for Additional Concessional Loan Resources

When the Bank commenced operations in December 1966, it could call upon a substantial amount of resources for ordinary capital lending based on its capital structure. On the other hand, while it was recognized that the Bank would also have to provide financing on concessional terms to meet the needs of many of its developing member countries, the Bank's Articles of Agreement provided that the Bank should rely largely upon voluntary contributions for this purpose. This reflected a judgment on the part of its founding members that the Bank's first and overriding objective should be to establish itself as a sound financial institution.

While the Bank did receive a number of voluntary contributions, they were made as a result of the individual initiative of particular donors and did not provide a sound basis for planning a concessional lending program. Furthermore, one of its two major contributors to capital, the United States, was not able to make a contribution, which acted as a limitation upon obtaining other contributions.

As a result, as of June 30, 1972 -- prior to a review of Special Funds resources -- the Bank had made 60 loans on conventional terms in a total amount of \$563 million but only 32 concessional loans in a total amount of \$125 million. This division between conventional and concessional lending was clearly out of line with the needs of the region. Moreover, the Bank foresaw a substantial and growing need for concessional lending but was not able to count on resources being available for such projects beyond those expected to be brought to its Board in the subsequent several months.

The Bank concluded, accordingly, that it must receive a substantially greater amount of Special Funds resources and must improve the mechanism for mobilizing such resources. The existing system clearly did not provide assurance that resources would be available on the scale and at the times required for operations. Moreover, voluntary contributions had differing restrictions which limited their use, so that they were not available to finance certain types of transactions. In particular, most were tied to procurement in the contributing country.

The Bank, accordingly, proposed a permanent and unified Multi-Purpose Special Fund based on contributions determined on an equitable and mutually acceptable basis of burden-sharing, as is the case with the International Development

Association. The Bank also proposed a three-year concessional lending program of \$175 million in 1973, \$240 million in 1974 and \$300 million in 1975 -- dependent on its success in mobilizing new resources: i.e., the proposed Multi-Purpose Special Fund (now called the Asian Development Fund).

Since 1972, the demand for concessional lending in Asia has substantially increased. Bangladesh and Burma have both joined the Bank, and an increase in the Bank's South Pacific membership has added additional responsibilities in that area. Furthermore, developments in Indochina point to much greater opportunities for Bank lending there. Nevertheless, the Bank was not able to foresee obtaining sufficient funds for its proposed program and has revised it downward in line with discussions with its donor countries, which indicated that an initial resource mobilization for the new Fund of \$525 million for the three-year period 1973-75 would be reasonable.

For the major portion of the lower revised program, projects are already under active discussion or in various stages of preparatory work; and additional projects would be expected to emerge as the period goes on. Thus, the question is not whether the Bank can achieve the contemplated level of lending but how to operate most effectively within available resources, assuming the proposed Fund is established.

In order to implement its concessional lending program in the current year, the Bank has had to resort to emergency measures. Five donor countries - Finland, Italy, Japan, Norway, and Switzerland - have made interim contributions to the Bank's Special Funds (which may in due course be credited toward their contribution in the new Fund - see next section). Furthermore, as indicated above, Bank financing under this program for the rest of 1973 is being provided by a "blend" of Special Funds loans and ordinary capital loans. By the end of 1973, the Bank is expected to have exhausted its capacity to make Special Funds loans, and all concessional financing would then come to a halt until further resources are received.

B. The Proposed Asian Development Fund

At its 1973 Annual Meeting, the Board of Governors adopted Resolution No. 62, entitled "Establishment of the Asian Development Fund" authorizing the Bank to establish a new Special Fund and to negotiate arrangements with potential donors for mobilizing resources for the Fund.

The proposed arrangements contemplate an initial resource mobilization for the three-year period ending December 31, 1975 of \$525 million, to be provided by contributions from the developed country members of the Bank. Within the \$525 million total, specific allocations of individual contributions have been proposed as shown in the following Table. It is recognized that the basis for allocation is primarily pragmatic and not necessarily an appropriate precedent for the future.

Proposed Contributions to Asian Development Fund
(in US Dollars)

<u>Member</u>	<u>Proposed Contribution</u>	<u>Share</u> (%)
Australia	27,000,000	5.1
Austria	4,500,000	.9
Belgium	4,725,000	.9
Canada	10,000,000	1.9
Denmark	4,300,000	.8
Finland	3,800,000	.7
France	27,500,000	5.3
Germany	34,500,000	6.6
Italy	20,000,000	3.8
Japan	177,000,000	33.7
Netherlands	11,125,000	2.1
New Zealand	6,000,000	1.1
Norway	4,000,000	.8
Sweden	6,900,000	1.3
Switzerland	5,400,000	1.0
Switzerland (Supplementary Contribution)	750,000	.1
United Kingdom	27,500,000	5.3
United States	150,000,000	28.5
TOTAL	525,000,000	

Payments into the Fund would be in national currencies at the rate of exchange to U.S. dollars used by the Bank in its books of account on the date the Resolutions are adopted. Thus, there would be no maintenance of value. It was understood that this would not be a precedent for future replenishment but rather reflected current uncertainties concerning the future structure of the international monetary system.

Resolution No. 62 lays down the basic principle that contributions should be available, on a reciprocal basis, to finance procurement in contributor countries and developing member countries of the Bank. The First Resolution, however, incorporates a paragraph authorizing the Board of Directors on request to waive this requirement for contributions under this Resolution.

The proposed Regulations for the Fund provide that it be administered in the same way as ordinary operations of the Bank: that is, the respective functions of the Board of Governors, the Board of Directors, the President and the staff shall be the same in both Bank and Fund. Supplementary guidelines and operating procedures for the Fund may be adopted by a two-thirds majority of the Bank's Board of Directors.

C. Proposed U.S. Contribution

The U.S. share in the proposed Asian Development Fund would be \$150 million. While this would represent 28.5 percent of the total of new contributions, when contributions by others to both existing and proposed Special Funds are taken into account, the U.S. share of the cumulative total would be less than 20 percent. The largest share of the new Fund would be accepted by Japan, with 33.7 percent of the total; Japan's cumulative contribution to existing and proposed special funds would be close to 50 percent.

The first \$100 million of the U.S. contribution to the Asian Development Fund would consist of the \$100 million proposed as a U.S. contribution to the Bank's original Special Funds, appropriation of which was authorized by Congress in March, 1972. Further authorizing action is now required for the balance of \$50 million of the U.S. contribution, although appropriation of this amount would not be requested until a subsequent fiscal year.

Early action on the authorization legislation for our further \$50 million contribution will give assurance to other

participating countries that the United States intends to be a full participant in the overall plan for meeting the Bank's funding requirements for concessional lending.

Appropriation of the proposed \$100 million U.S. first stage contribution is urgently needed by the Bank, since it is dependent upon such contributions in order to continue any concessional lending after this calendar year until such time as the Asian Development Fund is established. Accordingly, it is anticipated that, as a procedural matter the U.S. contribution would, when appropriated, be made available to the existing Multi-Purpose Special Fund as originally intended but would be transferred to the Asian Development Fund when the latter Fund is formally established. Statutory requirements embodied in the authorizing legislation for the \$100 million contribution would be observed when the funds are made available to the new Fund.

IV. Analvsis of the Ordinary Capital Increase

A. The Need for the Increase

At their 1971 Annual Meeting, the Board of Governors directed the Board of Directors to undertake study of the resources position of the Bank and in particular the need to enlarge them through an increase in authorized capital stock of the Bank.

This study indicated that the Bank's ordinary capital resources would be exhausted by the end of 1972. Its projections of availabilities and requirements as of December 31, 1972 were as follows:

(in millions of dollars)

I. Projected Loan Commitments	729
II. Resources Available	
1) Paid-in Capital*	367
2) Actual and Potential Borrowings	347
3) Loan Repayments	5
4) Accumulated Reserves	<u>22</u>
Total	741

* In fully useable currencies only, but excluding such funds set aside for special operations.

The staff studies examined the needs of the recipient countries for external financing and the capability of the Bank to process various levels of development project proposals, as well as such subsidiary questions as that of appropriate ratios between callable and paid-in capital, and between convertible currency and national currency payments. Also examined was the question of an appropriate split between conventional and concessional lending.

The studies indicated that a progression of annual lending levels on conventional terms from \$250 million in 1973 to \$275 million in 1974 to \$300 million in 1975 (a total of \$825 million) seemed a suitable target.

Since the Bank had firmly established itself as a reputable borrower in capital markets, it was concluded that greater stress could be and should be put on callable or guarantee capital rather than on paid-in capital. At the same time, it was recognized that a minimum paid-in capital portion was necessary in order to maintain the satisfactory financial ratios required for the Bank's entry into various capital markets and to maintain adequate liquid resources to meet loan disbursement and other needs. It was decided, on balance, to raise the callable capital portion from the original 50 percent to 80 percent.

Finally, the division between the convertible currency and the national currency portions of the paid-in capital, with 40 percent to be in convertible currency, was determined by striking a balance between the desirability of maximum self-help efforts and the foreign exchange constraints upon many of the recipient countries.

In the context of these decisions, achievement of the agreed target of \$825 million in lending over the 1973-75 period required an overall replenishment figure of \$1,650 million, or an increase of 150 percent in the existing capital stock.

B. Description of the Increase

Resolution No. 46 of the Board of Governors adopted on November 30, 1971 increased the authorized capital stock of the Bank by \$1,650 million in 1966 dollars and provided the terms and conditions under which members could subscribe. The increase became effective on November 23, 1972, when 22 members had subscribed to slightly over \$1 billion of the capital increase, in accordance with the requirements of Resolution 46. It thus became effective in time to allow the Bank to continue its ordinary capital lending operations.

Under the agreed arrangements, 20 percent of the increase was to be in paid-in shares -- to be subscribed in three equal annual installments in fiscal years 1973, 1974, and 1975, with each installment 40 percent payable in gold or convertible currency. The national currency portion could be substituted by non-negotiable non-interest bearing notes or letters of credit.

C. The Proposed United States Subscription

Under the terms of resolution 46 of the Board of Governors, the percentage share of the United States subscription in relation to the total amount of the increase would be the same as its share in the capital structure of the Bank prior to the increase, or about 20 percent. The increase is for 150 percent and calls, therefore, for this country to provide \$300 million in 1966 dollars or \$362 million in current dollars as its part of the total. Eighty percent of this amount, or \$289 million, would be in the form of callable capital. The remaining 20 percent of \$72 million would be in the form of paid-in capital to be made available in three equal installments. The first installment would be due within 37 days after the U.S. had subscribed to the increase. Thus, if the increase is authorized by this session of Congress, payments would be made in fiscal years 1974, 1975, and 1976. Of the paid-in portion, 40 percent would be in cash and 60 percent in non-interest bearing letters of credit to be drawn down as needed to meet disbursement needs of the Bank.

Since the U.S. failed to subscribe within the period provided, the Board of Governors extended the period for subscription first to August 31, 1973 and then to December 31, 1973.

The U.S. failure to subscribe, while others went ahead, threatens to erode U.S. influence in the Bank. As a founding member of the Asian Development Bank and one of its two largest original shareholders, the United States had a leading part in bringing the Bank to its present position of effectiveness and high reputation. We have helped in a major way to fashion its policies and procedures.

At the moment, however, because other member countries have gone ahead and subscribed to their shares of the increase and brought the agreement into full legal effect, our share of overall capital stock has been reduced from 20 percent to 9 percent. Our voting power, as a result, has fallen from 16 percent to 7.6 percent, far below a level appropriate to our present and proposed financial stake in the Bank. The Council believes that we cannot expect to exercise an effective degree of influence within the Bank over the long run unless we are willing to provide our fair share of the resources, and that continued failure to subscribe would be contrary to the economic and political foreign policy interests of the United States. In this connection, the Council also

notes that the composition of the ordinary capital increase, with its heavy reliance on callable capital, permits the United States to regain its position at minimal budgetary and balance of payments cost.

With the reduction of tensions in the region, the Council considers that the Bank is well qualified to play an even more important role, particularly with regard to reconstruction and development efforts in Southeast Asia. Bank officials have said, in fact, that they are willing to take greater responsibilities in this area. Throughout the region, all countries are turning now to confront the crucial problems of their economic growth and development. They regard the Bank, which is an Asian answer to Asian problems, not only as a source of capital, but also as a focal point or forum for consultation and coordination among themselves and with the developed countries. Regaining its original equity position with the Bank, the United States can continue to play its own role in the region in concert with other nations.

For balance-of-payments reasons, the Council has also reviewed the question of procurement share for U.S. firms. In the past, the percentage of ADB-financed contracts being awarded to U.S. firms has been relatively low. In the Council's judgment this has been a reflection of a general lack of price competitiveness vis-a-vis Japan and industrial countries of Western Europe. With substantial currency realignments in relation to both the Japanese yen and the German mark, this situation is expected to improve materially. By aggressively competing for contracts financed by ADB resources, U.S. firms can lay the groundwork for later orders and begin now to repenetrate markets that in recent years have been dominated by other industrial countries. Full participation by the United States in both the Ordinary Capital and Special Funds of the Asian Development Bank is particularly important for this reason.

V. Legislative Action Required

Section 5 of the Asian Development Bank Act (Public Law 89-369, as amended) provides that "Unless the Congress by law authorizes such action, neither the President nor any person or agency shall, on behalf of the United States, (a) subscribe to additional shares of stock of the Bank ... or (c) make a loan or provide other financing to the Bank..." Accordingly, Congressional authorization is required for the United States to make the additional subscriptions and contributions provided for in the Bank's ordinary capital replenishment resolution and the proposed resolution relating to the second stage of the initial contributions to the Asian Development Fund.

The National Advisory Council recommends enactment of legislation which would allow the United States to make the above-mentioned subscriptions and contributions. Two draft bills which would accomplish this purpose have been transmitted to the Congress.

The proposed legislation would amend the Asian Development Bank Act. One bill relating to a replenishment of the special funds resources of the Bank would:

(a) Authorize the United States Governor of the Bank to agree to contribute on behalf of the United States \$50 million to the Special Funds of the Bank and

(b) Authorize the appropriation of \$50 million to pay for the United States contribution.

The other bill which relates to the ordinary capital replenishment of the Bank would:

(a) Authorize the United States Governor of the Bank to subscribe on behalf of the United States to thirty thousand additional shares of the capital stock of the Bank in accordance with the ordinary capital replenishment resolution adopted by the Bank's Board of Governors on November 30, 1971, and

(b) Authorize the appropriation of \$361,904,726 to pay for the increase in the United States subscription to the Bank.

Under the ordinary capital replenishment resolution, payment is to be made in three equal annual installments, with the first installment due 37 days after subscription. An appropriation request for \$121 million for the first United States installment has been submitted and timely appropriation requests will be submitted to meet the other two payments. Payment of the soft funds contribution of \$50 million is due by December 31, 1975, or in exceptional circumstances, not later than March 31, 1976. A request for an appropriation will be submitted at the appropriate time.

VI. Conclusion

In the Council's judgment, the United States has made a wise investment in the Asian Development Bank. As an instrument for the economic and social development of its recipient member countries, it is a fully effective and going concern which supports basic foreign policy interests of the United States. It merits our continued support.

The establishment of the new Asian Development Fund is necessary in order to continue and expand the Bank's concessional lending activities. To date its efforts in this lending area have been small, reflecting its need to first establish itself as a sound financial institution making conventional loans. Its proposed concessional lending program, nevertheless, is moderate--reaching only \$250 million in 1975. Without the new Fund, however, it is doubtful that the Bank can continue even its present levels of concessional lending, about \$100 million per annum. Its existing resources for this purpose will be exhausted by the end of 1973. Prompt Congressional action to authorize an additional \$50 million U.S. contribution, coupled with appropriation of a previously authorized \$100 million contribution is essential to give full effect to the internationally agreed program of financing for the Fund.

The replenishment of the Ordinary Capital resources of the Asian Development Bank was necessary and timely for the continuation of the Bank's conventional lending activity in the region at only moderately increased levels. The other members have now taken up their respective share of the increase and formally brought the agreement into effect. As a result, our original 16 percent voting strength in the Bank has dropped to 7.6 percent, a level below the threshold for effective representation of United States interests. Our original equity position needs to be regained if we are to exercise our appropriate degree of influence both within the Bank and within the region. It now has become urgent, therefore, for the United States to take up our appropriate share and to regain our original voting position. Early authorization by Congress of our \$362 million subscription and appropriation of the first installment of \$121 million would permit accomplishment of these important objectives.

The Asian Development Bank is an important multilateral lending institution which is playing a key role in the economic and social progress of its developing member countries in Asia and the Far East. Many of these countries are important to the foreign policy interests of the United States. The Bank has a sound administration and a well-qualified staff which has prudently managed the funds entrusted to it and which has carried forward well-conceived and well-executed development projects. It is a good example of the advantages to be gained for the United States through a genuine multilateral organization in which the burden of providing assistance is equitably divided among the industrial nations of the world.

After carefully examining the financial and other aspects of the proposed replenishment, the National Advisory Council recommends that the Congress take prompt action to provide the necessary legislation authorizing the United States contribution to the new Asian Development Fund and subscription to the ordinary capital increase, together with the pending appropriations for these accounts. In so doing, we will be contributing our fair share to the sound financial base which is required for effective multinational economic development in Asia and helping thereby to bring about those conditions necessary for political stability and the maintenance of world peace.

MOBILIZATION OF RESOURCES FOR
THE ASIAN DEVELOPMENT FUND

[Draft] Report of the Board of Directors

1. At its Sixth Annual Meeting, the Board of Governors adopted Resolution No. 62, entitled "Establishment of the Asian Development Fund." This Resolution authorized the establishment of a new Special Fund of the Bank, to be called the Asian Development Fund, and laid down the basic principles which should govern the Fund and its resources. It further authorized the Bank to settle with potential contributors arrangements for mobilizing resources for the Fund, in an amount adequate, in the first instance, to provide the Bank with resources for the conduct of concessional lending operations during the three years ending 31 December 1975. Such arrangements are to be submitted at the earliest possible date for the approval of the Board of Governors.

2. Several meetings have been held with representatives of the Bank's developed member countries to discuss the resource mobilization arrangements for the new Fund. The understanding which the participants in these meetings have shown for the needs of the Bank and its borrowers, and their willingness to join in a multilateral effort to help meet these needs, have made it possible to develop specific proposals concerning initial resource mobilization, which the Board of Directors now submits for the consideration of the Board of Governors.

3. The proposals contemplate an initial resource mobilization for the new Fund, in the three-year period ending 31 December 1975, of US\$525,000,000, to be provided by contributions from the developed member countries of the Bank. The total amount has been determined after taking into account, on the one hand, the needs of the Bank's developing member countries and the operational and administrative capacity of the Bank, and, on the other, the calls for aid funds already being made upon potential contributors. Within this total amount, specific allocations of individual contributions have been proposed for each developed member country, as follows:

<u>Member</u>	<u>Proposed Contribution</u> (in US\$)
Australia	27,000,000
Austria	4,500,000
Belgium	4,725,000
Canada	10,000,000
Denmark	4,300,000

Finland	3,800,000
France	27,500,000
Germany	34,500,000
Italy	20,000,000
Japan	177,000,000
Netherlands	11,125,000
New Zealand	6,000,000
Norway	4,000,000
Sweden	6,900,000
Switzerland	5,400,000
Switzerland (Supplementary Contribution)	750,000
United Kingdom	27,500,000
United States	150,000,000
	<u>525,000,000</u>

The basis for allocation is primarily a pragmatic one, and does not necessarily constitute an appropriate precedent for the future.

4. It is envisaged that these individual contributions would, when necessary legislative approvals have been received, be committed to the Bank under a programme consisting of two stages, the first stage being designed to mobilize US\$350,000,000 and the second stage being designed to mobilize the balance of US\$175,000,000. Each stage would be the subject of a separate authorizing Resolution of the Board of Governors: drafts of the two Resolutions, which are inter-connected and are intended to be adopted together, are attached to this Report. The total contribution proposed for each member in the three-year period is set out in the Resolution dealing with the first stage of the programme (hereinafter called the First Resolution), which specifically authorizes the Bank to accept from each such member an amount equal to two-thirds of this total proposed contribution. Amounts authorized under the First Resolution would be committed to the Bank on or before 30 June 1974, or such later date as the Board of Directors may determine, and would be paid in full by 30 June 1975. The Resolution dealing with the second stage of the programme (hereinafter called the Second Resolution) authorizes the Bank to accept the remaining one-third of each member's proposed contribution. Amounts authorized under the Second Resolution would be committed to the Bank on or before 30 June 1975, or such later date as the Board of Directors may determine, and would be paid in full by 31 March 1976.

5. Although no member would be obligated to make a commitment under either or both of the Resolutions, it is of great importance to the Bank and its borrowing countries that developed members participate in the new Fund to the full extent contemplated by such Resolutions. The Board of Directors notes with appreciation that fourteen of the Bank's developed member countries, at a meeting in Bonn on 12 October 1973, have acknowledged that the arrangements outlined in paragraphs 3 and 4 above form an appropriate basis for recommendations to legislatures, and accordingly have indicated their intention to seek, where necessary, legislative approval to make contributions to the Fund in accordance with such arrangements, it being understood that no commitment in that regard can be made by a member government until any necessary approval from its legislature has been obtained. It is hoped that these efforts will result in contribution commitments being made by the target dates specified above, so that the Bank's concessional operations can proceed without interruption, and that the remaining developed member countries will find it possible also to participate in the Fund in the near future. In recognition of the need for a broad degree of multi-lateral participation in the Fund, including all major potential contributors, provision has been made for individual commitments under the First Resolution to become effective only when all commitments received thereunder have reached a total of US\$260,000,000. Similarly, commitments under the Second Resolution will become effective only when all commitments received thereunder have reached a total of US\$130,000,000. Should it prove impossible, because of exceptional circumstances, to bring the first stage into effect by the intended date of 30 June 1974, that date may be extended by the Governors; but every effort should be made to avoid any extension beyond 31 December 1974.

6. In any event, it is not likely that the aggregate amount of contribution commitments necessary to make the first stage of the programme effective will be achieved before the early months of 1974. Meanwhile, the Bank is in urgent need of resources to enable it to continue its concessional lending operations. It is hoped that as many countries as possible will continue to make interim contributions to the Multi-Purpose Special Fund, which can be used as the backing for additional loan commitments pending the effectiveness of the full resource mobilization arrangements. To facilitate this, provision has been made in the First Resolution for contributors to the new Fund, at the time of depositing Instruments of Contribution under the First Resolution, to declare that any amount which they have contributed to the Multi-Purpose Special Fund after 31 December 1972 should be credited to their contribution to the new Fund. Upon the coming into effect of an Instrument of Contribution, the resources covered by the declaration would automatically be transferred to the new Fund in partial or complete satisfaction of the contributor's obligation under the Instrument, and such resources would thereafter be governed by the Regulations of the Fund.

7. In considering the currency provisions which should apply to the initial mobilization of contributions for the Fund, particular attention has been directed to the question of whether any provision should be made for maintaining the value of such contributions, in terms either of a single currency or of a fixed standard of gold. It seems that such a provision would create undue difficulties, in view, *inter alia*, of current uncertainties concerning the future structure of the international monetary system and the steps already taken by some intending participants to obtain internal authorization for their contributions to the Fund. Accordingly, although amounts of contributions are expressed in the draft Resolutions in terms of United States dollars, individual contribution commitments would be made (and subsequently paid) in the contributor's currency, at the rate of exchange to United States dollars used by the Bank for translation purposes in its books of account at the date the Resolutions are adopted.^{1/} The intention is to fix at the outset the number of units of national currency to be contributed by each participating country, which will not be affected by subsequent changes in exchange rates. This approach is recommended on the express understanding that it will not constitute a precedent for future replenishments of the Asian Development Fund. Several prospective participants have also made it clear that it will not be a precedent for their participation in other institutions.

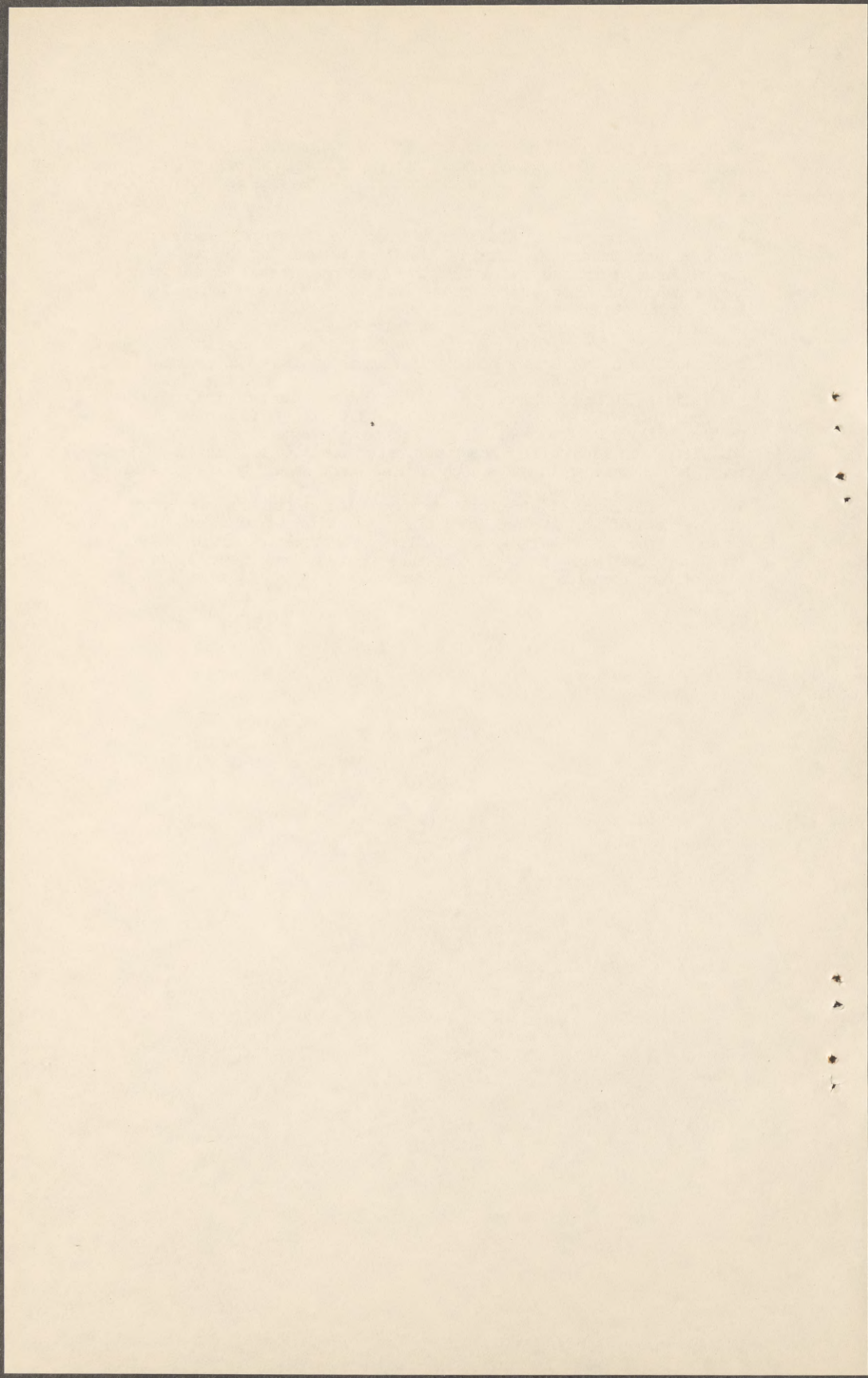
8. Resolution No. 62 lays down the basic principle that contributions to the new Fund should be available, on a reciprocal basis, to finance procurement in contributor countries and developing member countries of the Bank. Provision has been made in that Resolution, however, for the Board of Governors to authorize departures from the principle. During discussions with developed member countries it has become apparent that, in view in particular of legislative steps towards a Special Fund contribution already taken by one major potential contributor, it would be necessary to invoke such authorization for the first stage of the programme, in order to secure participation from the outset by that contributor. The Board of Directors fully recognizes the difficulties inherent in accepting tied contributions into a multi-lateral Fund. Nevertheless, it considers that in the circumstances this feature can be accepted as a transitional measure towards the early achievement of the objective of a broadly-based, mutually untied Fund. A paragraph has therefore been incorporated in the First Resolution which would authorize the Board of Directors, at the request of an intending

^{1/} Switzerland has already made its full contribution, in an amount of Fr.20,000,000, which is at present being administered in the Multi-Purpose Special Fund, and will be transferred to the new Fund under the crediting arrangements referred to in paragraph 6. This amount will remain unchanged, whatever the exchange rates prevailing at the date of adoption of the Resolutions may be.

contributor, to waive the application of the reciprocal untying requirement to a contribution under that Resolution. No such waiver would be permitted in respect of contributions under the Second Resolution.

9. A paragraph has also been included in the First Resolution which would authorize the Board of Directors to make Regulations to govern the Fund and the administration of its resources. Deposit of an Instrument of Contribution, as contemplated in the Resolutions, would constitute acceptance by the member of the application of the Regulations to its contribution. The Asian Development Fund would be deemed to be established, and the Regulations would come into operation, when Instruments of Contribution in an aggregate amount of US\$260,000,000 have been deposited with the Bank under the First Resolution. It is considered that this procedure for bringing the new Fund into existence is consistent with Article 19.1(ii) of the Bank's Articles of Agreement, which empowers the Bank to accept the administration of Special Funds but makes no specific stipulation regarding the manner in which such Special Funds should be established.

10. The Board of Directors recommends the adoption by the Board of Governors of the attached Resolutions. If this recommendation is accepted, the effect will be to establish this framework within which the Asian Development Fund can come into existence and the mobilization of resources for the Fund can occur.



(DRAFT) RESOLUTION NO. ____

INITIAL CONTRIBUTIONS TO THE ASIAN DEVELOPMENT FUND

(FIRST STAGE)

WHEREAS:

The Board of Governors has, by Resolution No. 62, authorized the establishment of a Special Fund of the Bank to be known as the Asian Development Fund (hereinafter called the Fund), which is designed to provide the Bank, in the first instance, with resources for the conduct of its concessional lending operations for the period of three years ending 31 December 1975;

The Board of Directors, in a Report to the Board of Governors entitled "Mobilization of Resources for the Asian Development Fund," has recommended that, to achieve the objective referred to in the first paragraph above, the Bank should seek contributions to the Fund from developed member countries, during the three years ending 31 December 1975, under a two-stage programme designed to yield a total amount equivalent to US\$525,000,000;

Developed member countries of the Bank interested in participating in the Fund, recognizing the desirability that the full amount of US\$525,000,000 be put at the disposal of the Bank during the period ending 31 December 1975, and acknowledging that the arrangements specified in this Resolution for the first stage of the resource mobilization programme form an appropriate basis for recommendations to legislatures, have indicated at a meeting on 12 October 1973 their intention, where necessary, to seek legislative approval to contribute in accordance with such arrangements, it being understood that no commitment in that regard can be made by a member government until any necessary approval from its legislature has been obtained;

NOW THEREFORE the Board of Governors, having considered such Report of the Board of Directors, hereby RESOLVES:

1. The Board of Governors accepts such Report, and commends to the favourable consideration of developed member countries of the Bank, as a basis for seeking such legislative approval as may be necessary, a programme for the making of contributions to the Fund during the three-year period ending 31 December 1975 in the individual amounts proposed in the first column of the Table attached to this Resolution, such contributions to be committed to the Bank in two stages, the first such stage being more particularly described in this Resolution and the second being the subject of a subsequent Resolution of the Board of Governors.

2. The Board of Governors hereby authorizes the Bank to accept contributions to the Fund from the members listed in the Table attached to this Resolution, in an amount from each such member which is equivalent in the member's national currency to the amount of United States dollars specified for such member in the second column of such Table; provided that nothing in this Resolution shall prevent the Bank accepting from any such member a contribution of an amount greater than that so specified.

3. Each contribution shall be made by the member depositing with the Bank, on or before 30 June 1974 or such later date as the Board of Directors may determine, an Instrument notifying the Bank of the member's intention to contribute to the Fund the amount of its currency specified in such Instrument, such amount being determined as provided in this Resolution. The Instrument (hereinafter called an Instrument of Contribution) shall constitute a commitment by the member to the Bank to make payment of the contribution in the manner and on the terms set forth in or contemplated by this Resolution.

4. An Instrument of Contribution shall become effective on the date as of which the Fund is established as hereinafter provided, or the date upon which such Instrument is deposited with the Bank, whichever is the later.

5. (a) The Board of Directors shall make Regulations (hereinafter called the Regulations) to govern the Fund and the administration of its resources. Such Regulations shall be in conformity with the provisions of Resolution No. 62 and of this Resolution, and may contain such other provisions as may be necessary or appropriate for the efficient administration of the Fund.

(b) By depositing an Instrument of Contribution, the member shall be deemed to accept the application of the Regulations to its contribution; provided that if prior to such deposit the member so requests and it appears to the Board of Directors that adequate justification exists for such request, the Board of Directors may, in whole or in part, waive the application to the contribution of the procurement formula referred to in paragraph 5(c) of Resolution No. 62, and in lieu thereof may accept another appropriate formula. No such waiver shall be given in respect of any amount in excess of the amount specified for the member in the second column of the Table attached to this Resolution. Any such waiver shall be subject to periodic review by and consultation with the Bank.

6. Each contribution shall be paid in the currency of the member. Payment may be effected either in a lump sum, or in such installments as may be specified by the member in its Instrument of Contribution; provided that

- (a) at least ten per cent of the amount of the contribution shall be paid within 60 days after the Instrument of Contribution becomes effective; and
- (b) the full amount of the contribution shall be paid not later than 30 June 1975.

7. All payments on account of the contribution shall be made in cash or, at the option of the member, by the deposit of non-negotiable non-interest-bearing notes or similar obligations of the member encashable by the Bank at par on demand.

8. Notwithstanding anything hereinbefore provided, a member may in its Instrument of Contribution declare that any amount which such member shall have contributed to the Multi-Purpose Special Fund of the Bank prior to the date such Instrument becomes effective, under any contribution agreement made after 31 December 1972, shall be credited toward the amount of its contribution to the Fund. Such declaration shall constitute an irrevocable authority to the Bank to transfer to the Fund, on the date the Instrument of Contribution becomes effective, the amount referred to in such declaration, and to apply the same in full or partial satisfaction as the case may be of the member's obligations under its Instrument of Contribution. As from the date of transfer, amounts so transferred shall be governed by the provisions of this Resolution and of the Regulations to the same extent as if they had been contributed under this Resolution, and the terms of the contribution agreement under which such amounts were originally made available to the Bank shall no longer apply thereto.

9. The Fund shall be deemed to be established and the Regulations shall come into operation as of the date, not later than 30 June 1974 or such other date as the Board of Governors may determine, on which Instruments of Contribution contemplated by this Resolution shall have been deposited with the Bank for contributions in an aggregate amount equivalent to not less than US\$260,000,000.

10. In determining currency equivalents for the purposes of this Resolution, the rates of exchange between national currencies and the United States dollar used by the Bank for translation purposes in its books of account as of the date of this Resolution shall be applied.

TABLE OF CONTRIBUTIONS

(Expressed in United States Dollars)

	<u>Proposed Total Amount</u>	<u>Authorized Amount</u>
Australia	27,000,000	18,000,000
Austria	4,500,000	3,000,000
Belgium	4,725,000	3,150,000
Canada	10,000,000	6,670,000
Denmark	4,300,000	2,870,000
Finland	3,800,000	2,530,000
France	27,500,000	18,330,000
Germany	34,500,000	23,000,000
Italy	20,000,000	13,330,000
Japan	177,000,000	118,000,000
Netherlands	11,125,000	7,420,000
New Zealand	6,000,000	4,000,000
Norway	4,000,000	2,670,000
Sweden	6,900,000	4,600,000
Switzerland	5,400,000	
Switzerland (Supplementary Contribution)	750,000	4,100,000
United Kingdom	27,500,000	18,330,000
United States	150,000,000	100,000,000
	<u>525,000,000</u>	<u>350,000,000</u>

(DRAFT) RESOLUTION NO. —

INITIAL CONTRIBUTIONS TO THE ASIAN DEVELOPMENT FUND

(SECOND STAGE)

WHEREAS:

The Board of Governors, by Resolution of even date herewith entitled "Initial Contributions to the Asian Development Fund (First Stage)" (hereinafter called the First Resolution), has commended to the favourable consideration of developed member countries of the Bank, as a basis for seeking such legislative approval as may be necessary, a two-stage programme for the provision of resources for the conduct of concessional lending operations of the Bank during the three-year period ending 31 December 1975, in an aggregate amount equivalent to US\$525,000,000;

The Board of Governors in the First Resolution has authorized the Bank to accept contributions to the Asian Development Fund (hereinafter called the Fund) from developed member countries in an aggregate amount equivalent to US\$350,000,000, as the first stage in the resource mobilization programme referred to in the first paragraph above;

It is the intention of the Board of Governors in this Resolution to authorize the Bank to accept contributions to the Fund from developed member countries in an aggregate amount sufficient to complete such resource mobilization programme;

Developed member countries of the Bank interested in participating in the Fund, recognizing the desirability that the full amount of US\$525,000,000 be put at the disposal of the Bank during the period ending 31 December 1975, and acknowledging that the arrangements specified in this Resolution for completing the resource mobilization programme form an appropriate basis for recommendations to legislatures, have indicated at a meeting on 12 October 1973 their intention, where necessary, to seek legislative approval to contribute in accordance with such arrangements, it being understood that no commitment in that regard can be made by a member government until any necessary approval from its legislature has been obtained;

NOW THEREFORE the Board of Governors hereby RESOLVES:

1. The Board of Governors hereby authorizes the Bank to accept contributions to the Fund from the members listed in the Table attached to this Resolution, in an amount from each such member which is equivalent in the member's national currency to the amount of United States

dollars specified for such member in such Table; provided that nothing in this Resolution shall prevent the Bank accepting from any such member a contribution of an amount greater than that so specified.

2. Each such contribution shall be made by the member depositing with the Bank on or before 30 June 1975 or such later date as the Board of Directors may determine, an Instrument notifying the Bank of the member's intention to contribute to the Fund the amount of its currency specified in such Instrument, such amount being determined as provided in this Resolution. The Instrument (hereinafter called an Instrument of Contribution) shall constitute a commitment by the member to the Bank to make payment of the contribution in the manner and on the terms set forth in or contemplated by this Resolution.

3. An Instrument of Contribution shall become effective on the date on which Instruments of Contribution contemplated by this Resolution shall have been deposited with the Bank for contributions in an aggregate amount equivalent to not less than US\$130,000,000, or the date upon which such Instrument is deposited with the Bank, whichever is the later.

4. By depositing an Instrument of Contribution, the member shall be deemed to accept the application of the Regulations to its contribution.

5. Each contribution authorized hereunder shall be paid in the currency of the member. Payment may be effected either in a lump sum, or in such instalments as may be specified by the member in its Instrument of Contribution; provided that the full amount of the contribution shall be paid by 31 December 1975 or, in exceptional circumstances, not later than 31 March 1976.

6. All payments on account of the contribution shall be made in cash or, at the option of the member, by the deposit of non-negotiable non-interest-bearing demand notes or similar obligations of the member encashable by the Bank at par on demand.

7. Notwithstanding anything hereinbefore or in the First Resolution provided:

- (a) A member may, prior to the date for deposit specified in paragraph 3 of the First Resolution, deposit with the Bank a single Instrument of Contribution relating both to the contribution which the Bank is authorized to accept from such member under the First Resolution

and to the contribution which it is authorized to accept under this Resolution. The obligations of the member in respect of each such contribution shall become effective on the respective dates upon which such obligations would have become effective if the contributions had been made by separate Instruments of Contribution under the First Resolution and under this Resolution respectively, and shall be the same in all respects as they would have been if such separate Instruments had been deposited.

- (b) The Bank may not accept a contribution under this Resolution from a member which has not made a contribution under the First Resolution, unless the amount which the member proposes to contribute hereunder is equivalent to the total of the amounts which the Bank is authorized to accept from such member under both such Resolutions.

In determining currency equivalents for the purposes of this Resolution, the rates of exchange between national currencies and the United States dollar used by the Bank for translation purposes in its books of account as of the date of this Resolution shall be applied.

TABLE OF CONTRIBUTIONS

(Expressed in United States Dollars)

	<u>Amount</u>
Australia	9,000,000
Austria	1,500,000
Belgium	1,575,000
Canada	3,330,000
Denmark	1,430,000
Finland	1,270,000
France	9,170,000
Germany	11,500,000
Italy	6,670,000
Japan	59,000,000
Netherlands	3,705,000
New Zealand	2,000,000
Norway	1,330,000
Sweden	2,300,000
Switzerland	2,050,000
United Kingdom	9,170,000
United States	50,000,000
	<u><u>175,000,000</u></u>

Note on Changes in Draft Directors'
Report and Governors' Resolutions

The following is a summary of the differences between the draft Report of the Board of Directors and Governors' Resolutions issued under cover of Board Document R56-73, and the revised draft Report and Resolutions issued herewith:

A. Report of Board of Directors

1. In paragraphs 2 and 3, references in the earlier draft to the attitude of developed member countries regarding the Bank's resource mobilization proposals have been deleted. Instead, a passage has been included in the middle of paragraph 5 which expressly outlines the agreement of the fourteen participating countries in Bonn on 12 October 1973 to seek any necessary legislative approval to make contributions to the Fund in accordance with the Bank's proposals.

2. In paragraph 3, a Table has been included showing the total contribution which would be sought from each developed member country under the resource mobilization scheme. This is the same amount as that appearing in the first column of the Table of Contributions attached to the First Stage Resolution.

3. At the beginning of paragraph 4, words have been added to make it clear that the making by a government of its proposed contribution is subject to any necessary legislative approval being obtained.

4. At the end of paragraph 5, a sentence has been added referring to the date which is specified (in paragraph 9 of the First Stage Resolution) as the date by which the First Stage of the resource mobilization should become effective, i.e., 30 June 1974. The importance of this target date is affirmed, but it is recognized that it may be necessary for the Board of Governors subsequently to extend the date. At the same time, it is stressed that any such extension should not, if possible, go beyond 31 December 1974.

B. First Stage Resolution

1. The second paragraph of the preamble, summarizing the resource mobilization scheme as recommended by the Board of Directors, has been shortened, and some of the material has been transferred to paragraph 1 of the Resolution itself.
2. A further paragraph has been added to the preamble, recording the expressed intention of the developed member countries which are willing to participate in the Fund from the outset to seek any necessary legislative approval to make contribution commitments under the Resolution.
3. In paragraph 1 of the Resolution, the words "as a basis for seeking such legislative approval as may be necessary" have been added.

C. Second Stage Resolution

1. In the first paragraph of the preamble, a change has been made to reflect the alteration in the First Stage Resolution referred to in B.3 above.
2. A further paragraph has been added to the preamble, corresponding to the paragraph in the preamble to the First Stage Resolution referred to in B.2 above.
3. A slight amendment has been made in paragraph 5 of the Resolution which emphasizes the objective that payments under the Second Stage be completed, if possible, by the end of 1975, while still permitting payments up to 31 March 1976 as before.

REVIEW OF THE RESOURCE-POSITION
AND PROPOSAL FOR AN INCREASE IN THE CAPITAL STOCK
OF THE ASIAN DEVELOPMENT BANK

REPORT OF THE BOARD OF DIRECTORS

I - INTRODUCTION

1. The Board of Governors, at its Fourth Annual Meeting held in Singapore in April 1971, considered the Report of the Board of Directors submitted in Document No. BG4-9, and adopted Resolution No. 43 on the "Resources of the Bank" directing that

"The Board of Directors promptly undertake a study of the resources position of the Bank and in particular of the need to enlarge them through an increase in the authorized capital stock of the Bank and report as early as possible its findings, with such recommendations in respect of the said capital increase as are deemed appropriate, to the Board of Governors for the latter's consideration and action."

2. Pursuant to the directive contained in the aforementioned Resolution, the Board of Directors has studied the resources position of the Bank and the need for augmenting the Bank's resources through an increase in the Bank's authorized capital stock. This Report contains the findings resulting from such study. Since an increase in the Bank's capital stock is found to be necessary, the Report also includes recommendations of the Board of Directors in regard to such increase in the form of a Draft Resolution for consideration and action by the Board of Governors.

3. In coming to its findings on the need, magnitude and composition of the required increase in the Bank's capital stock, the Board of Directors has taken into account the Bank's operations so far, the desirable scale of expansion of operations in 1971-1975 and the availability of resources on the basis of present subscriptions to the Bank's capital and contributions to its Special Funds resources. The Board of Directors has studied various policy and operational issues such as (a) the rate of interest charged on loans from ordinary capital resources, (b) the commitment charge, (c) the coverage of commitments by resources, (d) the scope for raising funds through borrowings in the light of capital market conditions, (e) the return on investment of surplus funds, (f) the adequacy of the Bank's reserves and (g) the annual income position of the Bank. The Board of Directors recognizes that these matters would be subject to review from time to time. In all its considerations, the Board of Directors has taken into account the needs of its regional developing member countries in which it is undertaking operations (RDMCs) and the necessity equally to maintain the Bank as a sound and creditworthy financial institution.

II - OPERATIONS OF THE BANK

4. The lending operations of the Bank already cover a wide range of economic sectors such as transportation, public utilities,

telecommunications, industry, agriculture and education. These operations, which started in 1968, rose significantly in 1970 in which the aggregate amount of loans was \$236 million. Up to 30 September 1971, the Bank has made 73 loans in 15 countries aggregating \$477.1 million, comprising 50 loans of \$397.7 million from ordinary capital resources and 23 loans of \$79.4 million from Special Funds resources. In addition, the Bank has committed, up to 30 September 1971, an amount of \$7.158 million in technical assistance on a non-reimbursable basis for 53 projects and an amount of \$3.906 million for regional activities.

5. Taking into account the estimated needs and absorptive capacities of the RDMCs for loans from the Bank's ordinary capital resources during the years 1971-1975, the Bank has projected its ordinary loan commitments during this period as shown below:

Table 1
Ordinary Loan Commitments

Year	During the Year	Cumulative
	\$ million	\$ million
1968 (actuals)	42	42
1969 (actuals)	66	108
1970 (actuals)	196	304
1971	200	504
1972	225	729
1973	250	979
1974	275	1254
1975	300	1554

III - SPECIAL FUNDS RESOURCES

6. The Special Funds resources presently available to the Bank amount to \$171.6 million comprising contributions amounting to \$147.1 million and set-aside funds amounting to \$24.5 million. While appreciating deeply the contributions received so far as well as the significant advances registered in regard to the progressive "untying" of these contributions, the Board of Directors feels that the scale and sources of Special Funds contributions would, unless broadened considerably, be inadequate to meet the needs of the RDMCs and would result in under-utilization of the Bank which has grown, within the first five years of its existence, to be a useful and reliable instrument for the economic development of the region. The Board of Directors is, however, aware of the intricate nature of the problems involved in concessional funding and proposes to undertake a detailed study of this subject.

IV - ORDINARY CAPITAL RESOURCES

7. The authorized capital of the Bank is \$1100 million. The subscribed capital is \$1005.38 million of which the paid-in portion is \$502.69 million. Taking into account the provisions of Article 24, paragraph 2, which permit certain members of the Bank to impose

restrictions on the Bank's use of their national currency portion of the paid-in capital, and the set-aside action under Article 19, paragraph 1 (i), the freely usable paid-in capital is about \$372 million. The callable portion, aggregating \$502.69 million, is subject to call if required to meet the Bank's obligations on borrowings or loans guaranteed by it. As a matter of financial prudence, the Bank has adopted the policy that its outstanding debt should not exceed the callable portion subscribed by those members whose currencies are convertible. Consequently, the limit of such borrowings is \$347.19 million. On this calculation, the freely usable resources available for ordinary loan operations would, in 1975, amount to \$791 million, including loan repayments and the present ordinary reserve.

V - CAPITAL INCREASE

8. On the basis of growth in ordinary operations referred to in paragraph 5, the Bank's resource requirements up to the end of 1975 would be \$1554 million. These requirements would be \$763 million more than the availability of \$791 million indicated in paragraph 7. The additional resources required will have to be generated through an increase in the Bank's capital. A further capital increase, within the provisions of Article 4, paragraph 3,

to meet the Bank's needs for resources beyond 1975, would have to take place in sufficient time before the end of that year. Taking into account the possibility that the steps necessary to give effect to the increase (namely, actions by the Board of Directors, the Board of Governors and the members) may not be completed before the end of 1975, it is desirable to provide, through the present increase in capital, an adequate cushion for such contingency. In the opinion of the Board of Directors, such cushion should represent one year's estimated loan commitments (i.e., for 1976). Thus, the Bank would need to mobilize additional resources amounting to \$763 million for meeting projected loan commitments up to the end of 1975 and about \$325 million as an adequate cushion.

9. After examining several possible alternatives, the Board of Directors proposes an increase of 150 percent in the Bank's capital, of which 20 percent should be paid-in and 80 percent callable. The Board of Directors also proposes that the increase in paid-in capital should be payable 40 percent in gold/convertible currency and 60 percent in national currency, with the provision, as in the case of the existing capital, that demand notes or similar obligations may be substituted for the national currency portion.

10. The following table sets out the present and projected freely usable resources position of the Bank at the end of 1975

taking into account the proposed capital increase.

Table 2
Capital Structure and Freely Usable Resources
 (At the end of 1975)

	Existing Capital	Proposed Increase	Total after Increase
(In Million Dollars)			
I. <u>Capital Structure</u>			
1. Authorized Capital	1100.000	1650.000	2750.000
2. Subscribed Capital	1005.380	1508.070	2513.450
3. Callable Capital	502.690	1206.450	1709.140
4. Paid-in Capital	502.690	301.620	804.310
II. <u>Freely Usable Resources</u>			
1. Gold/Convertible Currency Portion of Paid-in Capital (Article 6.2a)	251.345	120.650	371.995
Less: 10% Set-Aside	24.517	12.683*	37.200
Balance -	<u>226.828</u>	<u>107.967</u>	<u>334.795</u>
2. National Currency Portion of Paid-in Capital (Article 6.2b)	251.345	180.970	432.315
Less: Amount subject to restrictions under Article 24.2	106.345	76.570	182.915
Balance -	<u>145.000</u>	<u>104.400</u>	<u>249.400</u>
3. Freely Usable Paid-In Capital	<u>371.828</u>	<u>212.367</u>	<u>584.195</u>
4. Sub-total, 1 plus 2, rounded to:	372	212	584
5. Outstanding debt limit (callable portion of conver- tible currency members)	347	833	1180
6. Loan repayments by borrowers	50**	-	50**
7. Ordinary Reserve	22	54*	76
8. Total (4 to 6)	<u>791</u>	<u>1099</u>	<u>1890</u>

*Assumed

**Represents projected repayments up to the end of 1975.

NOTE: Including the existing capital and the proposed increase, the callable capital would be 68 percent of the total capital; the balance of 32 percent of the paid-in capital would consist of 46.25 percent in gold/convertible currency and 53.75 percent in national currency.

11. The Board of Directors is also of the view that the Bank should make the fullest possible use of the existing paid-in capital. Under the existing paid-in capital, the freely usable national currency portion in the form of non-negotiable, non-interest-bearing demand notes or similar obligations amounts to \$127.7 million. Encashments of these obligations pursuant to the provisions of Article 6, paragraph 3, would enable the Bank to make fuller use of the existing paid-in capital and also to improve its income position. It is proposed to encash these obligations in three equal instalments in the years 1972, 1973 and 1974.

12. The existing capital should permit the Bank to undertake the projected loan operations up to the end of 1972. Therefore, the proposed increase in capital must be made effective before the end of that year. The Board of Directors is of the view that action to make the capital increase effective should be scheduled to take place before the end of 1972 and that the paid-in portion of the proposed increase in capital should be paid in three equal annual instalments commencing not later than 6 April 1973.

VI - FINDINGS OF THE BOARD OF DIRECTORS

13. The Board of Directors submits to the Board of Governors the following findings:

- (a) an increase in the Bank's ordinary capital resources is necessary;
- (b) the Bank's Special Funds resources should be augmented and the Board of Directors will undertake a detailed study of this subject;
- (c) the increase in the Bank's capital stock should be 150 percent of the present authorized capital and a portion of the increase corresponding to 150 percent of the present subscribed capital should be available for subscription by members in proportion to their existing capital subscriptions;
- (d) of the increase in the capital stock, 20 percent should be paid-in and 80 percent callable. The paid-in portion of subscriptions to the increase should be paid in three equal annual instalments in 1973, 1974 and 1975. Each instalment should consist of 40 percent payable in gold/convertible currency and 60 percent in national currency, subject to the provisions of Article 6, paragraph 3;

- (e) in all respects other than those specified in (c) and (d) above, the provisions of the Articles of Agreement relating to the original capital stock should apply equally to the new capital;
- (f) demand notes or similar obligations representing the national currency portion of subscriptions of members to the existing paid-in capital which are not subject to restrictions under Article 24, paragraph 2, should be encashed in three equal instalments in the years 1972, 1973 and 1974; and
- (g) a further study of the capital stock of the Bank is envisaged to take place in adequate time before the end of 1975.

14. On the basis of the above findings, the Board of Directors submits herewith a Draft Resolution on the proposed increase in the capital stock of the Bank and recommends the adoption of such Resolution by the Board of Governors.

14 October 1971

[DRAFT RESOLUTION]

RESOLUTION NO. _____

INCREASE OF \$1,650,000,000 IN AUTHORIZED
CAPITAL STOCK AND SUBSCRIPTIONS THERETO

WHEREAS:

The Board of Directors of the Bank, having undertaken a study of the resources position of the Bank in accordance with Resolution No. 43 adopted by the Board of Governors, has submitted a Report thereon to the Board of Governors;

The Board of Governors, having considered such Report and being in agreement with the findings of the Board of Directors incorporated in that Report, has concluded that action to increase the authorized capital stock of the Bank is necessary;

NOW THEREFORE the Board of Governors hereby

RESOLVES:

SECTION I. Increase in Authorized Capital Stock

- (1) The authorized capital stock of the Bank shall be increased by \$1,650,000,000 in terms of United States dollars of the weight and fineness in effect on 31 January 1966, divided into 165,000 shares

having a par value of \$10,000 each. Of such shares, 33,000 shall be paid-in shares and 132,000 shall be callable shares.

- (2) Out of the shares authorized by this Resolution, 14,193 shares shall be reserved to provide for the admission of new members.
- (3) The increase in authorized capital stock shall become effective only if and when, on or before 30 September 1972 or such other date not later than 28 February 1973 as the Board of Directors may determine, subscriptions shall have been made in accordance with this Resolution to an aggregate of at least 100,000 shares.

SECTION II. Subscriptions

- (1) The number of shares authorized by this Resolution to which each member is entitled to subscribe is shown in the Schedule set forth below. Each subscription shall be on the terms and conditions set forth in this Resolution and shall in all events include paid-in and callable shares in the same ratio as that shown in such Schedule.

- (2) The subscription price per share shall be \$10,000 in terms of United States dollars of the weight and fineness in effect on 31 January 1966.
- (3) Each subscription shall be made by the subscribing member depositing with the Bank not later than 28 February 1973, in a form acceptable to the Bank,
 - (i) an instrument of subscription whereby the member subscribes to the number of paid-in and callable shares specified in such instrument, (ii) a representation that the member has taken appropriate action necessary to authorize such subscription, and (iii) an undertaking that the member will furnish such information as the Bank shall request concerning such action.
- (4) Each subscription shall become effective on the date on which the documents referred to in paragraph (3) of this Section II are deposited with the Bank or on the date on which the increase in authorized capital stock becomes effective as provided in Section I of this Resolution, whichever is the later.

- (5) Payment or subscriptions to paid-in shares shall be made in three equal instalments, the first of which shall be paid not later than 6 April 1973, the second not later than 6 April 1974, and the third not later than 6 April 1975. Of each instalment,
- (a) forty percent shall be paid in gold or convertible currency; and
 - (b) sixty percent shall be paid in the currency of the subscribing member.
- (6) The provisions of the Agreement Establishing the Bank shall apply mutatis mutandis to all shares authorized by, and subscriptions and payments made under, this Resolution as if such shares were part of the original capital stock of the Bank and such subscriptions and payments were initial subscriptions to and payments for such stock.

SCHEDULE

(Amount Expressed in Thousand of Dollars)

MEMBER	Paid-in Shares		Callable Shares		Total Shares	
	Number	Amount	Number	Amount	Number	Amount
<u>REGIONAL</u>						
Afghanistan	143	\$ 1,430	574	\$ 5,740	717	\$ 7,170
Australia	2,550	25,500	10,200	102,000	12,750	127,500
Ceylon	256	2,560	1,022	10,220	1,278	12,780
China, Republic of	480	4,800	1,920	19,200	2,400	24,000
Fiji	30	300	120	1,200	150	1,500
Hong Kong	240	2,400	960	9,600	1,200	12,000
India	2,790	27,900	11,160	111,600	13,950	139,500
Indonesia	750	7,500	3,000	30,000	3,750	37,500
Japan	6,000	60,000	24,000	240,000	30,000	300,000
Khmer Republic	105	1,050	420	4,200	525	5,250
Korea, Republic of	900	9,000	3,600	36,000	4,500	45,000
Laos	13	130	50	500	63	630
Malaysia	600	6,000	2,400	24,000	3,000	30,000
Nepal	65	650	259	2,590	324	3,240
New Zealand	677	6,770	2,707	27,070	3,384	33,840
Pakistan	960	9,600	3,840	38,400	4,800	48,000
Papua New Guinea	41	410	166	1,660	207	2,070
Philippines	1,050	10,500	4,200	42,000	5,250	52,500
Singapore	150	1,500	600	6,000	750	7,500
Thailand	600	6,000	2,400	24,000	3,000	30,000
Viet-Nam, Republic of	360	3,600	1,440	14,400	1,800	18,000
Western Samoa	2	20	7	70	9	90
TOTAL	18,762	\$ 187,620	75,045	\$ 750,450	93,807	\$ 938,070
<u>NON-REGIONAL</u>						
Austria	150	1,500	600	6,000	750	7,500
Belgium	150	1,500	600	6,000	750	7,500
Canada	750	7,500	3,000	30,000	3,750	37,500
Denmark	150	1,500	600	6,000	750	7,500
Finland	150	1,500	600	6,000	750	7,500
France	750	7,500	3,000	30,000	3,750	37,500
Germany, Federal						
Republic of	1,020	10,200	4,080	40,800	5,100	51,000
Italy	600	6,000	2,400	24,000	3,000	30,000
Netherlands	330	3,300	1,320	13,200	1,650	16,500
Norway	150	1,500	600	6,000	750	7,500
Sweden	150	1,500	600	6,000	750	7,500
Switzerland	150	1,500	600	6,000	750	7,500
United Kingdom	900	9,000	3,600	36,000	4,500	45,000
United States	6,000	60,000	24,000	240,000	30,000	300,000
TOTAL	11,400	\$ 114,000	45,600	\$ 456,000	57,000	\$ 570,000
GRAND TOTAL	30,162	\$ 301,620	120,645	\$ 1,206,450	150,807	\$ 1,508,070

APPENDIX II

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
 STATEMENT OF INCOME AND EXPENSES
 From 1 January 1973 to 31 March 1973
 Expressed in United States Dollars (Note A)

		Administrative Budget FY-1973
INCOME		
From investments	\$ 6,970,450	
From loan operations		
Interest	1,950,668	
Commissions	452,980	
Commitment charge	648,348	
From other sources	(65,876)	
GROSS INCOME	9,956,570	
Deduct commission appropriated to Special Reserve (Note E)	452,980	
UNAPPROPRIATED INCOME	9,503,590	
EXPENSES		
Administrative expenses		
Board of Governors	1,362	\$ 49,000
Board of Directors		
Salaries	153,659	660,000
Benefits (Note H)	29,099	148,200
Travel	45,091	200,000
Staff services	14,091	61,500
Total Board of Directors	241,940	1,069,700
Staff		
Salaries	1,088,371	4,677,400
Benefits (Note H)	281,433	1,321,100
Travel	234,505	1,399,600
Consultants	45,445	300,000
Representation	5,975	50,000
Total Staff	1,655,729	7,748,100
Other administrative expenses		
Communications	73,478	415,300
Office occupancy	98,298	338,000
Publications and printing	21,175	136,300
Expendable supplies	26,403	171,000
Furniture and equipment	42,797	227,600
Fees and compensation	65,005	291,900
Miscellaneous	44,426	116,800
Total other administrative expenses	371,582	1,696,900
Total administrative expenses	2,270,613	10,563,700
Deduct Administration Charge to Special Operations (Note A)	361,000	-
Net administrative expenses	1,909,613	10,563,700
Services to member countries		
Project preparation and other loan-related technical assistance (Note I)	142,160	1,524,600
Project implementation/advisory	49,045	1,147,000
Asian Industrial Survey	14,363	146,300
Asian Vegetable Research and Development Center	-	75,000
Asian Institute for Economic Development and Planning	81	62,700
Other regional activities	44,176	133,900
Total services to member countries	249,825	3,089,500
Financial expenses		
Interest on borrowings	4,200,893	
Amortized issuance cost of borrowings and other financial expenses (Note A)	170,400	
Total financial expenses	4,371,293	
GROSS EXPENSES	6,530,731	
NET INCOME (NOTE C)	\$ 2,972,859	

The accompanying notes to financial statements (Appendix VIII)
 are an integral part of this statement.

Treasury Department

APPENDIX III

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
STATEMENT OF CHANGES IN FINANCIAL POSITION
For the Period Ended 31 March 1973
Expressed in United States Dollars (Note A)

FUNDS WERE PROVIDED BY

Operations	
Net income	\$ 2,972,859
Items not requiring or providing funds	<u>2,302,831</u>
Funds provided by operations	5,275,690
Increase in borrowings as a result of currency revaluations	21,960,791
Capital subscriptions collected	20,067,217
Increase in capital subscriptions collected as a result of devaluation of the United States Dollar	57,008,231
Demand obligations of members encashed	1,628,653
Loans sold	150,000
Loans collected	1,660,475
Amounts collected to maintain value of currency holdings	2,093,623
Increase in amounts payable to members to maintain value of currency holdings	7,820,794
Other - net	<u>1,737,330</u>
Total	<u>119,402,804</u>

FUNDS WERE UTILIZED FOR

Net charge to ordinary reserve as a result of devaluation of the United States Dollar	7,410,568
Loans disbursed	17,286,686
Increase in loans disbursed and outstanding as a result of currency revaluations	12,817,771
Bonds purchased for redemption funds	74,092
Amount paid to maintain value of currency holdings	109,818
Increase in amounts receivable from members to maintain value of currency holdings	25,851,473
Increase in other assets as a result of currency revaluations	<u>10,395,921</u>
Total	<u>73,946,329</u>

INCREASE IN CASH IN BANKS AND INVESTMENTS

\$ 45,456,475

INCREASE IN COMPONENTS OF FUNDS

Cash in banks (excluding Special Reserve Fund Cash)	\$ 11,476,292
Investments (excluding accrued interest and Special Reserve Fund investments)	<u>33,980,183</u>
Total	<u>\$ 45,456,475</u>

The accompanying notes to financial statements (Appendix VIII)
are an integral part of this statement.

Treasury Department

APPENDIX IV

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
STATEMENT OF CASH IN BANKS AND DEMAND OBLIGATIONS OF MEMBERS

31 March 1973

Expressed in United States Dollars (Note A)

Members	Unit of Currency	Cash in Banks	Demand Obligations of Members
Afghanistan	Afghani	\$ 2,413	\$ 1,441,585 ^{1/}
Australia	Australian Dollar	168,877 ^{3/}	21,502,896 ^{2/}
Austria	Austrian Schilling	580,382	-
Bangladesh	Bangladesh Taka	-	904,762 ^{1/}
Belgium	Belgian Franc	51,868	991,709
Canada	Canadian Dollar	59,213	4,660,156
China, Republic of	New Taiwan Dollar	9,782	5,308,988 ^{1/}
Denmark	Danish Krone	64,368	1,005,282
Fiji	Fiji Dollar	-	162,560 ^{1/}
Finland	Finnish Markka	-	897,430
France	French Franc	1,237,758	3,015,867
Germany, Federal Republic of	Deutsche Mark	515,140	-
Hong Kong	Hong Kong Dollar	36,902 ^{4/}	2,373,126 ^{2/}
India	Indian Rupee	7,061	23,990,966 ^{1/}
Indonesia	Rupiah	5,655,452 ^{1/}	2,653,417 ^{1/}
Italy	Italian Lira	691,300	-
Japan	Yen	179,819	57,214,171
Khmer Republic	Riel	335,002 ^{1/}	720,550 ^{1/}
Korea, Republic of	Won	9,304	10,256,253 ^{1/}
Laos	Kip	110,910 ^{1/}	-
Malaysia	Malaysian Dollar	-	5,985,924 ^{1/}
Nepal	Nepalese Rupee	37,699	491,628 ^{1/}
Netherlands	Netherlands Guilder	650,834	2,211,634
New Zealand	New Zealand Dollar	9,005 ^{2/}	6,371,442 ^{2/}
Norway	Norwegian Krone	25,675	-
Pakistan	Pakistan Rupee	872	9,624,993 ^{1/}
Papua New Guinea	Australian Dollar	-	257,791 ^{1/}
Philippines	Philippine Peso	2,033,168 ^{5/}	2,218,955 ^{1/}
Singapore	Singapore Dollar	9,724	1,403,501 ^{1/}
Sri Lanka	Sri Lanka Rupee	3,937	2,554,780 ^{1/}
Sweden	Swedish Krona	11,303	954,940
Switzerland	Swiss Franc	311,046	-
Thailand	Baht	3,903	5,364,008 ^{1/}
Tonga	Tongan Dollar	-	7,238 ^{1/}
United Kingdom	Pound Sterling	33,233	5,167,920
United States	United States Dollar	4,784,385	37,618,833
Viet-Nam, Republic of	Piastre	2,911,881 ^{1/}	-
Western Samoa	Western Samoan Tala	8,546 ^{1/}	-
TOTAL		\$20,550,762	\$217,133,305

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

^{1/} Restrictions on use may be imposed by members (Note B).

^{2/} Restrictions on use have been imposed by members (Note B).

^{3/} Of this amount, restrictions on use have been imposed in the amount of \$25,396.

^{4/} Of this amount, restrictions on use have been imposed in the amount of \$4,999.

^{5/} Of this amount, restrictions on use may be imposed in the amount of \$1,998,806 (Note B).

Treasury Department

APPENDIX V

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES

STATEMENT OF LOANS

11 March 1973

Expressed in United States Dollars (US\$ '000)

Borrower	Loan No.	Date of Loan Agreement	Maturity	Interest Rate (including commission)	Principal Amount	Loans outstanding effective	Refundings Cancellations	Payable on Loan Held For Loan		Effective Loans		Undisbursed Balance of	
								By Bank	Sold	By Bank	to be Sold	By Bank	to be Sold
Republic of China	5 CHI	30 Nov. '68	1971-1978	6-7/8%	\$ 400,000	\$ -	\$ 400,000	\$ -	\$ 6,860	\$ 1,250,000	\$ 8,443,200	\$ -	\$ -
Chinese Petroleum Corporation 1/	7 CHI	27 Dec. '68	1972-1980	6-7/8	10,200,000	-	-	-	-	-	5,710,462	-	-
Republic of China 2/	11 CHI	10 Apr. '69	1972-1981	6-7/8	10,000,000	-	3,739,338	-	550,000	-	2,670,000	-	-
Tatung Aluminum Corporation 1/	20 CHI	15 Dec. '69	1973-1982	6-7/8	2,670,000	-	-	-	-	-	-	1,314,901	-
China Development Corporation 1/	21 CHI	15 Dec. '69	1973-1981	6-7/8	1,150,000	-	1,133,000	-	17,000	-	-	-	-
Republic of China 2/	22 CHI	15 Dec. '69	1972-1982	6-7/8	990,000	-	1,300	-	98,670	-	889,830	-	-
Republic of China 2/	29 CHI	3 Apr. '70	1973-1989	6-7/8	18,000,000	-	2,460,000	-	400,000	-	15,160,000	-	7,273,765
Tatung Electric Company 1/	30 CHI	10 Dec. '70	1973-1980	7-1/2	12,800,000	-	-	-	-	-	12,800,000	-	5,540,681
Tatung Power Company 1/	67 CHI	24 Mar. '71	1973-1980	7-1/2	2,500,000	-	-	-	-	-	2,500,000	-	6,221,679
China Development Corporation 1/	75 CHI	15 Oct. '71	Not fixed 2/	Variable 2/	7,500,000	-	-	-	100,000	-	7,400,000	-	4,058,068
Republic of China 2/	79 CHI	15 Dec. '71	1975-1991	7-1/2	13,600,000	-	-	-	-	-	13,500,000	-	12,340,524
Tatung Electric Company 1/	82 CHI	15 Dec. '71	1975-1990	7-1/2	22,500,000	-	-	-	-	-	22,500,000	-	21,991,934
Electricity Authority 1/	89 FIJ	25 Feb. '72	1976-1992	7-1/2	4,700,000	-	-	-	-	-	4,700,000	-	4,628,044
Hong Kong	93 HKG	1 Aug. '72	1976-1985	7-1/2	21,500,000	-	-	-	-	-	20,350,000	1,150,000	20,350,000
Republic of Korea	3 KOR	16 Sep. '68	1972-1983	6-7/8	6,800,000	-	488,449	-	785,000	5,526,551	-	-	-
Korea Express Company Limited 1/	10 KOR	22 Mar. '69	1973-1984	6-7/8	7,000,000	-	2,200,638	-	490,000	4,309,362	-	-	-
The Korea Express Company Limited 1/	14 KOR	17 Sep. '69	1972-1989	6-7/8	7,500,000	-	412,410	442,974	-	4,644,616	739,206	-	-
Industry Bank 1/	23 KOR	19 Dec. '69	1972-1985	6-7/8	10,000,000	-	500,000	168,362	-	9,851,618	416,934	-	-
The Korea Express Company 1/	25 KOR	23 Nov. '70	1973-1990	7-1/2	9,500,000	-	-	-	-	9,500,000	9,494,736	-	-
The Korea Express Company 1/	42 KOR	23 Nov. '70	Not fixed 2/	Variable 2/	10,000,000	-	-	7,585	-	9,992,415	5,123,545	-	-
Hankook Corporation 1/	55 KOR	2 Jan. '71	1975-1985	7-1/2	25,000,000	-	-	-	-	25,000,000	21,813,320	-	-
Republic of Korea 2/	64 KOR	3 Sep. '71	1972-1990	7-1/2	8,800,000	-	-	-	-	8,250,000	15,000,720	-	550,000
The Korea Express Company Bank 1/	70 KOR	13 Sep. '71	Not fixed 2/	Variable 2/	15,000,000	-	-	-	-	15,000,000	-	-	-
The Korea Express Company 1/	72 KOR	13 Sep. '71	1974-1991	7-1/2	10,600,000	-	-	-	-	10,600,000	10,389,850	-	-
Republic of Korea 2/	86 KOR	29 Dec. '71	1974-1988	7-1/2	2,500,000	-	-	-	-	2,500,000	2,500,000	-	-
Republic of Korea 2/	96 KOR	10 Oct. '72	1976-1987	7-1/2	13,300,000	-	-	-	-	12,925,900	1,084,100	-	-
Republic of Korea 2/	98 KOR	10 Oct. '72	Not fixed 2/	Variable 2/	20,000,000	-	-	-	-	20,000,000	-	-	-
The Korea Development Bank 1/	111 KOR	15 Dec. '72	1978-1993	7-1/2	25,600,000	25,600,000	-	-	-	-	-	-	-
The Korea Development Bank 1/	119 KOR	28 Dec. '72	1978-1993	7-1/2	327,890,000	327,890,000	\$ 11,335,135	\$ 721,611	\$ 4,075,000	\$ 279,364,134	\$ 279,364,134	\$ 2,784,107	\$ 2,784,107

FOOTNOTES

APPENDIX V
Page 2

Number and Borrower	Loan No.	Date of Loan Agreement	Maturity	Interest Rate (including Commission)	Principal Amount	Loans not yet Effective	Rebuidings and Cancellations	Payments Received On Loans Held For Sale	Effective Loans Held by Bank to be Sold	Undisbursed Balance of Held Effective Loans to be Sold
FORWARD										
Malaysia					\$323,890,000	\$25,600,000	\$11,335,135	\$ 721,611	\$ 2,794,100	\$207,436,822
4 MAL 23 Sep. '68		1973-1988	6-7/8%		7,200,000	-	-	-	6,915,000	2,814,998
8 MAL 15 Feb. '69		1974-1988	6-7/8%		2,800,000	-	-	-	2,800,000	-
18 MAL 16 Nov. '69		1975-1995	6-7/8%		5,000,000	-	-	-	5,000,000	2,816,211
28 MAL 16 Nov. '69		1975-1995	6-7/8%		3,100,000	-	-	-	3,100,000	1,533,903
37 MAL 16 Oct. '70		1975-1985	7-1/2%		5,000,000	-	-	-	5,000,000	900,000
41 MAL 11 Dec. '70		1976-1995	7-1/2%		3,500,000	-	-	-	3,500,000	3,454,523
47 MAL 11 Dec. '70		1976-1995	7-1/2%		3,500,000	-	-	-	3,500,000	13,118,000
76 MAL 20 Dec. '71		1977-1996	7-1/2%		13,400,000	-	-	-	13,400,000	-
87 MAL 20 Dec. '71		Not fixed ^{3/}	Variable 2/		15,000,000	-	-	-	15,000,000	14,284,711
97 MAL 16 Oct. '72		1978-1992	7-1/2%		6,700,000	-	-	-	6,700,000	4,689,531
101 MAL 10 Nov. '72		1978-1992	7-1/2%		10,600,000	-	-	-	10,600,000	300,000
124 MAL 18 Dec. '72		1978-1998	7-1/2%		8,500,000	-	-	-	8,500,000	-
NEPAL										
46 NEP 29 Dec. '70		1974-1982	7-1/2%		2,000,000	-	-	-	2,000,000	1,903,487
PAKISTAN										
Industrial Development Bank of Pakistan 2/										
6 PAK 16 Dec. '68		1972-1985	6-7/8%		10,070,000	-	265,664	719,196	9,015,140	-
Pakistan Industrial Credit and Investment Corporation 1/										
34 PAK 9 Oct. '70		1974-1988	7-1/2%		3,120,000	-	-	-	3,120,000	3,120,000
Pakistan Industrial Credit and Investment Corporation 1/										
52 PAK 24 Dec. '70		1974-1985	7-1/2%		12,000,000	-	12,000,000	-	-	-
Industrial Development Bank of Pakistan 2/										
53 PAK 24 Dec. '70		1972-1985	Variable 2/		15,000,000	-	-	168,310	14,831,690	12,684,083
54 PAK 24 Dec. '70		1973-1985	7-1/2%		6,730,000	-	-	-	5,230,000	4,911,688
99 PAK 15 Dec. '72		1977-1997	7-1/2%		14,300,000	-	1,500,000	-	14,300,000	13,624,000
120 PAK 22 Dec. '72		Not fixed ^{3/}	Variable 2/		6,000,000	-	-	-	6,000,000	6,000,000
PHILIPPINES										
Philippine National Bank 1/										
9 PHI 5 Mar. '69		Not fixed ^{3/}	6-7/8%		5,000,000	-	-	374,651	4,625,349	77,306
56 PHI 28 Dec. '70		1976-1985	Variable 2/		10,000,000	-	-	-	15,000,000	13,222,941
57 PHI 28 Dec. '70		1976-1985	Variable 2/		10,000,000	-	-	-	10,000,000	6,060,000
62 PHI 12 Mar. '71		1975-1988	7-1/2%		4,500,000	-	-	-	4,500,000	1,972,759
Philippine National Power Corporation 1/										
77 PHI 3 Nov. '71		1977-1996	7-1/2%		23,400,000	-	-	-	21,400,000	23,187,935
96 PHI 28 Jul. '72		1977-1997	7-1/2%		21,000,000	-	-	-	21,000,000	20,985,125
100 PHI 18 Nov. '72		1978-1997	7-1/2%		22,250,000	-	-	-	22,001,700	21,958,327
FORWARD					\$283,690,000	\$41,000,000	\$25,100,299	\$1,943,768	\$3,342,400	\$400,648,595
										\$3,942,400

APPENDIX V
Page 3

Lender and Borrower	Loan No.	Date of Loan Agreement	Maturities	Interest Rate (including commission)	Principal Amount	Loans Effective	Repayments and Cancellations	Repayments Received on Loans Held for Loans	Effective Loans		Unshared Balance of Held Effective Loans	
									by Bank	Agreed	by Bank	Agreed
					\$283,690,000	\$41,000,000	\$25,100,799	31,983,768	\$4,360,000		\$97,903,033	\$3,342,400
											\$406,448,595	\$3,342,400
THAILAND												
FORWARD												
Industrial Bank of Singapore Limited 1/	13 SIN	16 Jul. '69	Not Fixed3/	6-7/8	10,000,000	-	-	221,034	-	-	9,778,966	-
Industrial Bank of Singapore Limited 1/	35 SIN	5 Sep. '70	1975-1985	7-1/2	10,000,000	-	-	-	-	-	8,310,000	-
Industrial Bank of Singapore Limited 1/	43 SIN	4 Dec. '70	1976-1980	7-1/2	20,500,000	-	-	-	550,000	-	19,482,855	-
Industrial Bank of Singapore Limited 1/	57 SIN	28 Dec. '70	1975-1990	7-1/2	8,300,000	-	-	-	-	-	8,050,000	250,000
Industrial Bank of Singapore Limited 1/	73 SIN	15 Sep. '71	1977-1993	7-1/2	8,100,000	-	-	-	-	-	8,100,000	-
Industrial Bank of Singapore Limited 1/	74 SIN	15 Sep. '71	1975-1986	7-1/2	15,470,000	-	-	-	150,000	-	15,320,000	-
Industrial Bank of Singapore Limited 1/	109 SIN	22 Nov. '72	1975-1982	7-1/2	1,100,000	-	-	-	-	-	1,100,000	-
Industrial Bank of Singapore Limited 1/	112 SIN	27 Dec. '72	1976-1988	7-1/2	19,600,000	-	-	-	-	-	18,200,000	1,400,000
SI LANKA												
Industrial Bank of Sri Lanka 1/	3 CEX	17 Jul. '68	1971-1983	6-7/8	2,000,000	-	-	230,000	-	-	1,770,000	-
Industrial Bank of Sri Lanka 1/	17 CEX	6 Nov. '69	1974-1984	6-7/8	885,000	-	-	-	-	-	885,000	-
Industrial Bank of Sri Lanka 1/	31 CEX	5 May '70	1975-1984	6-7/8	2,600,000	-	-	-	-	-	2,600,000	-
Industrial Bank of Sri Lanka 1/	39 CEX	1 Dec. '70	1974-1985	7-1/2	3,200,000	-	-	-	-	-	3,500,000	-
Industrial Bank of Sri Lanka 1/	78 CEX	21 Dec. '71	1976-1986	7-1/2	4,100,000	-	-	-	-	-	4,150,000	-
THAILAND												
Industrial Finance Corporation of Thailand 1/	1 THA	25 Jan. '68	Not Fixed3/	6-7/8	5,000,000	-	88,049	1,905,093	-	-	3,006,858	-
Industrial Finance Corporation of Thailand 1/	24 THA	30 Jan. '70	Not Fixed3/	6-7/8	10,000,000	-	-	452,532	-	-	9,547,448	-
Industrial Finance Corporation of Thailand 1/	50 THA	21 Dec. '70	1975-1992	7-1/2	19,000,000	-	4,500,000	-	-	-	14,500,000	-
					\$722,205,000	\$41,000,000	\$29,698,948	\$4,792,467	\$5,060,000		\$636,631,105	\$4,992,400
											\$510,354,312	\$4,992,400

TOTAL

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

3/ Amortization schedules are agreed upon between the Bank and the borrowers for each portion of these loans when each such portion is credited for a specific project.

5/ This amount represents adjustment in United States Dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

Treasury Department

APPENDIX VI

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
STATEMENT OF BORROWINGS

31 March 1973

Expressed in United States Dollars (Note A)

Payable in, Issue and Maturity	Principal Outstanding 1/	Redemption Requirements 2/	
Austrian Schillings:			
7% Twelve Year Bonds: 1970, due 1982 (\$ 130,000,000)	\$ 5,558,644	1973 - 1982	\$ 12,000,000
7% Twelve Year Bonds of 1971, due 1983 (\$ 150,000,000)	7,314,005	1974 - 1983	\$ 15,000,000
Belgian Francs:			
7.5% Twelve Year Bonds of 1971, due 1983 (BF 400,000,000)	9,917,093	1977 - 1982 1983	BF 40,000,000 BF 160,000,000
Deutsche Mark:			
7% Fifteen Year Bonds of 1969, due 1984 (DM 60,000,000)	20,532,207	1975 - 1984	DM 6,000,000
Italian Lire:			
7% Fifteen Year Bonds of 1972, due 1987 (Lit. 10,000,000,000)	17,395,388	1978 - 1987	Lit. 1,000,000,000
Japanese Yen:			
7.4% Seven Year Bonds of 1970, due 1977 (¥ 6,000,000,000)	22,644,928	1973 - 1976 1977	¥ 360,000,000 ¥ 4,560,000,000
7.4% Seven Year Bonds of 1971, due 1978 (¥ 10,000,000,000)	37,741,546	1975 - 1977 1978	¥ 600,000,000 ¥ 8,200,000,000
7.3% Ten Year Bonds of 1972, due 1982 (¥ 10,000,000,000)	37,741,546	1978 - 1981 1982	¥ 600,000,000 ¥ 7,600,000,000
Luxembourg Francs:			
6.75% Fifteen Year Bonds of 1972, due 1987 (Lux F 400,000,000)	9,917,093	1978 - 1987	Lux F 40,000,000
Swiss Francs:			
7% Fifteen Year Bonds of 1971, due 1986 (SwF 40,000,000)	12,345,679	1973 - 1985 1986	Up to SwF 3,000,000 The balance
United States Dollars:			
5.5% Two Year Bonds of 1971, due 1973 (*) 3/	20,000,000	1973	\$ 20,000,000
6.5% Five Year Notes of 1971, due 1976 (*)	25,000,000	1976	\$ 25,000,000
7.75% Twenty-Five Year Bonds of 1971, due 1996	25,000,000	1983 1984 - 1995 1996	\$ 500,000 \$ 1,000,000 \$ 12,500,000
TOTAL	\$251,108,129		

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The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

1/ Each issue, except those indicated by an asterisk, is subject to redemption prior to maturity at the option of the Bank at prices and upon the conditions stated in the respective bonds. The amounts shown as principal outstanding are after deductions aggregating \$1,556,133 of bonds purchased for redemption funds.

2/ The amounts shown as redemption requirements are the principal amounts of bonds to be purchased or redeemed to meet each year's requirements. For the following five calendar years, these are:

<u>Year</u>	<u>Amount</u>
1973	\$ 22,869,742
1974	3,601,142
1975	7,996,454
1976	32,996,454
1977	<u>24,839,612</u>
	<u>\$ 92,303,404</u>

3/ The Bank has arranged to refinance at maturity, on 1 April 1973, the \$20,000,000 United States Dollar Two Year Bonds of 1971 due 1973.

Treasury Department

APPENDIX VII

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
STATEMENT OF SUBSCRIPTIONS TO CAPITAL STOCK AND VOTING POWER
31 March 1973
Expressed in United States Dollars (Note A)

MEMBERS	S U B S C R I B E D			PAR VALUE OF CALLABLE SHARES		PAR VALUE OF PAID-IN SHARES		VOTING POWER	
	Shares	Per Cent of Total	Par Value	Subject To Call	Subscriptions Not Due	Installments Matured	Number of Votes	Per Cent of Total	
REGIONAL									
Afghanistan	1,195	0.549	\$ 14,415,882	\$ 9,807,625	\$ 1,725,080	\$ 2,883,177	2,627	0.965	
Australia	21,250	9.763	256,349,375	174,317,575	30,761,925	51,269,875	22,682	8.336	
Bangladesh	3,750	1.723	45,238,125	30,761,925	12,666,675	1,809,525	5,182	1.905	
China, Republic of	4,000	1.838	48,254,000	32,812,720	5,790,480	9,650,800	5,432	1.996	
Fiji	250	0.115	3,015,875	2,050,795	482,540	482,540	1,682	0.618	
Hong Kong	2,000	0.919	24,127,000	16,406,360	2,895,240	4,825,400	3,432	1.261	
India	23,250	10.681	280,476,375	190,723,935	33,657,165	56,095,275	24,682	9.071	
Indonesia	6,250	2.871	75,396,875	51,269,875	9,047,625	15,079,375	7,682	2.823	
Japan	50,000	22.971	603,175,000	410,159,000	72,381,000	120,635,000	51,432	18.903	
Khmer Republic	875	0.402	10,555,563	7,177,783	1,266,668	2,111,112	2,307	0.848	
Korea, Republic of	7,500	3.446	90,476,250	61,523,850	10,857,150	18,095,250	8,932	3.283	
Laos	105	0.048	1,266,668	856,509	156,825	253,334	1,537	0.565	
Malaysia	5,000	2.297	60,317,500	41,015,900	7,238,100	12,063,500	6,432	2.364	
Nepal 1/	216	0.099	2,605,716	1,302,858	-	1,302,858	1,648	0.606	
New Zealand	5,640	2.591	68,038,140	46,263,522	8,166,990	13,607,628	7,072	2.599	
Pakistan	8,000	3.675	96,508,000	65,625,440	11,580,960	19,301,600	9,432	3.467	
Papua New Guinea 1/	138	0.063	1,664,763	832,381	332,953	499,429	1,570	0.577	
Philippines	8,750	4.020	105,555,625	71,777,825	12,866,675	21,111,125	10,182	3.742	
Singapore	1,250	0.574	15,079,375	10,253,975	1,809,525	3,015,875	2,682	0.986	
Sri Lanka	2,130	0.979	25,695,255	17,467,948	3,088,256	5,139,051	3,562	1.309	
Thailand	5,000	2.297	60,317,500	41,015,900	7,238,100	12,063,500	6,432	2.364	
Tonga	15	0.007	180,952	120,635	45,841	14,476	1,447	0.532	
Viet-Nam, Republic of	3,000	1.378	36,190,500	24,609,540	4,342,860	7,238,100	4,432	1.629	
Western Samoa 1/	6	0.003	72,381	36,191	-	36,190	1,438	0.529	
Total Regional	159,570	73.309	\$1,924,972,695	\$1,308,190,067	\$238,198,633	\$378,583,995	193,938	71.278	

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MEMBERS	SUBSCRIBED			PAR VALUE OF CALLABLE SHARES		PAR VALUE OF PAID-IN SHARES		VOTING POWER	
	Shares	Per Cent of Total	Par Value	Subject to Call	OF PAID-IN SHARES		Number of Votes	Per Cent of Total	
					Subscription	Instalments Matured			
NON-REGIONAL									
Austria	1,250	0.574	\$ 15,079,375	\$ 10,253,975	\$ 1,809,525	\$ 3,015,875	2,682	0.986	
Belgium	1,250	0.574	15,079,375	10,253,975	1,809,525	3,015,875	2,682	0.986	
Canada	6,250	2.871	75,396,875	51,269,875	9,047,625	15,079,375	7,682	2.823	
Denmark	1,250	0.574	15,079,375	10,253,975	1,809,525	3,015,875	2,682	0.986	
Finland 1/	500	0.230	6,031,750	3,015,875	-	3,015,875	1,932	0.710	
France	6,250	2.871	75,396,875	51,269,875	15,079,375	9,047,625	7,682	2.823	
Germany, Federal Republic of	8,500	3.905	102,539,750	69,727,030	12,304,770	20,507,950	9,932	3.650	
Italy 1/	2,000	0.919	24,127,000	12,063,500	-	12,063,500	3,432	1.261	
Netherlands 1/	1,100	0.505	13,269,850	6,634,925	-	6,634,925	2,532	0.931	
Norway 1/	500	0.230	6,031,750	3,015,875	-	3,015,875	1,932	0.710	
Sweden 1/	500	0.230	6,031,750	3,015,875	-	3,015,875	1,932	0.710	
Switzerland	1,250	0.574	15,079,375	10,253,975	1,809,525	3,015,875	2,682	0.986	
United Kingdom	7,500	3.446	90,476,250	61,523,850	10,857,150	18,095,250	8,932	3.283	
United States 1/	20,000	9.188	241,270,000	120,635,000	-	120,635,000	21,432	7.877	
Total Non-Regional	58,100	26.691	700,889,350	423,187,580	56,527,020	223,174,750	78,148	28.722	
GRAND TOTAL	217,670	100.000	\$2,625,862,045	\$1,731,377,647	\$292,725,653	\$601,758,745	272,086	100.000	

The accompanying notes to financial statements (Appendix VIII) are an integral part of this statement.

1/ As of 31 March 1973 these members have not yet subscribed to the additional shares of the increase in capital stock authorized by Resolution No. 46 of the Board of Governors. Such additional shares are equal to 150 per cent of each member's existing subscribed shares.

Treasury Department

ASIAN DEVELOPMENT BANK - ORDINARY CAPITAL RESOURCES
NOTES TO FINANCIAL STATEMENTS
31 March 1973
Expressed in United States Dollars (Note A)

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(1) Unit of Account

The Ordinary Capital Resources financial statements are expressed in United States Dollars.

The term "United States Dollar" means:

- (a) From the inception of the Bank on 24 November 1966 to 8 May 1972 a United States Dollar with a gold content of 0.883671 gram of fine gold, the then prevailing par value established with the International Monetary Fund;
- (b) From 8 May 1972 to 12 February 1973 a United States Dollar with a gold content of 0.818513 gram of fine gold, the par value established with the International Monetary Fund;
- (c) From 13 February 1973 a United States Dollar at its prospective new par value of 0.736662 gram of fine gold.

(2) Translation of Currencies

As of 31 March 1973, amounts in currencies other than United States Dollars were translated as described below:

- (a) In the cases of 16 members (Afghanistan, Australia, France, Indonesia, Khmer Republic, Republic of Korea, Laos, Malaysia, New Zealand, Pakistan, Papua New Guinea, Philippines, Singapore, Sri Lanka, Thailand, and Republic of Viet-Nam), at par values established or provisional rates for bookkeeping purposes agreed by these members with the International Monetary Fund, exception that a part of the Bank's holdings in Philippine Pesos was at floating rates;
- (b) In the cases of 11 members (Austria, Belgium, Republic of China, Denmark, Finland, Federal Republic of Germany, Hong Kong, Nepal, the Netherlands, Norway and Sweden), at central rates;
- (c) In the case of Luxembourg, which is not a member of the Bank, also at central rate;
- (d) In the cases of 7 members (Canada, Fiji, India, Italy, Japan, Switzerland and United Kingdom), at floating rates;
- (e) In the cases of the remaining 3 members (Bangladesh, Tonga and Western Samoa), at the rates used by these members in making payments of capital subscriptions to the Bank.

No representation is made that any currency held by the Bank is convertible into any other currency at the rate or rates specified above.

(3) Loans

The Balance Sheet and the Statement of Loans show all loans approved by the Bank, Adjustments for loans not yet effective, refundings and cancellations, payment received, loans agreed to be sold and exchange adjustments are also shown to arrive at effective loans held by the Bank.

(4) Administration Charge

An Administration Charge to Special Operations was instituted in 1971. The computation of the Administration Charge is based on a formula which takes into consideration administrative expenses and the number and amounts of loans signed. Payment of the Administration Charge by Special Funds Resources shall be made solely from the service fee levied on special loans and thus collection of the receivable from Special Funds Resources can be expected over a period of years as and when such service fee is received from the borrowers.

(5) Unamortized Issuance Costs of Borrowings

Unamortized issuance costs of borrowings are amortized over the life of each issue in proportion to each of the principal amounts outstanding.

(6) Property, Furniture and Equipment

The headquarters seat of the Bank, including land, building, facilities and fixtures and the initial cost of necessary staff amenities and of related furnishings are provided to the Bank by the Government of the Republic of the Philippines. Furniture and equipment purchased by the Bank are charged to expense when acquired.

NOTE B - RESTRICTIONS ON USE OF CASH IN BANKS,
INVESTMENTS, AND DEMAND OBLIGATIONS OF MEMBERS

In accordance with Article 24, paragraph 2(i), the use by the Bank or by any recipient from the Bank may be restricted by the member to payments for goods or services produced and intended for use in its territory, as follows:

The use of cash in banks and demand obligations in the currencies of 20 members aggregating \$82,369,690.

In accordance with Article 24, paragraph 2(i) and (ii), the use by the Bank or by any recipient from the Bank has been restricted by the member to payments for goods or services produced in its territory, as follows:

The use of cash in banks, investments, and demand obligations in the currencies of 3 members aggregating \$33,222,806.

NOTE C - CAPITAL STOCK

Article 4, paragraph 1 defines the capital stock of the Bank in terms of United States Dollars of the weight and fineness in effect on 31 January 1966, namely with a gold content of 0.888671 gram of fine gold. Accordingly, following the 12 February 1973 announcement of the prospective new per value of the United States Dollar at 0.736662 gram of fine gold, capital stock amounts were restated to consistently present such amounts in United States Dollars. The restatement of capital stock was offset by increases from translation of net assets in other currencies into United States Dollars, amounts receivable for maintenance of value of currency holdings under Article 25, and a charge to the Ordinary Reserve as mentioned in Note G.

The authorized capital stock of the Bank is \$3,317,462,500 (\$2,750,000,000 in terms of the United States Dollar of the weight and fineness in effect on 31 January 1966), comprising the original authorized capital stock of \$1,206,350,000, the increase of \$120,635,000

APPENDIX VIII
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which was approved by the Board of Governors in November 1966 and the further increase of \$1,990,477,500 which became effective in November 1972. As of 31 March 1973, the subscribed capital was \$2,625,862,045.

Of the original and the first increase in capital stock, 50 per cent is "callable" and 50 per cent "paid-in", the "paid-in" portion being payable 50 per cent in gold or convertible currencies and 50 per cent in the currency of the respective member. The further increase in capital stock is 80 per cent "callable" and 20 per cent "paid-in," the "paid-in" portion being payable 40 per cent in gold or convertible currencies and 60 per cent in the currency of the respective member. In lieu of the portion of any instalment paid or payable in the currency of the member, provided such currency is not required by the Bank for the conduct of its operations, the Bank shall accept non-negotiable, non-interest-bearing demand obligations in accordance with Article 6, paragraph 3.

As of 31 March 1973, all matured instalments amounting to \$601,758,745 were paid except \$120,635, representing the fourth instalment due on 25 March 1973 from Fiji which was subsequently paid in April and May 1973. The instalments not due amounting to \$292,846,288 are payable as follows:

- (1) \$120,635 on 25 March 1974 (representing the subscription of Fiji which paid the first instalment on 25 March 1970);
- (2) \$6,031,750 in two equal instalments on 27 July, in the years 1973 and 1974 (representing the subscription of France which paid the first instalment on 27 July 1970);
- (3) \$332,952 in two equal instalments on 31 March, in the years 1974 and 1975 (representing the subscription of Papua New Guinea which paid the first instalment on 31 March 1971);
- (4) \$21,714 in three equal instalments on 29 March, in each of the years 1974 to 1976 (representing the subscription of Tonga which paid the first instalment on 29 March 1972);
- (5) \$12,666,675 in four equal instalments on 14 February, in each of the years 1974 to 1977 (representing the subscription of Bangladesh which paid the first instalment on 14 February 1973);
- (6) The balance of \$273,793,197, representing subscriptions to the further increase in capital stock, is payable as follows:
 - (a) \$273,769,070 by 27 members in three equal instalments on 6 April in each of the years 1973 to 1975;
 - (b) \$27,127 by Tonga in two equal instalments on 6 April in the years 1975 and 1976.

The "callable" capital stock is subject to call only as and when required by the Bank to meet obligations incurred on borrowings or on guarantees.

NOTE D - AMOUNTS RECEIVABLE AND PAYABLE TO
MAINTAIN VALUE OF CURRENCY HOLDINGS

These represent the aggregate amounts receivable and the aggregate amounts payable resulting from changes in par values or provisional rates of member currencies from those previously established or agreed by the members with the International Monetary Fund, or resulting from the adoption by the Bank of central rates or floating rates for the purpose of maintenance of value, under Article 25, of the Bank's holdings of certain member currencies.

NOTE E - SPECIAL RESERVE

From the interest earnings of the Bank on loans made by it from its Ordinary Capital Resources, a commission calculated at one per cent per annum on the outstanding amount of such loans has been credited to a Special Reserve in accordance with Article 16, paragraph 1 and Article 17.

NOTE F - CAPITAL SET-ASIDE FOR SPECIAL OPERATIONS

Pursuant to the provisions of Article 19, paragraph 1(1), the Board of Governors has authorized the setting aside of 10 per cent of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) as of 17 April 1971, to be used as part of the Consolidated Special Funds of the Bank. The resources so set aside, amounting to \$29,575,962 (\$24,516,900 in terms of United States Dollars of the weight and fineness in effect on 31 January 1966), have been allocated and transferred to the Multi-Purpose Special Fund.

NOTE G - NET INCOME AND ORDINARY RESERVE

Under the provision of Article 40, the Board of Governors shall determine annually what part of the net income shall be allocated, after making provision for reserves, to surplus and what part, if any, shall be distributed to the members.

The net income of the Bank for the year ended 31 December 1971, namely \$14,576,493, was allocated to the Ordinary Reserve in terms of the resolution adopted by the Board of Governors at the Fifth Annual Meeting. Similar allocations had previously been made in respect of net income for preceding periods.

During the quarter ended 31 March 1973 an amount of \$7,410,568 was charged to the Ordinary Reserve in connection with the restatement of capital stock amounts following the 13 February 1973 announcement of a prospective new par value of the United States Dollar. This charge represents the portion of the restatement of capital stock that was not offset by amounts receivable for maintenance of value of currency holdings under Article 25 and by increases arising from translation of net assets in other currencies into United States Dollars.

NOTE H - CONTRIBUTIONS TO STAFF RETIREMENT PLAN

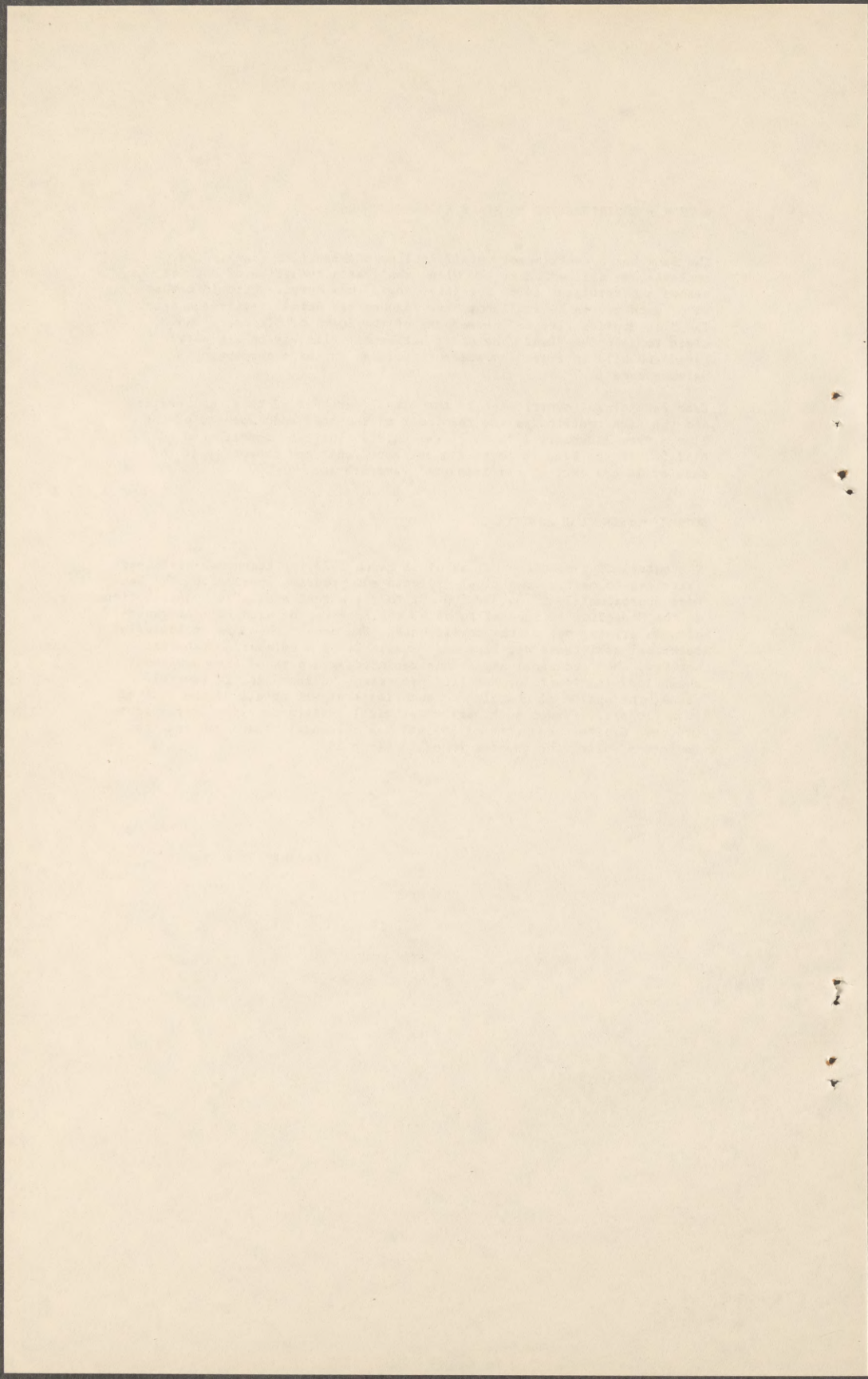
The Bank has a contributory Staff Retirement Plan (the Plan). Every employee, as defined under the Plan, shall as a condition of service become a participant as of the first day of his service, provided that as of such a date he shall not have reached his normal retirement date. The Plan applies also to the members of the Board of Directors who elect to join the Plan. The Staff Retirement Plan assets are segregated and held in trust and are not included in the accompanying balance sheet.

Each participant contributes to the Plan 7 per cent of this remuneration and the Bank contributes the remainder of the cost and expenses of the Plan. From 1 January 1973 to 31 March 1973, the Bank contributed \$157,567 to the Plan to cover its estimated cost and expenses, at the rate of 14 per cent of participants' remuneration.

NOTE I - TECHNICAL ASSISTANCE

The outstanding commitments, as of 31 March 1973 for technical assistance (services to member countries) projects and programs approved by the Bank, were approximately \$ 4,338,000 ; to the extent available, contributions to the Consolidated Special Funds of the Bank may be used to meet expenditures arising out of the commitments. The amount shown is exclusive of technical assistance services made available on a reimbursable basis; however, when technical assistance rendered as a part of the commitment shown leads to loans for specific projects, the Bank has, in several cases, the option of charging to such loans a part or all of the cost of such projects. Under such option technical assistance expenditures from Ordinary Capital Resources of \$97,641 was charged to loans and credited to income during the quarter ended 31 March 1973.

Treasury Department



APPENDIX A

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES

BALANCE SHEET
31 March 1973

Expressed in United States Dollars (Note 2)

	Technical Assistance Special Fund (Note 3)	Agricultural Special Fund (Note 4)	Multi-Purpose Special Fund (Note 5)	Total (Consolidated Special Funds)
CASH IN BANKS	\$ 427,154	\$ 184,480	\$ 4,576,570	\$ 5,388,204
INVESTMENTS	\$ 5,351,408	-	\$ 5,918,144	\$ 11,269,552
Investment obligations - amortized cost (Face amount \$11,345,030)	-	-	28,490,302	28,490,302
Time deposits and certificates of deposit	5,351,408	-	34,408,446	39,769,854
NOTES OF CONTRIBUTION	-	14,470,109	157,758,138	172,228,247
Non-negotiable, non-interest-bearing notes	-	-	-	-
Loans (See Appendix B) [Note 2 (a)]	-	26,023,754	183,624,246	209,648,000
Loans not yet effective, Refundings and cancellations	-	2,336,728	(24,200,100)	(24,200,100)
Exchange adjustments	-	-	1,357,432	6,094,190
Effect of currency fluctuations by bank (including unamortized balance \$144,117,311)	-	28,560,312	180,981,578	189,542,890
ACCUMULATED INCOME	-	126,485	692,301	692,301
On investments	-	-	67,043	193,528
On loans	-	-	759,344	888,829
RESOURCES AVAILABLE	10,853,207	28,560,312	222,046,561	261,462,280
Contributed Resources (See Appendix F)	10,853,207	28,560,312	222,046,561	261,462,280
Less: Administrative costs	10,402,318	27,840,093	177,298,969	215,355,352
Less: Amounts drawn	-	-	109,109	109,109
Accrued Resources [Note 5 (b)]	66,582	-	1,717,962	1,784,542
OTHER ASSETS	26,328,033	844,238,582	405,038,739	635,605,354
TOTAL	\$ 370,497	\$ 116,462	\$ 632,285	\$ 1,119,244
LIABILITIES, UNEXPENDED BALANCES AND CAPITAL				
ACCOUNTS PAYABLE			9,072,000	9,072,000
ADMINISTRATION CHARGE PAYABLE TO ORDINARY CAPITAL RESOURCES [Note 2 (a)]		15,281,728	148,835,583	164,117,311
UNEXPENDED BALANCE OF EFFECTIVE LOANS (See Appendix E)				
Unexpended Balances and Capital				
Contributed Resources (See Appendix F)	\$10,970,238	\$28,560,312	\$222,046,561	\$277,557,820
Contributions committed [Note 2 (c)]	115,031	-	16,499,840	16,614,871
Less: Amounts made available	10,855,207	28,560,312	222,046,561	261,462,280
Set-Aside Resources (See Appendix G) [Note 5 (1)]	(4,497,871)	279,840	28,375,962	28,375,962
Capital set aside and transferred	-	-	-	-
Accumulated net income (expense) (See Appendix C)	-	-	460,837	(3,354,874)
Contributed Resources (See Appendix F)	-	-	-	-
Accrued Resources [Note 5 (b)]	-	-	-	-
Other income transferred from Contributed and Set-Aside Resources	-	-	-	-
Service fee less administrative expenses	-	-	-	-
TOTAL	\$ 370,497	\$ 116,462	\$ 632,285	\$ 1,119,244

The accompanying notes to financial statements (Appendix M) are an integral part of this statement.

APPENDIX B

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES
 Statement of Income and Expenses
 From 1 January 1973 to 31 March 1973
 Expressed in United States Dollars (Note 2)

	Technical Assistance Special Fund	Agricultural Special Fund	Contributed Resources	Multi-Purposes Special Fund	Total
	\$	\$	\$	\$	\$
INCOME					
Investments	51,204	-	87,119	394,799	481,918
From loans	-	65,736	27,588	-	42,829
Interest	-	38,148	18,779	-	27,542
Service fee	4,974	23,243	55,780	-	275,073
From other sources	-	-	-	-	-
GROSS INCOME	56,178	127,127	179,266	648,096	857,362
Service fee less depository banks charges allocated to Accrued Resources	-	(38,052)	(18,633)	(8,350)	38,053
UNALLOTTED GROSS INCOME	56,178	89,074	160,631	639,746	855,415
EXPENSES					
Administrative expenses	6,286	-	-	-	-
Project overhead and other field missions - Consultants	10,083	-	-	-	-
Other administrative expenses - Consultants - Headquarters	-	95	164	213	361,000
Administration Charge (Note 2)	65	-	-	-	357
Depository banks charges	16,436	95	164	213	361,357
Total	32,864	190	338	426	361,357
Services to member countries	262,931	-	-	-	-
Project implementation and other loan-related technical assistance - Consultants	35,185	-	-	-	-
Project implementation/advisory - Consultants	13,799	-	-	-	-
Management services - Consultants	311,915	-	-	-	-
Total	322,820	95	164	213	361,357
GROSS EXPENSES	322,820	95	164	213	361,357
NET INCOME (EXPENSE)	(312,111)	88,979	160,467	639,333	504,038

The accompanying notes to financial statements (Appendix A) are an integral part of this statement.

Treasury Department

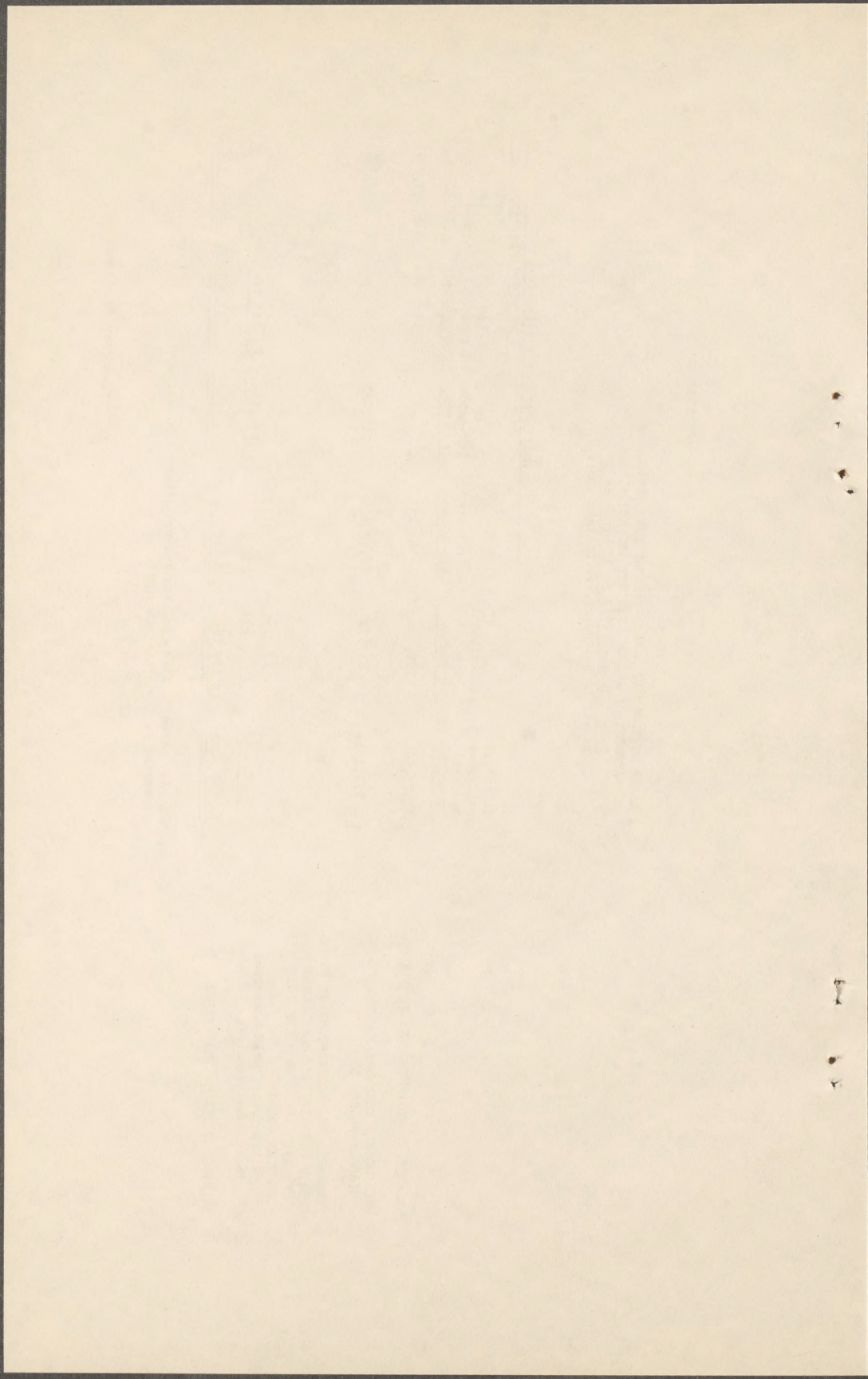
APPENDIX C

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES
STATEMENT OF ACCUMULATED NET INCOME (EXPENSE)
From 1 January 1973 to 31 March 1973
Expressed in United States Dollars (Note 2)

	Multi-Purpose Special Fund					
	Technical Assistance Special Fund	Agricultural Special Fund	Contributed Resources	Set-Aside Resources	Other Income Transferred	Accrued Resources Service Fee Less Administrative Expenses
BALANCE AT BEGINNING OF THE PERIOD	(\$4,425,500)	\$ 192,384	\$ 301,233	\$ -	\$ 2,669,590	(\$ 8,580,036)
NET INCOME (EXPENSE) FOR THE PERIOD (See Appendix B)	(272,171)	88,979	160,487	639,333	-	(295,762)
TRANSFERS OF INCOME PURSUANT TO CERTAIN CONTRIBUTION AGREEMENTS OR THE SPECIAL FUNDS RULES AND REGULATIONS	-	(1,442)	1,442	(639,333)	-	-
Within Contributed Resources To Accrued Resources	-	(61)	(2,325)	-	641,719	-
BALANCE AT END OF THE PERIOD	(\$4,697,671)	\$ 279,860	\$ 460,837	\$ -	\$ 3,311,309	(\$8,875,798)

The accompanying notes to financial statements (Appendix M) are an integral part of this statement.

Treasury Department



APPENDIX D

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES
 STATEMENT OF CHANGES IN FINANCIAL POSITION
 For the Period Ended 31 March 1973
 Expressed in United States Dollars (Note 2)

	Technical Assistance Special Fund	Agricultural Special Fund	Multi-Purpose Special Fund	Total (Consolidated Special Funds)
FUNDS WERE PROVIDED BY				
Operations				
Net income (expense)	(\$ 272,171)	\$ 88,979	\$ 504,058	\$ 320,866
Items not requiring or providing funds (including Administration Charge)	-	(53,977)	248,334	194,357
Funds provided by (utilised for) operations	(272,171)	35,002	752,392	515,223
Contributions drawn (excluding notes of contributors)	291,072	141,427	2,651,365	3,083,864
Increase in contributions drawn as a result of currency revaluations	819,187	3,832,159	19,324,052	23,975,398
Notes of contributors encashed	-	545,455	939,754	1,485,209
Increase in Set-Aside Resources transferred as a result of devaluation of the United States dollar	-	-	2,957,613	2,957,613
TOTAL	\$ 838,088	\$ 4,554,043	\$ 26,625,176	\$ 32,017,307

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	Technical Assistance Special Fund	Agricultural Special Fund	Multi-Purpose Special Fund	Total (Consolidated Special Funds)
FORWARD	\$ 838,088	\$ 4,554,043	\$26,625,176	\$32,017,307
FUNDS WERE UTILIZED FOR				
Loans disbursed	-	1,335,740	2,444,741	3,780,481
Increase in loans disbursed and outstanding as a result of currency revaluations	-	1,783,851	1,015,761	2,799,612
Increase in notes of contributors as a result of currency revaluations	-	2,041,538	17,520,746	19,562,284
Other-net	343,201	(38,574)	937,056	1,241,683
TOTAL	343,201	5,122,555	21,918,304	27,384,060
INCREASE (DECREASE) IN CASH IN BANKS AND INVESTMENTS	\$ 494,887	(\$ 568,512)	\$ 4,706,872	\$ 4,633,247
INCREASE (DECREASE) IN COMPONENTS OF FUNDS				
Cash in banks	(\$ 244,766)	(\$ 568,512)	\$ 1,666,524	\$ 853,246
Investments (excluding accrued interest)	739,653	-	3,040,348	3,780,001
TOTAL	\$ 494,887	(\$ 568,512)	\$ 4,706,872	\$ 4,633,247

The accompanying notes to financial statements (Appendix M) are an integral part of this statement.

Treasury Department

APPENDIX E

ASIAN DEVELOPMENT BANK - SPECIAL FUND RESOURCES
STATEMENT OF LOANS
31 March 1973
Expressed in United States Dollars (Note 2)

Member and Borrower	Loan No.	Date of Loan Agreement	Maturities	Interest Rate (including service fee)	Principal Amount	Loans Not Yet Effective	Refundings and Cancellations	Effective Loans Held by Bank	Undisbursed Balance of Effective Loans
AFGHANISTAN	49 AFG (87)	29 Dec. 1970	1978 - 2000	1½%	\$ 5,150,000	\$ -	\$ -	\$ 5,150,000	\$ 5,145,356
INDONESIA	12 IND (87)	2 Jul. 1969	1976 - 1993	3	990,000	-	100	989,900	-
	13 IND (87)	24 Oct. 1969	1976 - 1994	3	2,400,000	-	-	2,400,000	865,174
	33 IND (87)	5 Jun. 1970	1978 - 1995	2½	10,000,000	-	-	10,000,000	8,605,291
	36 IND (87)	28 Dec. 1970	1978 - 1995	2½	2,700,000	-	-	2,700,000	1,201,165
	63 IND (87)	28 Mar. 1971	1978 - 2000	2½	7,410,000	-	-	7,410,000	6,138,091
	64 IND (87)	28 Mar. 1971	1978 - 1996	2½	3,400,000	-	-	3,400,000	3,248,020
	69 IND (87)	4 Aug. 1971	1978 - 1996	2½	4,600,000	-	-	4,600,000	4,600,000
	81 IND (87)	13 Dec. 1971	1979 - 1996	2½	9,200,000	-	-	9,200,000	8,867,021
	83 IND (87)	13 Dec. 1971	1979 - 1996	2½	7,100,000	-	-	7,100,000	6,800,000
	91 IND (87)	7 Apr. 1972	1979 - 1997	2½	5,300,000	-	-	5,300,000	5,300,000
	92 IND (87)	18 Jul. 1972	1980 - 2002	2½	5,940,000	-	-	5,940,000	5,880,000
	94 IND (87)	18 Jul. 1972	1979 - 1997	2½	2,500,000	-	-	2,500,000	2,500,000
	103 IND (87)	17 Nov. 1972	1980 - 1998	2½	3,400,000	-	-	3,400,000	3,400,000
	104 IND (87)	17 Nov. 1972	1980 - 1997	2½	2,600,000	-	-	2,600,000	2,600,000
	122 IND (87)	28 Feb. 1973	1980 - 1996	2½	5,300,000	5,300,000	-	-	-
KENYA REPUBLIC	32 KEN (87)	15 Jun. 1970	1974 - 1983	3	1,670,000	-	-	1,670,000	1,670,000
KOREA, REPUBLIC OF	90 KOR (87)	19 May 1972	1977 - 1991	3	3,700,000	-	-	3,700,000	3,700,000
LAOS	28 LAO (87)	23 Mar. 1970	1980 - 2009	1½	971,000	-	-	971,000	387,797
	65 LAO (87)	26 May 1971	1976 - 1996	1½	3,370,000	-	-	3,370,000	3,370,000
MALAYSIA	36 MAL (87)	14 Oct. 1970	1977 - 1995	3	3,300,000	-	-	3,300,000	2,917,106
NEPAL	26 NEP (87)	20 Jan. 1970	1977 - 1995	2	6,010,000	-	-	6,010,000	3,649,485
	29 NEP (87)	29 Dec. 1970	1974 - 1982	3	2,000,000	-	-	2,000,000	2,000,000
	59 NEP (87)	29 Dec. 1970	1975 - 1986	3	2,400,000	-	-	2,400,000	2,321,830
	83 NEP (87)	30 Dec. 1971	1979 - 1996	2½	4,500,000	-	-	4,500,000	4,467,630
					\$ 108,013,000	\$5,300,000	\$ 100	\$ 102,712,900	\$ 91,425,271

FOUNDED

APPENDIX E
Page 2

Member and Borrower	Loan No.	Date of Loan Agreement	Maturities	Interest Rate (including service fee)	Principal Amount	Loans Not Yet Effective	Refundings and Cancellations	Effective Loans Held by Bank	Undisbursed Balance of Effective Loans
FORWARD									
NEPAL	102 NEP (SF)	27 Dec. 1972	1978 - 1997	2%	\$109,013,000	\$ 5,300,000	\$ 100	\$ 102,712,900	\$ 91,475,271
	114 NEP (SF)	27 Dec. 1972	1980 - 1998	2	2,700,000	-	-	2,700,000	2,700,000
	117 NEP (SF)	27 Dec. 1972	1978 - 1997	2	8,000,000	-	-	8,000,000	7,902,359
PAKISTAN	100 PAK (SF)	15 Dec. 1972	1977 - 1997	2	12,200,000	-	-	10,100,000	10,100,000
	121 PAK (SF)	22 Dec. 1972	Not fixed ^{1/}	2	6,000,000	-	-	12,200,000	12,200,000
PHILIPPINES	19 PHI (SF)	21 Nov. 1969	1975 - 1994	3	2,500,000	-	-	6,000,000	6,000,000
	61 PHI (SF)	12 Mar. 1971	1975 - 1988	3	1,000,000	-	-	2,500,000	881,642
PAPUA NEW GUINEA	84 PNG (SF)	21 Dec. 1971	1975 - 1987	3	4,500,000	-	-	1,000,000	903,231
	116 PNG (SF)	28 Dec. 1972	1977 - 1997	3	9,800,000	9,800,000	-	4,500,000	4,500,000
SINGAPORE	60 SIN (SF)	28 Dec. 1970	1981 - 1995	3	3,000,000	-	-	3,000,000	3,000,000
SRI LANKA	16 Cey (SF)	6 Nov. 1969	1976 - 1984	3	7,705,000	-	-	7,705,000	4,093,650
	71 Cey (SF)	10 Sep. 1971	1975 - 1981	3	3,100,000	-	-	3,600,000	3,600,000
	115 SRI (SF)	26 Dec. 1972	1978 - 1993	2%	3,100,000	-	-	3,100,000	3,100,000
	118 SRI (SF)	26 Dec. 1972	1978 - 1998	2%	8,000,000	-	-	8,000,000	8,000,000
	123 SRI (SF)	16 Feb. 1973	1977 - 1993	2	2,800,000	2,800,000	-	-	-
VIET-NAM, REPUBLIC OF	48 VIE (SF)	16 Dec. 1970	1976 - 1995	2%	2,500,000	-	-	2,500,000	244,715
	88 VIE (SF)	20 Dec. 1971	1979 - 2001	2%	2,500,000	-	-	2,500,000	2,500,000
	108 VIE (SF)	20 Nov. 1972	1980 - 1997	2%	6,300,000	6,300,000	-	-	-
WESTERN SAMOA	25 SAM (SF)	17 Dec. 1969	1980 - 1999	1%	2,400,000	-	-	2,400,000	355,256
	68 SAM (SF)	10 Aug. 1971	1981 - 2000	1%	330,000	-	-	330,000	159,187
	110 SAM (SF)	12 Dec. 1972	1978 - 1997	1%	2,600,000	-	-	2,600,000	2,600,000
ADJUSTMENT IN UNITED STATES DOLLAR EQUIVALENTS OF LOANS DISBURSED									
					\$209,648,000	\$24,200,000	\$ 100	\$ 189,542,090	\$ 164,117,311
TOTAL					-	-	-	4,094,190 ^{2/}	-

The accompanying notes to financial statements (Appendix M) are an integral part of this statement.

^{1/} Amortisation schedules are agreed upon between the Bank and the borrower for each portion of this loan when each such portion is credited for a specific project.

^{2/} This amount represents the adjustment in United States Dollar equivalents, arising from the changes in the exchange rates used for translation of currencies disbursed and outstanding on loans, and repayable to the Bank in such currencies.

Treasury Department

ASIAN DEVELOPMENT BANK - SPECIAL FUND RESOURCES
STATEMENT OF CONTRIBUTED RESOURCES
31 March 1973
Expressed in United States Dollars (Note 2)

	Contributions Committed During 1973	Total Contributions Committed	Amounts Not Yet Made Available	Amounts Made Available	Amounts From	Resources Available for Project
TECHNICAL ASSISTANCE SPECIAL FUND (Note 3)						
Australia	\$ -	\$ 523,713	\$ -	\$ 523,713	\$ 523,713	\$ -
Austria	-	63,388	-	63,388	-	63,388
Canada	-	200,117	-	200,117	200,117	-
China, Republic of	-	200,000	-	200,000	50,000	150,000
Denmark	-	736,445	-	736,445	736,445	-
Finland	-	114,807	-	114,807	114,807	-
Germany, Federal Republic of	-	269,498	-	269,498	269,498	-
Italy	-	119,387	-	119,387	119,387	-
Japan	-	6,501,374	-	6,501,374	6,501,374	-
Korea, Republic of	-	30,000	-	30,000	30,000	-
Netherlands	-	128,785	-	128,785	58,297	54,790
New Zealand	202,666	384,156	101,333	282,823	121,623	161,200
Pakistan	-	20,267	-	20,267	7,638	16,328
Sri Lanka	-	200,000	-	20,267	20,267	-
Switzerland	-	208,135	-	208,135	199,132	-
United Kingdom	4,672	208,135	-	208,135	199,132	6,985
United States	-	1,250,000	-	1,250,000	1,250,000	-
Total	207,338	10,970,238	115,031	10,855,207	10,462,318	432,889
AGRICULTURAL SPECIAL FUND (Note 4)						
Denmark	-	16,849	-	16,849	16,849	-
Japan	-	27,173,913	-	27,173,913	27,173,913	-
Netherlands	-	1,389,750	-	1,369,750	473,283	896,467
Total	-	28,560,512	-	28,560,512	27,654,045	896,467
MULTI-EUROPE SPECIAL FUND (Note 5)						
Australia	-	12,332,543	-	12,332,543	8,221,695	4,110,848
Denmark	-	27,056,763	-	27,056,763	735,867	26,300,896
Germany, Federal Republic of	-	2,387,756	-	2,387,756	2,387,756	-
Finland	1,576,923	1,576,923	1,051,282	525,641	8,949,435	-
Japan	43,289,855	23,723,107	14,773,672	8,949,435	153,985,407	-
Netherlands	-	153,985,407	-	153,985,407	153,985,407	-
New Zealand	-	1,311,111	-	1,369,750	186,217	1,173,533
United Kingdom	-	1,311,111	555,955	1,369,750	555,556	1,173,533
Total	46,866,778	238,427,070	16,380,509	222,046,561	177,288,842	44,747,882
GRAND TOTAL	\$ 47,076,116	\$ 277,957,820	\$16,495,540	\$261,462,280	\$151,565,338	\$ 46,088,648

The accompanying notes to financial statements (Appendix H) are an integral part of this statement.

Treasury Department

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES
 STATEMENT OF SET-ASIDE RESOURCES
From 1 January 1973 to 31 March 1973
 Expressed in United States Dollars (Note 2)

Capital Set-Aside and Transferred from Ordinary Capital Resources			
Balance at Beginning of the Period	Adjustment During the Period	Balance at End Of the Period	
\$ 26,618,349	\$ 2,957,613	\$ 29,575,962	
CAPITAL /Note 5 (17			

The accompanying notes to financial statements
 (Appendix M) are an integral part of this
 statement.

Treasury Department

APPENDIX H

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES
 STATEMENT OF ACCRUED RESOURCES
 From 1 January 1973 to 31 March 1973
 Expressed in United States Dollars (Note 2)

	Amounts Credited	Service Fee Less Administrative Expenses
BALANCE AT BEGINNING OF THE PERIOD		
SERVICE FEE FOR THE PERIOD LESS ADMINISTRATIVE EXPENSES CHARGED THERETO	\$2,669,590	(\$8,580,036)
TRANSFERS OF INCOME PURSUANT TO CERTAIN CONTRIBUTION AGREEMENTS OR THE SPECIAL FUNDS RULES AND REGULATIONS	641,719	-
BALANCE AT END OF THE PERIOD	<u>\$3,311,309</u>	<u>(\$8,875,798)</u>

The accompanying notes to financial statements (Appendix M)
 are an integral part of this statement.

Treasury Department

Appendix 1

ARMY INFORMATION BUREAU - SPECIAL INVESTIGATIONS
BALANCE SHEET
TECHNICAL ASSISTANCE SPECIAL FUND (Page 3)
Expressed in United States Dollars (Note 2)

	ARGENTINA	AUSTRIA	CANADA	CHINA, RE- PUBLIC OF	DEMARK	FINLAND	FRANCE	GERMANY, FEDERAL REPUBLIC OF	INDIA	ISRAEL	NETHERLANDS	NEW ZEALAND	PAKISTAN	SAUDI ARABIA	SWITZERLAND	UNITED KINGDOM	UNITED STATES
CASH IN HANDS	\$ 117,266	0	0	2,963	0	28,702	0	12,437	0	32,720	0	682	0	0	0	0	0
INVESTMENTS	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
RESOURCES AVAILABLE	-	61,368	-	150,000	-	-	-	-	-	-	-	-	-	-	-	-	-
OTHER ASSETS	1,117,668	80,138	0	110	21,898	-	-	-	-	-	-	-	-	-	-	-	-
TOTAL	1,234,934	141,466	0	152,963	219,698	28,702	0	12,437	0	32,720	0	682	0	0	0	0	0
LIABILITIES AND DEFERRED BALANCE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
ACCOUNTS PAYABLE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
UNRECORDED BALANCE	521,713	61,368	290,117	200,000	739,445	118,407	0	209,498	119,397	6,201,274	30,000	111,087	227,823	24,166	20,287	200,000	1,189,000
CONTRIBUTED RESOURCES	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
RESOURCES AVAILABLE	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
OTHER ASSETS	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	521,713	61,368	290,117	200,000	739,445	118,407	0	209,498	119,397	6,201,274	30,000	111,087	227,823	24,166	20,287	200,000	1,189,000

The accompanying notes to financial statements (Appendix B) are an integral part of this statement.

Treasury Department

APPENDIX J

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES
AGRICULTURAL SPECIAL FUND (Note 4)

BALANCE SHEET

31 March 1973

Expressed in United States Dollars (Note 2)

	Expressed in United States Dollars (Note 2)			Unallocated a/ \$ -	Total \$ 186,480
	Denmark	Japan	Netherlands		
<u>ASSETS</u>					
CASH IN BANKS	\$ 2,295	\$ 40,070	\$ 142,115		
NOTES OF CONTRIBUTOR					
Non-negotiable, non-interest bearing notes	-	14,470,102	-		14,470,102
LOANS (See Appendix E) (Note 2 (d))					
Loans approved	12,437	10,437,359	292,230	15,281,728	26,023,754
Exchange adjustments	2,507	2,486,857	47,594	-	2,536,758
Effective loans held by Bank (Including undisbursed balance \$15,281,728)	14,744	12,924,216	339,824	15,281,728	28,560,512
ACCRUED INCOME					
On loans	165	125,048	1,272	-	126,485
RESOURCES AVAILABLE					
Contributed Resources (See Appendix F)	-	-	896,467	-	896,467
OTHER ASSETS					
	-	509	-	-	509
<u>TOTAL</u>	<u>\$ 17,204</u>	<u>\$ 27,559,952</u>	<u>\$ 1,379,678</u>	<u>\$ 15,281,728</u>	<u>\$ 44,238,562</u>
<u>LIABILITIES AND UNEXPENDED BALANCES</u>					
ACCOUNTS PAYABLE	\$ 355	\$ 106,179	\$ 9,928	\$ -	\$ 116,462
UNDISBURSED BALANCE OF EFFECTIVE LOANS	-	-	-	15,281,728	15,281,728
UNEXPENDED BALANCES					
Contributed Resources (See Appendix F)	16,849	27,173,913	1,369,750	-	28,560,512
Amounts made available	-	279,860	-	-	279,860
Accumulated net income (See Appendix C)	-	-	-	-	-
<u>TOTAL</u>	<u>\$ 17,204</u>	<u>\$ 27,559,952</u>	<u>\$ 1,379,678</u>	<u>\$ 15,281,728</u>	<u>\$ 44,238,562</u>

The accompanying notes to financial statements (Appendix H) are an integral part of this statement.

a/ The unallocated amount will be allocated to specific contributions as and when procurement contracts have been awarded.
The loans may also be financed from the Multi-Purpose Special Fund.

Treasury Department

APPENDIX 2

ASIAN DEVELOPMENT BANK - SPECIAL FUND RESOURCES
MULTI-PURPOSE SPECIAL FUND (Note 5)

As at 31 March 1973
Expressed in United States Dollars (Note 2)

	Contributed Resources					Set-aside Resources		Unallocated (Unutilized) Resources	
	Australia	Canada	Denmark	Finland	Republic of Korea	Japan	Netherlands	New Zealand	United Kingdom
CASH IN BANKS									
Government obligations - certified cash (Note amount \$1,946,117)	24,756	58,324	51,297,756	525,545	234,021	61,136	181,824	553,276	56,703
Time deposits and certificates of deposit	-	-	-	-	6,852,779	-	-	-	-
	-	-	-	-	2,725,279	-	-	-	-
NOTES OF GOVERNMENTS									
Non-negotiable, non-interest-bearing notes	6,452,826	-	-	-	-	151,064,312	-	-	-
LOANS (See Appendix 6) (Note 5(a))									
Loans repaid	1,242,439	-	-	-	2,155,062	2,265,628	12,232	4,281	1,616,746
Loans not yet effective - Refundings	-	695,861	-	-	-	-	-	-	-
Exchange adjustments	264,292	18,148	-	-	412,936	535,937	2,564	-	75,480
Effecting loans sold by bank (Transferring)	1,397,144	714,109	-	-	2,364,426	2,405,285	14,706	4,281	1,646,476
Balance (144,145,755)	-	-	-	-	-	-	-	-	-
ACCUMULATED INCOME									
On Investments	6,418	3,473	-	-	185,817	7,144	-	-	3,646
On Loans	6,418	3,473	-	-	185,817	7,144	-	-	3,646
TRANSFERRED RESOURCES									
Contributed resources (See Appendix 6)	4,110,848	24,300,886	-	-	-	-	-	-	13,162,315
Accrued resources (Note 5(b))	16,108	119	-	-	5,578	26	2,356	-	3,264
OTHER ASSETS									
TOTAL	<u>215,335,110</u>	<u>87,076,520</u>	<u>52,397,756</u>	<u>525,545</u>	<u>29,352,667</u>	<u>255,079,553</u>	<u>51,377,544</u>	<u>555,556</u>	<u>15,902,132</u>
	\$ 11,840	\$ 19,157	\$ -	\$ -	\$ 12,836	\$ 17,741	\$ 132	\$ -	\$ 5,025
ACCOUNTS PAYABLE									
LIABILITIES, OTHER DEBTS									
REVENUE AND CAPITAL									
ADMINISTRATIVE CHARGES PAYABLE TO ORDINARY CAPITAL TENDERERS (Note 5(c))									
UNRECOVERED BALANCE OF EFFECTIVE LOANS									
TRANSFERRED BALANCE AND CAPITAL									
Contributed resources (See Appendix 6)	27,332,543	27,094,765	2,397,756	525,545	8,948,435	155,685,507	1,369,750	555,556	14,883,630
Assets made available (See Appendix 6) (Note 5(d))	-	-	-	-	-	-	-	-	-
Loans transferred (See Appendix 6) (Note 5(e))	-	-	-	-	-	-	-	-	-
Special net gains and transfers	-	-	-	-	-	-	-	-	-
Accumulated net income (expenses) (See Appendix 6)	14,837	-	-	-	396,396	34,355	7,642	-	13,517
Accrued resources (Note 5(f))	-	-	-	-	-	-	-	-	-
Other loans transferred from Contributed resources (Note 5(g))	-	-	-	-	-	-	-	-	-
Service fee less administrative expenses	-	-	-	-	-	-	-	-	-
TOTAL	<u>215,335,110</u>	<u>87,076,520</u>	<u>52,397,756</u>	<u>525,545</u>	<u>29,352,667</u>	<u>255,079,553</u>	<u>51,377,544</u>	<u>555,556</u>	<u>15,902,132</u>
	\$ 11,840	\$ 19,157	\$ -	\$ -	\$ 12,836	\$ 17,741	\$ 132	\$ -	\$ 5,025

The accompanying notes to financial statements (Appendix 10) are an integral part of this statement.

a/ The unallocated amount will be allocated to specific resources as and when government contracts have been awarded. The loans may also be financed from the Agricultural Special Fund.

b/ The eliminations represent effecting amounts due to and due from resources within the Multi-Purpose Special Fund.

Treasury Department

APPENDIX L

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES
 TECHNICAL ASSISTANCE SPECIAL FUND
 STATEMENT OF EXPENSES BY PROJECTS AND PROGRAMS
 From 1 January 1973 to 31 March 1973
 Expressed in United States Dollar (Note 2)

ADMINISTRATIVE EXPENSES

Project appraisal and
 other field missions -

Consultants -
 Bangladesh
 Korea, Republic of
 Sri Lanka
 Tonga
 Western Samoa

Other administrative expenses -
 Consultants - Headquarters
 Depository banks charges

TOTAL ADMINISTRATIVE EXPENSES

SERVICES TO MEMBER COUNTRIES
 Project preparation missions
 and other loan-related technical
 assistance -
 Cambodia
 Afghanistan
 Indonesia

Contributors

A m o u n t s

Water Desalination \$ 31
 Seoul Water Supply 130
 Metropolitan Water Intake 174
 Bowatenna Power 304
 Smanala Wewa Power 590
 Telecommunication Projects 1,549
 Beef Cattle Development 4,497
 (270)
 Total 6,286

Japan 5,845
 Korea, Republic of 4,238
 Australia 10
 Canada 2
 Japan 44
 Switzerland 9
 Total 10,148

16,434

Kama Irrigation 72,079
 Bandung Water Supply 71,816
 Udjung Pandang (Mekassar) Power 12,552
 Total 156,447

FORWARD

Accumulated Expenses Up to 31 March 1973	1/
\$ 6,315	
\$ 5,496	
4,668	
3,532	
19,890	
23,590	
4,497	
8,642	
33,343	
38,106	
8,050	
49	
37	
395	
22	
510	
46,676	
100,012	
117,408	
107,884	
234,982	
72,079	
234,982	
107,884	
327,071	

APPENDIX L
Page 2

		A m o u n t s		Contributors		Accumulated Expenses Up to 31 March 1973 1/	
SERVICES TO MEMBER COUNTRIES (cont.)		FORWARD					
Malaysia Philippines	Sabah Power Development			Japan		\$ 8,513	\$ 297,071
	Angat & Magat Irrigation			India		132,012	
Sri Lanka				Japan		6,052	95,792
				Korea, Republic of		3,196	
				China, Republic of		3,807	146,577
	Urea Fertiliser Plant			Japan		7,003	155,580
	Col. Oya Sugar Industry Rehabilitation			Netherlands		108,253	
	Olao Chemicals			United Kingdom		8,248	
	T o t a l					14,816	131,692
Project implementation/advisory -							678,135
Consultants							
Regional activities	Fiji Development Bank			Australia		5,954	86,862
	Savit Sebarang Oil Palm Estate			Netherlands		(1,781)	34,368
	The Ngem Agricultural Development			Japan		23,407	207,695
	Agricultural Credit			India		5,540	
	T o t a l			United Kingdom		5,605	63,387
						35,185	392,312
Study of the Asian Institute for Economic							
Development and Planning				Japan		623	7,333
Regional Workshop on Irrigation Water							
Management				China, Republic of		4,320	
				India		4,122	4,320
				Japan		4,754	4,122
	T o t a l					13,176	13,176
TOTAL SERVICES TO MEMBER COUNTRIES							
GROSS EXPENSES							
						20,509	20,509
						1,090,936	1,090,936
						\$1,190,975	\$1,190,975

The accompanying notes to financial statements (Appendix M) are an integral part of this statement.

1/ Including only on-going projects

Treasury Department

ASIAN DEVELOPMENT BANK - SPECIAL FUNDS RESOURCES
NOTES TO FINANCIAL STATEMENTS
31 March 1973

NOTE 1 - GENERAL

In 1967 the Board of Directors, pending the adoption of rules and regulations governing the administration and use of Special Funds, established a consolidated account for the administration of resources available under Article 19, paragraph 1(ii) of the Articles of Agreement of the Bank to provide technical advice and assistance serving the purposes and coming within the functions of the Bank.

On 17 September 1968, the Board of Directors adopted the Special Funds Rules and Regulations for the administration of the Bank's Special Funds Resources, pursuant to Article 19, paragraph 4. These Rules and Regulations provide for an Agricultural Special Fund, a Technical Assistance Special Fund, a Multi-Purpose Special Fund, and such other Special Fund or Funds as the Bank might establish or accept. Contributions made by contributors before the adoption of the Special Funds Rules and Regulations and thereafter have been accepted in terms of Article 19, paragraph 1(ii) and have been allocated to the relevant Special Fund in accordance with the Special Funds Rules and Regulations.

NOTE 2 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Unit of Account

The Special Funds Resources financial statements are expressed in United States Dollars.

The term "United States Dollar" means:

- (i) From the inception of the Bank on 24 November 1966 to 8 May 1972 a United States Dollar with a gold content of 0.888671 gram of fine gold, the then prevailing par value established with the International Monetary Fund;
- (ii) From 8 May 1972 to 12 February 1973 a United States Dollar with a gold content of 0.818513 gram of fine gold, the par value established with the International Monetary Fund;
- (iii) From 13 February 1973 a United States Dollar at its prospective new par value of 0.736662 gram of fine gold.

(b) Translation of Currencies

As of 31 March 1973 amounts in currencies other than United States Dollars were translated as described below:

- (i) In the cases of the contributions of Australia, New Zealand, Pakistan, and Sri Lanka, at par values established by these contributors with the International Monetary Fund;

- (ii) In the cases of the contributions of Austria, Denmark, Finland, Federal Republic of Germany and the Netherlands, at central rates excepting that the first two Netherlands contributions of 100,000 Guilders each to the Technical Assistance Special Fund were at market rates used by the Netherlands in making payments of the contributions;
- (iii) In the cases of the contributions of Canada, India, Japan and United Kingdom, at floating rates.

No representation is made that any of these currencies is convertible into any other currency at the rate or rates specified above.

(c) Contributions

Amounts contributed by members are reflected in the financial statements as contributions committed from the date contribution agreements are signed and related formalities are completed. As to those countries which have agreed to consider specific requests for financing (see paragraphs g and p of Note 3), the amounts shown in the financial statements as contributions committed are based on the specific requests approved through 31 March 1973.

(d) Loans

The Balance Sheet and the Statement of Loans show all loans approved by the Bank. Adjustments for loans not yet effective, refundings and cancellations, and exchange adjustments are also shown to arrive at effective loans held by the Bank.

(e) Administration Charge

An Administration Charge to Special Operations was instituted in 1971. The computation of the Administration Charge is based on a formula which takes into consideration administrative expenses and the number and amounts of loans signed. Pursuant to the Special Funds Rules and Regulations, payment of the Administration Charge to Ordinary Capital Resources shall be made solely from accrued resources derived from the service fee levied on special loans. Accordingly, such Administration Charge is charged to the accrued resources in the Multi-Purpose Special Fund.

NOTE 3 - TECHNICAL ASSISTANCE SPECIAL FUND

The contributed resources in the Technical Assistance Special Fund consist of the following (in alphabetical order):

- (a) The Government of Australia, in September 1972, made a contribution of 205,593 Australian Dollars, to be used by the Bank to finance the procurement in Australia of the services of Australian experts and consultants for technical assistance activities. This contribution was in addition to the contribution of 223,214 Australian Dollars made in December 1970 for similar purposes.
- (b) The Government of Austria, in September 1971, made a contribution of up to 1,300,000 Austrian Schillings to be used by the Bank, in a period of two years,

APPENDIX M
Page 3

for any of the purposes specified in Sections 4.02 and 7.01 of the Special Funds Rules and Regulations. In the initial use of the contribution for the purposes mentioned above, and except as the Government may otherwise agree, the contribution shall be applied to financing the cost of Austrian experts and consultants, and of such other Austrian facilities as may be agreed between the contributor and the Bank.

- (c) The Government of Canada, in September 1970, made available to the Bank a grant in Canadian Dollars equivalent to 100,000 United States Dollars as defined in Article 4.1 of the Articles of Agreement of the Bank, for procurement of Canadian goods and services, to be utilized by the Bank for technical assistance activities. This contribution was in addition to the grant equivalent to 100,000 United States Dollars as defined in Article 4.1 of the Articles of Agreement of the Bank, made in November 1968 for similar purposes.
- (d) The Government of the Republic of China, in August 1971, made a contribution of US\$200,000, on an untied basis, to be utilized by the Bank for technical assistance activities. In the initial use of the contribution, due consideration is to be given by the Bank to the employment of suitably qualified experts and consulting firms from the Republic of China and other developing member countries.
- (e) The Government of Denmark, in April 1972, made available to the Bank in cash a grant equivalent to 2,800,000 Danish Kroner to be used by the Bank to finance the employment of consultants, specialists, services and specialized equipment needed to make technical assistance available to Bank members. Of the 2,800,000 Danish Kroner, at least half of the amount should be used only for financing the cost of Danish experts and facilities. The above contribution was in addition to the contribution of 2,250,000 Danish Kroner made in January 1969 for similar purposes.
- (f) The Government of Finland, in December 1970, made a contribution in Finnish currency equivalent to US\$100,000 (of the weight and fineness in effect on 31 January 1966), to be utilized by the Bank for the financing of Finnish consultants and consulting engineers to carry out specific feasibility studies and project analysis in fields of Finnish competence. The above contribution was in addition to the contribution offered in January 1969 for similar purposes under which the equivalent of US\$8,173 was drawn.
- (g) The Government of the Federal Republic of Germany offered to finance in 1968 the services of German consultants and specialists to be utilized by the Bank for technical assistance, and to enable the Bank to plan its requests, indicated that consideration may be given to requests entailing disbursements of up to 160,000 Deutsche Mark in the calendar year 1968. In the calendar years 1969 through 1972, the parties agreed that the technical assistance arranged

in 1968 would continue to be available to the Bank on similar terms and conditions and in an amount of up to 160,000 Deutsche Mark for each of the years 1969, 1970 and 1971 and in an increased amount of up to 400,000 Deutsche Mark for the year 1972.

- (h) The Government of India, in September 1972, made a contribution, as a grant, amounting to 400,000 Rupees for financing the procurement of services of Indian consultants and experts for technical assistance activities. This contribution was in addition to the contributions of 300,000 Rupees made in August 1971 and 200,000 Rupees made in July 1970 for similar purposes.
- (i) The Government of Japan, in November 1972, made a contribution, as a grant, of a sum of 616,000,000 Yen in cash, to be used by the Bank for procurement of services of Japanese consultants and specialists for technical assistance operations, for training of Bank staff and suitably qualified personnel of developing member countries, and for provision of library materials. In view of the forthcoming overall study of the Special Funds, the terms and conditions of the contribution would be reviewed from time to time and could be amended, if necessary, upon the mutual consent of the contributor and the Bank. The above contribution was in addition to contributions of 720,000,000 Yen made in December 1971, 360,000,000 Yen made in June 1970, 72,000,000 Yen made in June 1969, and 36,000,000 Yen made in March 1968 for similar purposes, and a contribution of up to 11,260,000 Yen offered in July 1968 to provide for Japanese expert services to be used by the Bank for technical assistance operations.
- (j) The Government of the Republic of Korea, in August 1971, made a contribution of US\$30,000, on an untied basis, to be utilized by the Bank for technical assistance activities. In the initial use of the contribution, due consideration is to be given by the Bank to the employment of suitably qualified experts and consulting firms from the Republic of Korea and other developing member countries.
- (k) The Government of Netherlands, in December 1972, made a contribution, as a grant, in an amount up to 200,000 Guilders, of which 100,000 Guilders may be used for disbursements arising in the calendar year 1972 in respect of the services of Dutch consultants in technical assistance projects of the Bank, while the remaining 100,000 Guilders may be used for such disbursements arising after 1972. This contribution was in addition to the contributions of 100,000 Guilders made in August 1971 and 100,000 Guilders made in December 1970.
- (l) The Government of New Zealand, in March 1973, made available to the Bank a grant of 150,000 New Zealand Dollars to finance the procurement of the services of New Zealand consultants and

specialists for the widest possible range of feasibility and pre-investment studies and to finance the cost of selected officers of the Bank to undertake familiarization tours in New Zealand. The grant is available to the Bank in amounts of up to 75,000 New Zealand Dollars in each of the two financial years ending 31 March 1973 and 31 March 1974. This grant was in addition to a grant of 150,000 New Zealand Dollars made in November 1969.

- (m) The Government of Pakistan, in October 1970, made a contribution, as a grant, amounting to 200,000 Rupees for financing the procurement of such services of Pakistani consultants and experts as may be required by the Bank in providing technical assistance, conducting feasibility or pre-investment studies, processing loan applications, appraising or implementing projects and training of personnel that may be undertaken by the Bank in the course of its operations.
- (n) The Government of Sri Lanka, in December 1971, made a contribution in an amount of 100,000 Rupees to be used for financing costs incurred in Sri Lanka in connection with the employment of experts and consultants by the Bank from Sri Lanka.
- (o) The Government of Switzerland, in October 1970, made a contribution, as a grant, of US\$200,000 for financing the procurement of the services of Swiss consultants and experts and goods or equipment produced in Switzerland provided it is established that such services, goods or equipment are competitive in terms of quality and cost with those which are available from other sources. In any case in which Swiss services, goods or equipment are not as competitive or are not available, the contribution may be used to finance the procurement in other member countries of services supplied from or goods produced in such countries.
- (p) The United Kingdom has declared its willingness to consider requests for the financing of British technical services and assistance to be utilized by the Bank and to enable the Bank to plan its requests, indicated an amount of £100,000 up to which such requests would be met during the British financial year ended 31 March 1969. The parties have agreed to extend the availability of the technical services and assistance up to 31 March 1973.
- (q) The United States agreed in May 1969 to make available as a grant, for procurement of services from the United States, a technical assistance contribution of up to US\$1,000,000 for carrying out the Regional Transport Survey. The United States contribution for the Survey was made by means of a Letter of Commitment issued to a United States commercial bank against which the Bank drew funds to meet expenditures for the Survey. The above contribution was in addition to a grant of US\$250,000 made available in June

1967 for procurement in the United States of specific kinds of technical assistance.

NOTE 4 - AGRICULTURAL SPECIAL FUND

The contributed resources in the Agricultural Special Fund consist of the following (in alphabetical order):

- (a) The Government of Denmark, in April 1969, made a contribution of 15,000,000 Danish Kroner, in the form of a loan, to the Agricultural Special Fund to be utilized before 1 April 1972. In March 1972, the contributor conveyed to the Bank its decision to terminate further use of this contribution in accordance with the terms of the contribution agreement, and in lieu thereof made a contribution of 15,000,000 Danish Kroner to the Multi-Purpose Special Fund, as mentioned in Note 5(c) below.
- (b) The Government of Japan, in December 1968, made a contribution of 7,200,000,000 Yen for financing special operations of the Bank relating to agricultural development including forestry, fisheries and agriculturally related industries. The contribution is in the form of non-negotiable, non-interest-bearing notes deposited with the official depository of the Bank in Japan and payable to the Bank at par value. The contribution is not available for providing non-reimbursable technical assistance; and except as shall be otherwise agreed between the contributor and the Bank, it shall be used only for procurement in Japan of goods produced in or services supplied from Japan. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (c) The Government of Netherlands, in May 1969, made a contribution of 4,000,000 Guilders to be paid to the Bank in such amounts as requested by it from time to time, for procurement in the Bank's special operations, other than for providing non-reimbursable technical assistance, of goods and services (a) from the Netherlands, (b) from the territories of developing member countries, and (c) from developed countries which have made contributions to any Special Fund (other than the Technical Assistance Special Fund) with procurement conditions not less liberal than those governing this contribution. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.

NOTE 5 - MULTI-PURPOSE SPECIAL FUND

The resources in the Multi-Purpose Special Fund consist of the following (in alphabetical order of the contributors):

- (a) The Government of Australia, in December 1970, made a contribution of 8,705,357 Australian Dollars to be available in three equal annual instalments, the first to be payable in the year which commenced on 1 July 1970, in the form of non-negotiable, non-interest-bearing promissory notes encashable upon request by the Bank. Except as otherwise agreed by the contributor, the contribution may only be used for financing procurement in Australia of goods produced in and services supplied from Australia in the Bank's special operations. It is, however, not available for providing non-reimbursable technical assistance. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (b) The Government of Canada, in December 1968, agreed to contribute Canadian Dollars equivalent, as of the date of the contribution agreement, to US\$25,000,000, to be available in equal instalments in each of the five Canadian fiscal years beginning 1 April 1968. This contribution is to be used for procurement of equipment, services and supplies with a Canadian content as defined from time to time by the contributor, for procurement in developing member countries of the Bank of goods produced in and services supplied from such countries, and for financing local expenditures to an extent and upon conditions agreed between the Canadian Government and the Bank from time to time. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (c) The Government of Denmark, in April 1972, made a contribution in the form of a grant, of 15,000,000 Danish Kroner for the procurement in the Bank's special operations, other than for providing non-reimbursable technical assistance, of goods and services (a) from Denmark, (b) from the territories of developing member countries, and (c) from developed countries which have made contributions to any Special Fund other than the Technical Assistance Special Fund. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories. This contribution is in lieu of a contribution of a like amount made in April 1969, in the form of a loan, to the Agricultural Special Fund, as mentioned in Note 4(a) above.

- (d) The Government of Finland, in February 1973, made a contribution of 6,150,000 Finnish Marks to be available to the Bank in cash in three equal instalments in the years 1973 through 1975. The contribution may be used for financing the cost of procurement of goods produced in and services supplied from Finland. The repayment and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (e) The Government of the Federal Republic of Germany, in October 1971, made a contribution of 64,000,000 Deutsche Mark to be available to the Bank in two instalments of 11,200,000 Deutsche Mark each in October 1971 and September 1972 and two instalments of 20,800,000 Deutsche Mark each in September 1973 and September 1974. In December 1971, the Government of the Federal Republic of Germany supplemented its contribution by a further amount of 2,800,000 Deutsche Mark in cash, increasing the contribution to 66,800,000 Deutsche Mark and the amount made available to the Bank as of 31 March 1973 to 25,200,000 Deutsche Mark. The contribution may be used for financing the cost of procurement in Germany, in other countries which have contributed to the Consolidated Special Funds (other than the Technical Assistance Special Fund) and in developing member countries of the Bank, of goods produced in and services supplied from such countries. However, the contribution may not be used to finance assistance provided on a non-reimbursable basis. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (f) The Government of Japan, in February 1973, made a contribution of 12,000,000,000 Yen for financing special operations of the Bank in important sectors, giving due regard to agriculture. The contribution is in the form of non-negotiable, non-interest-bearing notes deposited with the official depository of the Bank in Japan and payable to the Bank at par value. The contribution may be used for procurement of goods and services in the territories of developed member countries contributing to the Consolidated Special Funds (other than the Technical Assistance Fund) or of developing member countries. It is, however, not available for providing non-reimbursable technical assistance. The repayments may be used for procurement in the territories of members of the Bank of goods produced in and services supplied from such territories. All income derived from the contribution shall be credited to the "Accrued Resources," to be held and administered by the Bank in the Multi-Purpose Special Fund. The above contribution was in addition to contributions of 10,800,000,000 Yen made in December 1971, 10,800,000,000 Yen made in October 1970 and 7,200,000,000 Yen made in November 1969.

- (g) The Government of Netherlands, in July 1970, made a contribution of 4,000,000 Guilders to be paid to the Bank in such amounts as requested by it from time to time, for the procurement in the Bank's special operations, other than for providing non-reimbursable technical assistance, of goods and services (a) from the Netherlands, (b) from the territories of developing member countries, and (c) from developed countries which have made contributions to any Special Fund (other than the Technical Assistance Special Fund) with procurement conditions not less liberal than those governing this contribution. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (h) The Government of New Zealand, in December 1972, made a contribution of 822,370 New Zealand Dollars to be paid in cash in two equal instalments, the first of which will be paid within thirty days after the coming into effect of the agreement and the second on or about 1 April 1973. The contribution may be used in the Bank's special operations for financing the cost of procurement of goods produced in and services supplied from New Zealand and any other costs and expenditures which the contributor may from time to time agree shall be eligible for financing out of the contribution. The contribution, however, may not be used to finance assistance provided on a non-reimbursable basis. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.
- (i) The United Kingdom, in May 1970, made a contribution of 6,000,000 Pounds Sterling to be paid in such amounts as the Bank may request from time to time as may be necessary to enable the Bank to enter into appropriate arrangements for the financing of the Bank's special operations, other than non-reimbursable technical assistance. The contribution may be used for the procurement (a) in the United Kingdom or in developing member countries of the Bank of goods produced in and services supplied from the United Kingdom, (b) in developing member countries of the Bank of goods produced in and services supplied from those countries, and (c) in such countries, as in the opinion of the Bank and the contributor, have made contributions to any Special Fund of the Bank (other than the Technical Assistance Special Fund) on conditions relating to procurement not less liberal as a whole than those governing this contribution, of goods produced in and services supplied from those countries. The repayments and net income of the contribution may be used for procurement in the territories of members of the Bank of goods and services produced in such territories.

- (j) Pursuant to the provisions of Article 19, paragraph 1(i) the Board of Governors has authorized the setting aside of 10 per cent of the unimpaired "paid-in" capital paid by members pursuant to Article 6, paragraph 2(a) as of 17 April 1971, to be used as part of the Consolidated Special Funds of the Bank. The resources so set aside, amounting to \$29,575,962 (\$24,516,900 in terms of United States Dollars of the weight and fineness in effect on 31 January 1966), have been allocated and transferred to the Multi-Purpose Special Fund.

Article 4, paragraph 1, defines the capital stock of the Bank in terms of United States Dollars of the weight and fineness in effect on 31 January 1966, namely, with a gold content of 0.888671 gram of fine gold. Accordingly, following the 12 February 1973 announcement of a new prospective par value of the United States Dollar at 0.736662 gram of fine gold, capital set aside pursuant to the provisions of Article 19, paragraph 1(i) was restated to consistently present such amount in United States Dollars.

- (k) The term "accrued resources" refers to the resources derived from the service fee charged by the Bank in its special operations for the purpose of Section 7.01 of the Special Funds Rules and Regulations and to other income of the Bank derived from Special Funds Resources credited, held, and administered by the Bank in the Multi-Purpose Special Fund pursuant to Section 5.03 of the Rules and Regulations.

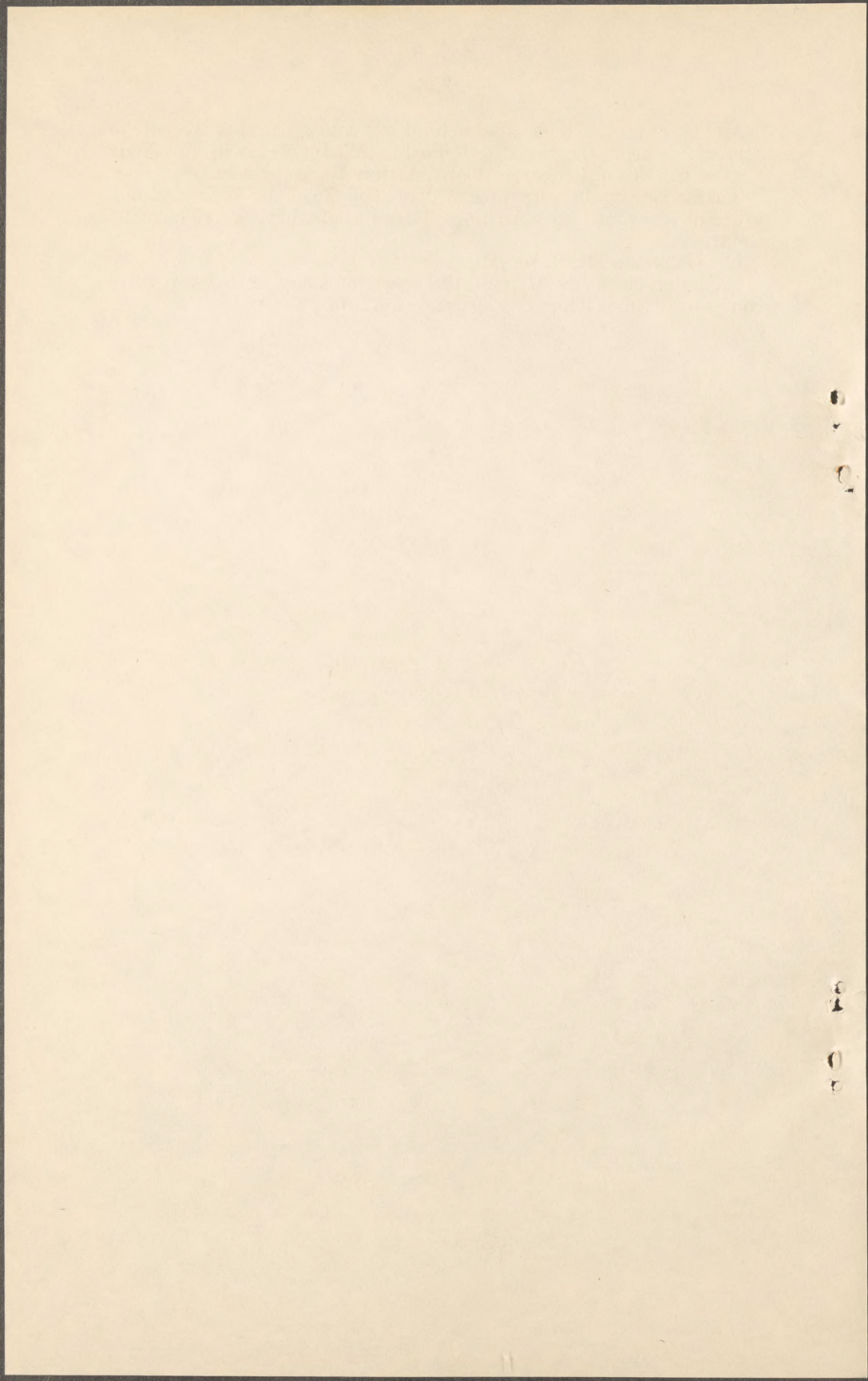
Treasury Department

Mr. GONZALEZ. I must also remind my colleagues that we will resume our hearing the day after tomorrow, Wednesday, with the Chairman of the Federal Reserve Board, Arthur Burns present.

Thank you again very much, Professor Gardner. We are deeply grateful for what I consider to be the most valuable help we have had so far.

Mr. GARDNER. Thank you, sir.

[Whereupon, at 12:07 p.m., the subcommittee was recessed to reconvene at 10 a.m. Thursday, December 6, 1973.]



PROVIDING FOR ADDITIONAL U.S. CONTRIBUTIONS TO THE ASIAN DEVELOPMENT BANK AND THE IN- TERNATIONAL DEVELOPMENT ASSOCIATION

THURSDAY, DECEMBER 6, 1973

HOUSE OF REPRESENTATIVES,
SUBCOMMITTEE ON INTERNATIONAL FINANCE
OF THE COMMITTEE ON BANKING AND CURRENCY,
Washington, D.C.

The subcommittee met, pursuant to recess, at 10:15 a.m., in room 2128, Rayburn House Office Building, Hon. Henry B. Gonzalez [Chairman of the subcommittee] presiding.

Present: Representatives Gonzalez, Moorhead, Young, Stark, Stephens, Johnson, Stanton, Frenzel, Conlan, and Burgener.

Mr. GONZALEZ. The subcommittee will come to order and we apologize for the confusion but it wasn't anticipated until late yesterday that the House would be in session at 10 o'clock in order to provide 6 hours of consideration of using the historical 25th amendment for the first time. We will endeavor to be prompt and to the point so that we can meet the time deadline of 11:30 for you, Mr. Rockefeller.

We will proceed with the two distinguished gentlemen who have been gracious enough to come in this morning, David Rockefeller and Dr. C. Fred Bergsten. We thank you and you may proceed according to your judgment. If you have a prepared text and you wish to read it, it is fine with us. If you wish to summarize it, it is also fine with us.

We will have other members of the subcommittee coming in later. Some are still taking the quorum call, some are on their way.

STATEMENT OF DAVID ROCKEFELLER, CHAIRMAN OF THE BOARD, THE CHASE MANHATTAN BANK

Mr. ROCKEFELLER. Thank you, Mr. Chairman. If you won't object, the text isn't very long and I think it does summarize rather accurately my feelings on the subject.

Mr. GONZALEZ. Fine.

Mr. ROCKEFELLER. Therefore if you won't object I will read the text.

Mr. GONZALEZ. Fine. I think that is a good idea.

Mr. ROCKEFELLER. My name is David Rockefeller and I am chairman of the board of the Chase Manhattan Bank.

I want to thank the chairman and members of the subcommittee for inviting me to testify today. I am pleased to have the opportunity to present my views in support of the measures you are

considering regarding funding of international development lending institutions. Specifically, I hope the authorizations requested by the administration of \$1.5 billion as the United States contribution toward the fourth replenishment of funds for the International Development Association, and of \$50 million for the Asian Development Bank Special Fund will be approved by Congress.

Chase Manhattan is an international financial services corporation with a presence in 92 countries, many of which are member countries of the World Bank and the International Development Association. From the perspective of my Chase experience, I plan to speak today on the continuing importance of these agencies, as well as the Asian Development Bank.

The international business community, of course, embraces many differences of opinion. Also, it benefits from the intense competition that energizes the worldwide market system. Thus, international companies are the vehicles, as well as beneficiaries, of the great economic progress of the postwar period. We are part and parcel of an interdependent global economy that has in a generation brought the greatest prosperity in history to half of mankind—and holds the potential for a rapid broadening of that prosperity to the other half.

The key to this change is cooperation. The tremendous surge of economic growth since the end of World War II has depended, first, on a stable monetary system and, second, on a remarkable degree of adherence to the principle of freer trade and capital flows. Both these elements have been supported by the governments of many nations acting out of enlightened self-interest and an understanding of the benefits of international economic cooperation.

These pillars of economic strength have not gone unshaken. That would be too much to expect. But nations around the world have recognized the huge advantage of an outward-looking, world-oriented economic policy, as against the shortrun gains of economic nationalism. Repairing the monetary system and continuing to liberalize trade and capital flows will take a maximum effort at cooperation.

So will meeting one of the most serious challenges of our era, the economic development and social advancement of the nonindustrialized countries.

I am sure that most in the international business community share this view. I am also hopeful they share my conviction that effective cooperation means three things:

First, industrialized nations must shoulder a reasonable share of the burden of development. Even though it is generally agreed that the internal resources of a nation are far more important to that nation's development, external aid provides a crucial supplement.

Second, everyone must recognize that external aid is a "burden" only in short run, because the advancement of the less developed countries brings expanding markets and investment opportunities—economic benefits that must accrue, in the longer term, to all.

Finally, each type of external aid—government-to-government grants, direct private foreign investment, loans from institutions like IDA—plays a special role in the development process. All are needed, but each should be appraised on the basis of how well it is playing its particular role.

In making a case for participation of industrialized nations in development activities outside their borders, one is tempted to look for new, appealing lines of thought that might provide some overlooked insight—but there are none. The responsibility exists for the simple and compelling reason that the political stability and also the economic health of the world depends on such participation—in the near and long term.

In recent years, the United States has increasingly shied away from its share of this responsibility, in large part because of some oversimplifications and outright myths that have gained currency. I would like to discuss just a few of the more important of these.

Aid programs have been wasteful, some say, so we should not throw good money after bad. Unquestionably, waste occurred and mistakes were made in the early years of various aid programs. But the world was embarking on an enterprise about which it knew virtually nothing. Now, institutions like the World Bank and IDA have learned a great deal from experience. It would be tragic if we were to pull back from this commitment, just when our help is becoming more and more effective.

Others cite the fact that some developing countries have taken extreme political turns unfavorable to U.S. policy.

Indeed, this is true, but it is a poor excuse for abandoning aid programs. The vast majority of LDC's are not political antagonists. Moreover, wherever they stand on the political spectrum, the developing countries are more likely to be drawn into the orbit of the international market economy by the economic intercourse generated by various aid mechanisms.

Still others claim we cannot afford costly aid programs because we have serious economic problems of our own and have domestic priorities to concern ourselves with.

We do have ongoing economic difficulties, and we have yet to demonstrate sufficient concern with solving social problems at home. But we should not deceive ourselves that these are valid reasons for avoiding our development responsibility, which constitutes a relatively modest demand on our economy.

The target set by the United Nations Strategy for the Second Development Decade for official development assistance from the industrialized nations was 0.7 percent of GNP by 1975. Actually, aggregate development assistance from industrialized nations will reach only about half that goal in 1975. Yet, even the target represents only a tiny fraction of the annual increase in GNP enjoyed in the current era by the advanced countries.

The members of this subcommittee, of course, are well aware of the fact that the United States is among the poorest performers against the U.N. target. One would think that our position as economic and political "superpower" would dictate that we be in the lead. But many continue to feel that we cannot afford to divert even a small percentage of the growth of our vast resources to an effort that I feel is indispensable to our own future.

This notion took firmer hold during the period when our involvement in the Indochina conflict, monetary instability, and an unfavorable balance-of-payments picture gave it psychological impetus as well as some economic plausibility. I am hopeful—with the war over, with

a strengthened dollar and movement toward a new monetary structure, and with the recent positive turn in the U.S. payments position—that this thesis will have less support.

Finally, the argument has been made that the developing nations must ultimately rely on themselves. So, therefore—the rationale goes—they might as well rely on themselves altogether.

This argument seems to carry weight until one realizes that it is founded on a basic misunderstanding of the role that external aid should play.

Assuredly, no nation will develop unless its government is development oriented and its people willing to accept changes that aim at development. As a result of these two conditions, such a country will be able to save and invest a reasonable portion of its national income. No amount of external aid flowing from the developed countries can be expected to substitute for this.

But there are times when a country may need outside capital to act as a catalyst for further development. There are times when a poor harvest of an export crop may result in a sharp setback, making credits from abroad necessary to maintain development momentum. Under such conditions, a key resource that might give rise to many new economic activities may go undeveloped without foreign private investment.

International institutions like IDA may be the only dependable source of the carefully planned, comprehensive assistance the least developed countries need to make the most effective use of their own resources.

In this context, it is disappointing, to say the least, that official development assistance from the advanced countries, as a percent of the GNP aggregate involved, declined last year, compared to 1971, while the flow of private resources remained about the same.

Many of the developing countries are making encouraging progress, but the poorest among them are making virtually no progress. As Robert McNamara pointed out in his World Bank report at Nairobi last September, a disparity now exists within the more advanced of the LDC's. In some of these countries, one segment of the population is fortunate enough to be in the growing sector of the economy; and another segment, generally rural, is receiving almost no benefit. Mr. McNamara emphasized that some 800 million people still live in what he called "absolute poverty"—a condition of total degradation, which I don't feel our country can tolerate.

In the face of a continuing challenge of this gravity, our responsibility should be clear. The second point I'd like to touch on today is that our relations with the developing nations should be viewed increasingly as an opportunity as well as a responsibility.

For example, the United States is the largest trading partner of the countries of Latin America taken as a whole. In an increasingly resource-scarce world, the LDC's hold vital mineral resources as well as virtual monopolies on various agricultural commodities. As Secretary Shultz noted in his testimony to this subcommittee last month, the developing countries provided a market in 1972 for \$14.6 billion in U.S. goods and services, a figure that will steadily grow with the expansion of their economies and our own.

These facts should be enough to persuade one of the direct economic benefit for the United States, along with the rest of the world, which could derive from LDC development. In an interdependent global economy, one would have to work very hard, indeed, to find ways of refuting the mutually beneficial result of more rapid economic growth of half the world, brought about by accelerated assistance from the other half.

In focusing on my final major point, I should say that I believe all the major sources of external assistance to the LDC's are essential.

Here, however, it is important only to discuss the proposals for sharing in the funding of the International Development Association and the Asian Development Bank. To favor these measures, one must accept the basic concept that assistance is important; one must be free of the many myths about aid; and one must scrutinize the role of the international development lending institutions as a part of the total development aid picture. One need not, however, be prepared to accept every provision and title of the next aid bill.

IDA and the Asian Development Bank have their own goals and records. It is at their usefulness and achievements—set against U.S. policy objectives—that one must look to decide whether the funds requested are warranted.

The concessional lending capability of both IDA and the Asian Bank Special Fund is a compelling necessity in the period ahead, in particular, because of the increasing burden of external debt and debt service on some of the developing countries.

Many of the 81 countries in this category have been able to avoid serious debt problems, and many will continue to do so, especially those with rising export earnings.

Many others, however, will encounter mounting difficulty. The total external debt obligation of the 81 nations at the end of 1971 had grown nearly 64 percent over 5 years. Debt service rose substantially in the same period.

Some nations are straining at the limits of their borrowing capacity. As one might expect, these are the nations, like India, most in need of external assistance. There is little hope for them to obtain the kind of special help they require from sources other than the international development lending institutions, given trends toward a reduced role for bilateral lending and toward harder terms. For those relatively few nations in need of substantial concessional borrowing, IDA and the Asian Bank Special Fund are indispensable.

More broadly, both institutions have a critical role to play in the near future as sources of concessional debt financing of development efforts in the LDC's as a whole that will benefit the world's poorest people. Both have outstanding records that demonstrate their ability to meet this challenge effectively.

Five years ago, the World Bank set several major targets for 1969 through 1973 that would shift the agency's emphasis toward the poorest of the LDC's, toward the poorest segments of the populations of the more advanced of the LDC's, and toward those comprehensive approaches—in agriculture, urban development, education and other areas—that would place a premium on social advancement alongside economic growth. This was a significant change for the Bank as a whole. Certainly such a focus would not have been possible without the concessional lending capacity provided by IDA during these years.

During the period involved, the Bank's total lending to the poorest 28 countries—those with per capita annual incomes of \$120 or less—rose dramatically, but IDA provided some \$2.8 billion in these funds as against \$842 million from the Bank proper.

In east Africa, where 11 of the Bank's 16 member countries are in this poorest category, IDA creditors tripled for the past 5 years compared to the previous 5. The shift in the Bank's emphasis accompanied this increase, with lending for agriculture up 10 times over the figure for 1964–68 and credits for education more than doubled.

Typical IDA projects include one in Malawi that should raise the incomes of about 16,000 farm families tenfold through sharply focused assistance to small farm productivity and crop diversification. Another involves the establishment of community education centers in rural Tanzanian villages that will offer practical education and adult literacy training and test the results of both.

I subscribe entirely to Robert McNamara's view that the 40 percent of the population of the LDC's who live in "absolute poverty" must be the beneficiaries of development efforts in the immediate future. This places a heavy burden on the governments of the LDC's to give a higher priority to social equity in the process of economic development. It also adds an element to the responsibility of the developed nations to insure as much as possible that the tools needed for this difficult task are provided.

One essential tool is IDA, whose funding capability will run out on June 30, 1974. In his testimony, Secretary Shultz pointed out that, while the U.S. contribution to the replenishment of IDA funds presently under consideration is higher in dollar amount than the last, the U.S. share as a percent of the total is lower. This contribution, therefore, represents simply a continuation of a modest commitment to a proven vehicle for a critical aspect of development—on which, if anything, far more emphasis should be placed in the current period.

The Asian Bank Special Fund is another essential, and proven vehicle. The Asian Bank proper, like the other regional development banks, has long provided a major complement to the global efforts of the World Bank, especially as the sponsor of projects that benefit the entire region. Its Special Fund is a recent addition that complements the work of IDA as a source of concessional loans. United States participation in this Fund would be a vital contribution to the much-needed focus on special aid to the neediest segments of the world's population.

At the outset, I said that my perspective would be as a businessman whose company operates around the world in many of the same nations as the World Bank, IDA, and the Asian Development Bank. In 25 years as a banker, I have had a chance to observe the international development lending institutions grow and falter, make mistakes and learn from them. I believe they have matured into financial institutions that can employ the funds available to them as effectively as many private corporations—and better than some, given their quite different objectives.

In particular, the role that IDA will play in the World Bank's plans for the next 5 years warrants our attention. The Bank is embarking on an ambitious program of aid to the poorest 40 percent of the people of the developing countries through a strategy for rural development. IDA will, of course, be at the center of this strategy.

Whatever one thinks of responsibility to aid in development, and however uncertain one may be of the economic benefits to others and progress in the LDC's, one must concede the proven ability present in the international development lending institutions to perform. One must acknowledge the decisive special importance of IDA and the Asian Bank Special Fund at this time in history. The measures presently before you deserve favorable action on this minimum basis alone.

Perhaps it will be possible to work backward from this affirmation of a commitment to show, by the success of agencies like IDA, the significance of other assistance efforts. Further retreat by the United States from a commitment to the developing countries must be prevented. Without a major role being played by the world's largest industrialized economy, the prospects for their continued economic development and social advancement will be considerably reduced. The consequences of this could be dangerous and tragic for the entire world.

Moreover, the spectre of the world's richest country reneging on an agreement to help the poorest—as happened when the United States fell delinquent in its payments under the last replenishment of IDA funds—should be as shocking to every American personally as it is embarrassing to us as a nation. We have been highly critical of the failure of others to meet international obligations, such as payments to the United Nations. We can help dispel the criticism that has been leveled at us for our own past dereliction by assuming our fair share of the future responsibility to IDA and the Asian Special Fund.

I for one would hope to see the United States take up the leadership in meeting the challenge of development, not only as a responsibility—which it most certainly is—but as a great unfulfilled economic opportunity of our generation, with incalculable benefits for the whole of mankind. Short of this, passage by Congress of the authorization for IDA and the Asian Bank represents one indispensable aspect of continued American participation in the development process.

Thank you, sir.

Mr. GONZALEZ. Thank you very much, Mr. Rockefeller, for a most timely and helpful statement.

To my colleagues I would like to say we are trying to arrive at an 11:30 deadline for Mr. Rockefeller. He expresses a desire to hear Dr. Bergsten's presentation, so if there is no objection, we will proceed with Dr. Bergsten and then go into the question period.

STATEMENT OF DR. C. FRED BERGSTEN, SENIOR FELLOW, BROOKINGS INSTITUTION

Dr. BERGSTEN. Thank you, Mr. Chairman.

In my view, the proposed U.S. participation in the fourth replenishment of funds for the International Development Association (IDA), and expansion of the special funds of the Asian Development Bank (ADB), must be judged within the context of the dramatic changes which have transformed the U.S. position in the world economy within a very short period of time. The keynotes of that new U.S. position are dependence and competition.

Until quite recently, most Americans regarded our country as free to operate largely independent of external events. Now the energy crisis has brought crashingly home how dependent we have come to be. The energy crisis, however, is not an isolated event. The United States already depends on imports for over half its supply of 6 of the 13 basic raw materials, and projections by the Department of the Interior indicate that the number will rise to 9 a decade hence.

Our dependence ranges far beyond raw materials. Almost 5 million U.S. jobs depend on exports. Our battle against inflation depends critically on imports of a wide range of manufactured goods and foodstuffs, as well as raw materials. A large and rapidly growing share of total U.S. corporate profits derive from foreign investments, and earnings on those investments are a major source of strength for the dollar and our balance of payments. So dependence on the world economy has become a vital new element of the internal American picture.

Until quite recently, most Americans also viewed the United States as internationally omnipotent, in two senses. First, we regarded ourselves as the most productive and efficient economy in the world, with unchallenged competitive superiority. Second, we thought we could unilaterally prompt any needed changes in international economic arrangements.

Both views are now clearly relics of the past. Per capita income in several European countries matches our own, and Japan will be there soon. U.S. international monetary reserves, relative to the level of our international transactions, are among the lowest of the industrialized countries and are far lower than the equivalent ratio for many developing countries. Germany and Japan have run far larger trade surpluses than ever achieved by the United States. A series of events in the last 2 or 3 years, both at home and abroad, have clearly demonstrated that we can no longer force changes that we want in international monetary and trading arrangements. In short, active competition among near equals—here I refer mainly to Western Europe and Japan—has replaced U.S. dominance as the power base of the world economy.

Both new determinants of U.S. foreign economic policy—dependence and competition—are central to the focus of these hearings, U.S. relations with the developing countries. In a recent article, I outlined in detail how many developing countries could use their new leverage to hurt U.S. interests. They could drive up our prices of raw materials through cartelization and hence further exacerbate our internal inflation, or even deny us those materials. They could take over our investments, or at least sharply increase their take—and reduce ours—from both existing and new investments. They could deny us markets. They could block changes which we seek in the international monetary and trading rules and institutions, both of which are now up for renegotiation.

The developing countries could take such steps against the industrialized world as a whole. Or they could use their leverage against the United States alone, playing on the United States-Europe-Japan economic competition of the present as they played on the United States-U.S.S.R.-China political competition in the past, perhaps simply by giving our major economic rivals preferred access to their out-

put or markets. They can thus hurt U.S. national interests both directly and indirectly.

Until recently, few people recognized the seriousness of these threats. Four factors have made them very real:

First, inflation and shortages of supply have replaced unemployment and shortages of demand as the dominant forces in the world economy for the first time in over 40 years. For the short run to be sure, the oil embargoes do raise again the specter of recession. Even that would be coupled with excessive inflation, however, and as I look to the longer run I am afraid that inflation has replaced unemployment as perhaps the dominant economic problem in the industrial world. That being so, the power balance has thus shifted from purchasers toward suppliers, particularly of raw materials but also of manufactured goods—witness the unilateral cuts of import barriers and currency up valuations by country after industrialized country to fight inflation in the last 2 years.

Second, the end of the cold war has removed the security blanket and ideological rigidities which kept individual developing countries tied to individual industrialized countries, particularly the United States, for security reasons.

Third, the development progress of many countries in the Third World, while far from satisfying fully their aspirations, has brought them both new indigenous talent to carry out bolder policies and the self-confidence to actually do so.

Fourth, the success of OPEC in oil has provided a dramatic demonstration of the potential for strong, concentrated Third World action; indeed, the beginnings of similar action can already be detected at least in copper and coffee and perhaps in other commodities as well.

OPEC has carried out many of the steps noted above. It has boosted oil prices astronomically. Many of its Arab members have now effectively denied supplies, and favored certain consuming countries over others. Some of its members have steadily expropriated foreign-owned companies.

While the oil situation itself must be the focus of policy attention at the moment—and I don't want to address that—we must recognize its far broader implications for the longer run. In my view, similar action with regard to other commodities by other countries is in some senses more likely than could have been expected from OPEC:

A successful OPEC required close collaboration among a relatively large number of countries. Effective cartelization would require fewer countries for a number of key commodities.

The disparity between the highly sophisticated, rich, and technologically advanced companies and the "backward producers" seemed far greater in oil than it now appears for most other commodities.

The national economies of most of the OPEC countries relied heavily—or even solely—on oil, whereas potential cartelizers of some of the other key commodities are more diversified and, therefore, could take the greatest risk in trying to increase their returns from a particular commodity.

It is true that the major Arab oil producers were united in their antagonism toward Israel. But the cartel could exist only with cooperation from non-Arab countries, including such a staunch friend of Israel—and enemy of Iraq and Kuwait—as Iran. There are even sharp

differences among the Arabs. Between conservative Saudi Arabi and, before 1969, Libya and radical Iraq, and after 1969, Libya, to the extent that two of the most radical states, Iraq and Libya, are not "cooperating" in the production cutbacks even at the present time. By contrast, there are few if any sources of hostility among the potential cartelizers of, for example, tin—Malaysia, Thailand, Bolivia—or bauxite—Jamaica, Surinam, Guinea, perhaps Australia. It is by no means clear that similar patterns to cartelize particular raw materials are less likely to emerge in other key commodities than in oil and indeed on the other issues which I have mentioned, which could represent a real threat to American national interests.

Perhaps the broadest lesson to be learned from the oil situation is the reminder that countries will adopt extreme—even wholly irrational—policies when frustrated repeatedly in achieving their most cherished aspirations. Fortunately, the aspirations of most countries in the Third World focus on economic and social development rather than territorial gains. But they could well adopt policies similar to those of OPEC if their aspirations are frustrated, and the United States thus has a major interest in helping them achieve their developmental goals.

There are three broad classes of U.S. response to these threats. One is simply to accept whatever happens. The second is retaliation. The third is preemption, which takes primarily economic form. Passive acceptance can be very costly, as we had seen in oil even before the recent production cutbacks triggered abject appeasement throughout the world and turned the issue into a security problem. To be sure, the costs of a new producer cartel for tin or expropriations by a few developing countries might be far less. But they could exact a cost, and policy must compare those costs, weighted by the probability that they will actually occur, with the costs of action to deal with them, weighted by the probability that it would do so effectively.

Economic retaliation may in some instances be an effective response and the risk of economic retaliation an effective deterrent, depending on the vulnerability of the country concerned on a wide range of criteria. At a minimum, new international rules are needed to bring the whole issue of export controls under international surveillance, and to provide for international sanctions against unjustified acts.

The history of economic sanctions is replete with failures, however, and their effectiveness as a general proposition is highly dubious. In addition, their use would, of course, generate sizable costs of its own, in terms of adverse political relationships around the world.

Any mode of retaliation implies acceptance of the costs of the triggering action for a transitional period, which could be rather long. So retaliation is not a very attractive option.

In principle, preemption thus looks like the best approach. The trick is (a) how to convince policymakers to take the long-term view needed to do it, which has been the effort in this statement until now; and (b) to figure out how to do it. This brings us directly to the topic of these hearings.

The primary motivation for countries to undertake the kinds of action cited above would usually be economic: A desire for increased foreign exchange earnings, reduced unemployment, diversification of their economies, limiting foreign interference with their internal de-

cisionmaking, and increased weight in international councils. Security concerns will occasionally enter into their calculations directly, but oil is probably an exception in this area.

Action to preempt the threat from the Third World, including its threat to the U.S. position vis-a-vis Europe and Japan, should thus focus on helping developing countries meet these needs in alternative ways. Such alternatives represent sound U.S. policy if their costs to us are less than the costs of the actions which are preempted.

There are a number of such policies which I would propose.

One of the most important is U.S. cooperation in—indeed, leadership of—a sizable and steady increase in the lending capacity of the international financial institutions, such as IDA and ADB.

Three or four policy issues have become crucial to relations between the industrialized countries and the developing countries as a whole. In the trade field, it is generalized tariff preferences. In the monetary field, it is the “link” between reserve creation and development assistance. In the foreign assistance field, it is both the level of a country’s aid as outlined by Mr. Rockefeller, and its contributions to the international lending institutions. On every one of these issues, the United States has lagged behind virtually every other industrialized country in recent years. In fact, Japan and most European countries have steadily catered to the Third World on precisely these issues. A failure to reverse that performance runs the serious risk of accelerating, rather than preempting, the likelihood of actions adverse to U.S. interests.

Contributions to IDA and the ADB are an essential element in such a strategy. These institutions have now become the biggest single source of development finance. Their money is not tied to procurement in particular donor countries, and hence provides at least 10 to 30 percent more development per dollar than does most bilateral aid. They encompass fewer restrictions and obviate the most sensitive political problems of donor-recipient relations; hence, they are the kind of assistance which is sought by the developing world. The developing countries feel they have an important voice in their management. A successful IDA will go far toward meeting the aspirations of the Third World, and hence preempting the onset of frustration, which could prove exceedingly costly to U.S. interests.

In addition, IDA and the regional lending organizations provide an institutional framework within which effective relations can evolve between the industrialized world and the developing countries. The rules and institutions which governed the monetary and trading systems during the first postwar generation, embodied in the IMF and GATT, have collapsed, and we do not know what will take their place. As a result, relations among the industrialized countries have deteriorated markedly. Fortunately, however, the international lending institutions—which are the chief forums in which the industrialized and developing countries now meet on key operational issues—have flourished.

The United States has a major stake in such institutional arrangements. In view of our deep involvement in the world economy, we badly need an international economic order which will provide a stable and predictable basis for international economic policies and trans-

actions. In view of our continued world leadership, we need an economic order which will promote the course of peace.

In addition, it is extremely important to us that other countries meet their international obligations. As indicated earlier, we want the developing countries to supply us with raw materials at reasonable prices, honor our investments, and provide us with markets. But history shows that countries are far more likely to fulfill their obligations in a world of effective international rules and institutions, wherein both we and they are held accountable for any actions we take which deviate from accepted norms. U.S. leadership on such institutional issues is critical, because we remain by far the largest single country; and because of our historical role in promoting the development of international institutions—and, I might add, because of our failure in recent cases to carry out our obligations under international rules—it is very important for the United States to get back on that track and display the kind of leadership which we should have in the past.

The United States thus has a very direct national interest in the further success of IDA and the regional development banks. Indeed, its IDA role provides the United States with a unique opportunity to start restoring its relationship with the Third World. As IDA's largest and lately most recalcitrant donor, every dollar which we are willing to contribute raises total IDA funding by three times as much. This is because, we have a one-third share in IDA: other countries contribute \$2 for every \$2 which we put up. A generous U.S. effort would thus go at least some distance toward limiting the adverse impact of our declining level of bilateral aid. A resumption of true U.S. leadership in IDA, which was exercised as recently as 1969, would greatly help our relations with the Third World. A similar U.S. role in the ADB would further help our relations in Asia, where lie many of the most important developing countries on the issues I mentioned before.

U.S. policy efforts within IDA are also important. When we seek to force on an international institution a rigid and unilateral interpretation of delicate issues such as the fairness of compensation for an expropriation, or idiosyncrasies such as our own audit of an institution's books, we are in essence seeking to bilateralize multilateral aid. This is the wrong approach, and it further erodes our relationship with developing countries and undermines our efforts to use these institutions to promote such a relationship.

This brings me to my final point. In addition to its efforts to improve overall United States-Third World relations, the United States is going to have to pinpoint its policies on those particular developing countries which can most affect our national interests. For example, when we awaken to an oil crisis we realize how vital to us are Nigeria, Indonesia, and Ecuador; countries we normally don't think of as being vital to American interests.

Many of these interests are best pursued through bilateral policies. However, such bilateral efforts have well-known shortcomings. We thus need to use our influence with IDA, and the other regional institutions, to foster these interests. We could do so by promoting more IDA activity in countries which might otherwise seek to improve their economic fortunes in ways less coincident with our interests.

Such U.S. efforts would often coincide with the interests of the other major donor countries, who in broad terms join us as consumers of raw materials and as investors and sellers in the Third World, and need not lead to conflict within the institution. At a minimum, we should avoid futile hostility to IDA loans to countries whose help we need, which simply provides an opportunity for our major competitors to improve their relations with the countries in question at our expense.

However, one cannot push too far this targeting of assistance on particular countries whose leverage now looks impressive. We do not know for sure where our dependence may show up in the years ahead, in terms either of commodities or supplier countries. Hence the assistance net should be cast as widely as possible in the effort to preempt the risk of foreign actions inimical to the interests of the United States. IDA, as the single most important global developmental institution, is uniquely positioned to pursue that objective.

I conclude that the proposed funding for IDA and the ADS represent extremely good investments from the standpoint of the United States. Like any insurance policy, we cannot be wholly sure that they are necessary—but the odds are high that they are, and those odds are getting higher every day. At the other extreme, they are almost certainly not enough to do the whole job—but they are an integral part of what is necessary, and they provide us with a unique opportunity to get on with it.

I therefore recommend that this subcommittee promptly authorize the full amounts proposed by the President for IDA replenishment and increased special funds for the ADB, urge the other bodies of the Congress—including the appropriations committees—to do so as well, and avoid restrictions which would undermine the ability of the U.S. Government to pursue the kind of policies I have suggested. In doing so, you will make a major contribution, at very low cost, to dealing with one of the most critical problems facing our society over the next decade and perhaps beyond.

Thank you.

[Dr. Bergsten's prepared statement follows:]

PREPARED STATEMENT OF DR. C. FRED BERGSTEN, SENIOR FELLOW,
BROOKINGS INSTITUTION

THE U.S. POSITION IN THE WORLD ECONOMY OF THE 1970'S

The proposed U.S. participation in the fourth replenishment of funds for the International Development Association (IDA), and expansion of the special funds of the Asian Development Bank (ADB), must be judged within the context of the dramatic changes which have transformed the U.S. position in the world economy within a very short period of time. The keynotes of that new U.S. position are *dependence* and *competition*.

Until quite recently, most Americans regarded our country as free to operate largely independent of external events. Now the energy crisis has brought crashingly home how dependent we have come to be. (The energy crisis, however, is not an isolated event. The United States already depends on imports for over half its supply of six of the thirteen basic raw materials, and projections by the Department of the Interior indicate that the number will rise to nine a decade hence.¹ This represents the culmination of a long-term trend: the United States changed from a net exporter of raw materials to a net importer in the 1920s, and our dependence on foreign sources has been growing ever since.

¹ *First Annual Report of the Secretary of the Interior Under the Mining and Minerals Policy Act of 1970*, March 1972, esp. pp. 63-64.

Our dependence ranges far beyond raw materials. Almost five million U.S. jobs depend on exports. Our battle against inflation depends critically on imports of a wide range of manufactured foods and foodstuffs, as well as raw materials. A large and rapidly growing share of total U.S. corporate profits derive from foreign investments, and earnings on those investments are a major source of strength for the dollar and our balance of payments.

Until quite recently, most Americans also viewed the United States as internationally omnipotent, in two senses. First, we regarded ourselves as the most productive and efficient economy in the world, with unchallenged competitive superiority. Second, we thought we could unilaterally prompt any needed changes in international economic arrangements. Both views were largely true throughout the 1950s; the later was even true into the late 1960s, as the United States pushed through both the Kennedy Round of trade negotiations and major changes in the international monetary system, and the notion of American competitive superiority remained imbued in the American mentality beyond its time because our internal economic situation was so favorable until the very end of the 1960s.

Both views are now clearly relics of the past. Per capita income in several European countries matches our own, and Japan will be there soon. U.S. international monetary reserves, relative to the level of our international transactions, are among the lowest of the industrialized countries and are far lower than the equivalent ratio for many developing countries. Germany and Japan have run far larger trade surpluses than ever achieved by the United States. And a series of events in the last two or three years, both at home and abroad, have clearly demonstrated that we can no longer force changes in international monetary and trading arrangements. In short, active competition among near equals has replaced U.S. dominance as the power base of the world economy.

THE THREAT FROM THE THIRD WORLD

Both new determinants of U.S. foreign economic policy—dependence and competition—are central to the focus of these hearings, U.S. relations with the developing countries. In a recent article,² I outlined in detail how many developing countries could use their new leverage to hurt U.S. interests. They could drive up our prices of raw materials through cartelization and hence further exacerbate inflation, or even deny us those materials. They could take over our investments, or at least sharply increase their take—and reduce ours—from both existing and new investments. They could deny us markets. They could block changes which we seek in the international monetary and trading rules and institutions.

The developing countries could take such steps against the industrialized world as a whole. Or they could use their leverage against the United States alone, playing on the U.S.-Europe-Japan economic competition of the present as they played on the U.S.-U.S.S.R.-China political competition in the past, perhaps simply by giving our major economic rivals preferred access to their output or markets. They can thus hurt U.S. national interests both directly and indirectly.

Until recently, and even when I published the article just mentioned, few people recognized the seriousness of these threats. Four factors have made them very real. First, inflation and shortages of supply have replaced unemployment and shortages of demand as the dominant forces in the world economy for the first time in over forty years. The power balance has thus shifted from purchasers toward suppliers, particularly of raw materials but also of manufactured goods—witness the unilateral cuts of import barriers and currency upvaluations by country after industrialized country to fight inflation in the last two years. Second, the end of the Cold War has removed the security blanket and ideological rigidities which kept individual developing countries tied to individual industrialized countries, particularly the United States. Third, the developmental progress of many countries in the Third World, while far from satisfying fully their aspirations, has brought them both new indigenous talent to carry out bolder policies and the self-confidence to actually do so. Fourth, the success of OPEC in oil has provided a dramatic demonstration of the potential for strong, concentrated Third World action; indeed, the beginnings of similar action can already be detected at least in copper and coffee.

² C. Fred Bergsten, "The Threat From the Third World," *Foreign Policy* 11 (Summer 1973), pp. 102-24, reprinted in Richard N. Cooper, ed., *A Reordered World* (Washington, D.C.: Potomac Associates, 1973).

OPEC has carried out many of the steps noted above. It has boosted oil prices astronomically. Many of its Arab members have now effectively denied supplies, and favored certain consuming countries over others. Some of its members have steadily expropriated foreign-owned companies.

While the oil situation itself must be the focus of policy attention at the moment, we must recognize its far broader implications for the longer run. In my view, similar action with regard to other commodities by other countries is in some senses *more* likely than could have been expected from OPEC.

A successful OPEC required close collaboration among a relatively large number of countries. Effective cartelization would require fewer countries for several key commodities.

The disparity between the highly sophisticated, rich and technologically advanced companies and the "backward producers" seemed far greater in oil than it now appears for most other commodities.

The national economies of most of the OPEC countries relied heavily (or even solely) on oil, whereas potential cartelizers of some of the other key commodities are more diversified. For example, Brazil's willingness to hold an umbrella over the coffee market, which prompted the supplying countries to let the International Coffee Agreement lapse rather than accept the proposals of consuming countries, was made possible by the diversification of both its internal economy and export earnings.

It is true that the major *Arab* oil producers were united in their antagonism toward Israel. But the cartel could exist only with cooperation from non-Arab countries, including such a staunch friend of Israel—and enemy of Iraq and Kuwait—as Iran. And there are even sharp differences among the Arabs: between conservative Saudi Arabia (and, before 1969, Libya) and radical Iraq (and, after 1969, Libya), to the extent that two of the most radical states (Iraq and Libya) are not "cooperating" in the production cutbacks even at the present time. By contrast, there are few if any sources of hostility among the potential cartelizers of, for example, tin (Malaysia, Thailand, Bolivia) or bauxite (Jamaica, Surinam, Guinea, perhaps Australia).

At the same time, there are aspects of the OPEC situation which are *not* replicated elsewhere. Oil is more important than the other commodities. Foreign exchange earnings had reached the point in some OPEC countries where the threat of denial became credible. Anti-Israel sentiment was a binding tie for some of its key members. The small populations and primitive economies of some OPEC members make them invulnerable to economic retaliation by their victims. But it is by no means clear that similar patterns are *less* likely to emerge in other key commodities and—by groups of countries or individual countries—on the other "threat" issues.

Perhaps the broadest lesson to be learned from the oil situation is the reminder that countries will adopt extreme—even wholly irrational—policies when frustrated repeatedly in achieving their most cherished aspirations.³ Fortunately, the aspirations of most countries in the Third World focus on economic and social development rather than territorial gains. But they could well adopt policies similar to those of OPEC if their aspirations are frustrated, and the United States thus has a major interest in helping them achieve their developmental goals.

THE RESPONSE TO THE THIRD WORLD

There are three broad classes of U.S. response to these threats. One is simply to accept whatever happens. The second is retaliation, which can take either economic or military form. The third is preemption, which takes primarily economic form.

Passive acceptance can be very costly, as we had seen in oil even before the recent production cutbacks triggered abject appeasement throughout the world and turned the issue into a security problem. To be sure, the costs of a new producer cartel for tin or expropriations by a few "host" countries might be

³ I regard the oil embargoes and huge price increases as irrational from the economic standpoint of OPEC countries because they have pushed the industrialized countries (especially the United States) to adopt conservation measures and develop alternative sources of energy, which will significantly reduce the demand for Arab oil over the longer and even medium term, which otherwise might never have been undertaken. A profit-maximizing oligopolist would have raised prices more slowly and would never have interrupted supply. If the embargoes push the consumers to military intervention, the irrationality of the action would of course be even clearer.

far less. But they could exact a cost, and policy must compare those costs, weighted by the probability that they will actually occur, with the costs of action to deal with them, weighted by the probability that it would do so effectively.

Economic retaliation may in some instances be an effective response and the risk of economic retaliation an effective deterrent, depending on the vulnerability of the country concerned on a wide range of criteria. At a minimum, new international rules (along the lines proposed by Senator Mondale earlier this week) are needed to bring the whole issue of export controls under international surveillance, and to provide for international sanctions against unjustified acts.

The history of economic sanctions is replete with failures, however, and their effectiveness as a general proposition is highly dubious. In addition, their use would of course generate sizable costs of its own. (The costs of military retaliation are so immense that I mention it only for logical completeness.) And any mode of retaliation implies acceptance of the costs of the triggering action for a transitional period, which could be rather long. So retaliation is not a very attractive option.

In principle, preemption—as usual—thus looks like the best approach. The trick is (a) how to convince policymakers to take the long-term view needed to do it, which has been the effort in this statement until now, and (b) to figure out how to do it. This brings us directly to the topic of these hearings.

IDA AND U.S. POLICY TOWARD THE THIRD WORLD

The primary motivation for countries to undertake the kinds of actions cited above would usually be economic: a desire for increased foreign exchange earnings, reduced unemployment, diversification of their economies, limiting foreign interference with their internal decisionmaking, increased weight in international councils. Security concerns will occasionally enter into their calculations directly, but oil is probably an exception in this sense.

Action to preempt the threat from the Third World, including its threat to the U.S. position vis-a-vis Europe and Japan, should thus focus on helping developing countries meet these needs in alternative ways. Such alternatives represent sound U.S. policy if their costs to us are less than the costs of the actions which are preempted.

There are a number of such policies which I would propose. One of the most important is U.S. cooperation in, indeed leadership of, a sizable and steady increase in the lending capacity of the international financial institutions, such as IDA and ADB.

Three or four policy issues have become crucial to relations between the industrialized countries and the developing countries as a whole. In the trade field, it is generalized tariff preferences. In the monetary field, it is the "link" between reserve creation and development assistance. In the foreign assistance field, it is both the level of a country's aid (with respect to the "target" for each 1 percent of GNP, including 0.7 percent of GNP for public aid) and its contributions to the international lending institutions. *On every one of these issues*, the United States has lagged behind virtually every other industrialized country in recent years. In fact, Japan and most European countries have steadily catered to the Third World on precisely these issues. A failure to reverse that performance runs the serious risk of accelerating, rather than preempting, the likelihood of actions adverse to U.S. interests.

Contributions to IDA and the ADB (along with the Inter-American Development Bank) are an essential element in such a strategy. These institutions have now become the biggest single source of development finance. Their money is not tied to procurement in particular donor countries, and hence provides at least 10-30 percent more development per dollar than does most bilateral aid. They encompass fewer restrictions and obviate the most sensitive political problems of donor-recipient relations; hence they are the *kind* of assistance which is sought by the developing world. The developing countries have an important voice in their management. A successful IDA will go far toward meeting the aspirations of the Third World, and hence preempting the onset of frustration, which could prove exceedingly costly to U.S. interests.

In addition, IDA and the regional lending organizations provide an institutional framework within which effective relations can evolve between the industrialized world and the developing countries. The rules and institutions which governed the monetary and trading systems during the first postwar generation,

embodied in the IMF and GATT, have collapsed and we do not know what will take their place.⁴ As a result, relations among the industrialized countries have deteriorated markedly. Fortunately, however, the international lending institutions—which are the chief fora in which the industrialized and developing countries now meet on key operational issues—have flourished.

The United States has a major stake in such institutional arrangements. In view of our deep involvement in the world economy, we badly need an international economic order which will provide a stable and predictable basis for international economic policies and transactions. In view of our continued world leadership, we need an economic order which will promote the course of peace.

In addition, it is extremely important to us that other countries meet *their* international obligations. As indicated earlier, we want the developing countries to supply us with raw materials at reasonable prices, honor our investments, and provide us with markets. But history shows that countries are far more likely to fulfill their obligations in a world of effective international rules and institutions, wherein both we and they are held accountable for any actions we take which deviate from accepted norms. U.S. leadership on such institutional issues is critical, because we remain by far the largest single country and because of our historical role in promoting the development of international institutions.

The United States thus has a very direct national interest in the further success of IDA and the regional development banks. Indeed, its IDA role provides the United States with a unique opportunity to start restoring its relationship with the Third World. As IDA's largest and (lately) most recalcitrant donor, every dollar which we are willing to contribute raises total IDA funding by three times as much. A generous U.S. effort would thus go at least some distance toward limiting the adverse impact of our declining level of bilateral aid. A resumption of true U.S. leadership in IDA, which was exercised as recently as 1969, would greatly help our relations with the Third World. A similar U.S. role in the ADB would further help our relations in Asia, where lie many of the most important developing countries.

U.S. policy efforts within IDA are also important. When we seek to force on an international institution a rigid and unilateral interpretation of delicate issues such as the fairness of compensation for an expropriation, or idiosyncrasies such as our own audit of an institution's books, we are in essence seeking to bilateralize multilateral aid. This is the wrong approach, and it further erodes our relationship with developing countries.

This brings me to my final point. In addition to its efforts to improve overall U.S.-Third World relations, the United States is going to have to pinpoint its policies on those particular developing countries which can most affect our national interests. For example, when we awaken to an oil crisis we realize how vital to us are Nigeria, Indonesia, and Ecuador.

Many of these interests are best pursued through bilateral policies. However, such bilateral efforts have well-known shortcomings. We thus need to use our influence within IDA, and the other regional institutions, to foster these interests. We could do so by promoting more IDA activity in countries which might otherwise seek to improve their economic fortunes in ways less coincident with our interests. Such U.S. efforts would often coincide with the interests of the other major donor countries, who in broad terms join us as consumers of raw materials and as investors and sellers in the Third World, and need not lead to conflict within the institution. At a minimum, we should avoid futile hostility to IDA loans to countries whose help we need, which simply provides an opportunity for our major competitors to improve *their* relations with the countries in question at our expense.

However, one cannot push too far this targeting of assistance on particular countries whose leverage now looks impressive. We do not know for sure where our dependence may show up in the years ahead, in terms either of commodities or supplier countries. Hence the assistance net should be cast as widely as possible in the effort to preempt the risk of foreign actions inimical to the interests of the United States. IDA, as the single most important *global* developmental institution, is uniquely positioned to pursue that objective.

⁴ See C. Fred Bergsten, *The Future of the International Economic Order* (Lexington, Mass.: D.C. Heath and Co., 1973), esp. pp. 2-8.

I conclude that the proposed funding for IDA and the ADB represent extremely good investments from the standpoint of the United States. Like any insurance policy, we cannot be wholly sure that they are necessary—but the odds are high that they are, and those odds are getting higher every day. At the other extreme, they are almost certainly not enough to do the *whole* job—but they are an integral part of what *is* necessary, and they provide us with a unique opportunity to get on with it.

I therefore recommend that this Subcommittee promptly authorize the full amounts proposed by the President for IDA replenishment and increase special funds for the ADB, urge the other bodies of the Congress (including the appropriations committees) to do so as well, and avoid restrictions which would undermine the ability of the U.S. Government to pursue the kind of policies I have suggested. In doing so, you will make a major contribution, at very low cost, to dealing with one of the most critical problems facing our society over the next decade and perhaps beyond.

Mr. GONZALEZ. Thank you very much, Dr. Bergsten. May I ask the members who specifically have a question to direct of Mr. Rockefeller and maybe we can proceed that way so we can meet our deadline.

Also I noticed our distinguished colleague, Representative Whalen, who has been gracious enough also to participate. If the Congressman will join the panel.

Do you have time—a little time? Well, that answers that. We will all go together and answer the quorum or whatever that is. It is probably a vote on the rule.

Mr. FRENZEL. Mr. Chairman, as I understand it, some of our witnesses have time problems.

Mr. GONZALEZ. Right.

Mr. FRENZEL. I wonder if the members who had questions of Mr. Rockefeller might articulate them now. If he has to leave at 11:30 we would have difficulty regrouping before 11:25. Maybe he could answer them for the record at some later date and make whatever airplane he has to make.

Mr. GONZALEZ. It is a good suggestion. We have at least 5 minutes and perhaps we can do that, then hopefully carry on from there. I will recognize Mr. Johnson since you have a question or perhaps a statement.

Mr. JOHNSON. I am going to the floor and vote. I particularly want to talk to you about the fact that our participation should be viewed as an opportunity as well as a responsibility and I would like to expand on that and it won't lend itself to one single question, so I am going over and answer the bells and if you are still here when I come back I would like to talk to you about it.

We can talk about our obligation to help developing countries, that is a good argument and it is axiomatic, but we are to the point in this country and in our congressional activities where we have got to show some benefit to the United States other than doing away with retaliation, as Dr. Bergsten says. I wanted you to expand on that.

Mr. ROCKEFELLER. I will be happy to when you come back, and I hope I will still be here.

Mr. JOHNSON. Thank you.

Mr. GONZALEZ. In connection with that, the only question I had I believe has been answered directly or maybe by inference, but I will still ask it for the record because I think it is indispensable for our markup session, which we hope to have immediately upon termination

of the testimony, getting these bills hopefully, our bills out of the subcommittee level into the full committee where the chairman has promised full committee consideration next week, a week from today.

If I am not misinterpreting, neither of you, Mr. Rockefeller nor Dr. Bergsten feel that the poor nations have reached the level of their capability for debt obligation, and tied in with that, our national ability to enter into these commitments. These are the two paramount questions we have got to answer to successfully carry the vote on the House floor, and what I wanted was some statement to the effect that in your judgment as a banker, where you have tremendous background and credit experience, this is not the case?

Mr. ROCKEFELLER. I feel that it is entirely clear that there are a number of developing nations, some of them very large ones—such as India, which already have borrowed so much that the interest payments and amortization payments, they are now having to make are as great as, or in some cases greater than, the new aid that is being provided. Consequently, they are getting into a worse situation rather than a better one.

The only way, as I see it, that countries such as these can deal with this problem is to be given concessional loans, meaning long-term loans with very low interest rates or no interest rate at all.

I believe that, without such loans, they simply are not going to be able to evolve and improve their well-being and I think this would be very much against the best interests of the United States.

Mr. GONZALEZ. They have not reached their absorption level even on the long-term concessional loans?

Mr. ROCKEFELLER. No, they need more; but they need them on a basis they can afford. With the high interest rate loans that would have to be made by private enterprise or by the World Bank under its more normal procedures, they simply couldn't afford to borrow.

Mr. GONZALEZ. That is clear enough.

Mr. Moorhead?

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. Rockefeller, Dr. Bergsten on page 9 of his testimony talks about the link between reserve creation and development assistance and, as you know, there is great controversy as to whether this is a good way of promoting assistance or, on the contrary, whether such a link would weaken the international monetary system making SDR's not as good as gold. Could you give us your opinion on that situation?

Mr. ROCKEFELLER. Yes, I am very glad you asked the question because I do feel it is extremely relevant to the urgency of approving this particular bill. My feeling is that the U.S. position in opposition to linking the expansion of SDR, special drawing rights, with development assistance, is a correct position. I have the feeling that linking the two would have the effect of weakening SDR's. This would be a very poor thing to do, because I think you need as a principal reserve unit a very strong unit that has credibility and the acceptance of the whole world.

However, if we are going to take that position, it seems to me essential that at the same time we recognize our obligation toward helping the developing nations and, therefore, provide the kind of assistance that I think is appropriate, including concessional loans.

Mr. MOORHEAD. Thank you, Mr. Chairman.

Mr. GONZALEZ. Let me say this, Mr. Young: If we can get back quickly, if we hurry over and vote and come back you may have a

chance to ask your question. If not, I believe both of you would be willing to answer questions submitted in writing for the record?

Mr. ROCKEFELLER. Yes; I certainly can stay another 15 minutes.

Mr. GONZALEZ. We will try to get back before that.

We will stand in recess momentarily.

[Short recess.]

Mr. GONZALEZ. The subcommittee will resume.

Mr. Young is recognized.

Mr. YOUNG. Thank you very much for being with us and I really enjoyed both of your testimonies. I just wanted to ask a question about the \$14.6 billion in U.S. goods and services that are the market for American exports in these lesser developed countries.

Is there any way of estimating what the tax revenues to this country are on that?

Mr. ROCKEFELLER. Perhaps Professor Bergsten would know the answer to that. I certainly don't know offhand. We could try to find it out and send it to you but, I don't know offhand.

Mr. YOUNG. Because it almost looks as though this makes the case that this IDA replenishment is a very good long-term investment.

Mr. ROCKEFELLER. I have no doubt about that because there is clear statistical evidence that trade increases in direct proportion to industrialization and economic growth and wealth. Most of our trade is with the industrialized nations much more than it is with the developing nations. The more the developing nations grow, the greater the trade. So, therefore, we clearly benefit.

Dr. BERGSTEN. Could I add that on top of your calculation of the tax take from export earnings should be added the tax take from profitable private investments in those countries which is also linked to their overall economic progress and, therefore, to the help we give them through devices such as IDA.

Mr. YOUNG. Dr. Bergsten, would you express yourself on the link?

Dr. BERGSTEN. Well, I share the concerns which Mr. Rockefeller and the U.S. Government have expressed about devoting a large portion of the annual creation of Special Drawing Rights to an aid function through a link. But I think there is a way to link monetary reform to development assistance without doing that.

One could go ahead and allocate the Special Drawing Rights on the current basis; namely, in proportion to the countries' IMF quotas, and provide the kind of financial stability and confidence in them that Mr. Rockefeller was calling for. On the other hand, an integral part of any monetary reform arrangement has got to be a consolidation of the dollar overhang—the \$80 to \$100 billion of dollar balances floating around the world as a result of past U.S. balance-of-payment deficits. When those dollars come into the IMF in return for a special issue of Special Drawing Rights, which I think is likely to be the method of consolidation, they then provide the base for development assistance either by simply lending out those dollars themselves to the developing countries or by taking the interest earnings on that big stock of dollars as a new source of development finance without drawing down the principal.

Mr. YOUNG. Very good.

Mr. GONZALEZ. May I interrupt to say, Mr. Rockefeller, we are over your time limit by 1 minute.

I might say that Mr. Rockefeller has consented to answering questions that we might submit in writing for the record. However, I recognize Mr. Stanton who wishes to make a statement.

Mr. STANTON. I thank you for coming and appreciate your testimony.

Mr. ROCKEFELLER. Thank you very much, it has been a pleasure to be here and I would be very happy to answer any questions. I am sorry I have to leave.

Mr. GONZALEZ. We understand and thank you very much for a valuable contribution to these efforts.

Mr. Stephens?

Mr. STEPHENS. Mr. Rockefeller, I am sorry that I was unable to hear your full testimony. I know it will be very valuable to us on the subcommittee. I have another committee, like so many times we do, that conflicted with my being here, but I will read your full testimony and I am very, very interested in our financing these development banks.

Mr. ROCKEFELLER. Thank you.

Mr. STEPHENS. Properly.

Mr. ROCKEFELLER. Yes.

Mr. GONZALEZ. Have a good flight back to New York.

At this point I think the proper thing to do would be to recognize our distinguished colleague who has served with distinction and continues to do so in our associate committee. I call it associate because it is related in its endeavors, the Foreign Affairs Committee of the House, and he has a brief statement. If there is no objection I think we should recognize Congressman Charles W. Whalen, Jr.

Thank you very much for being present. Let me assure you it means a lot to us. We are going to have a markup session, hopefully before 12. Your contribution does mean a lot and it will mean more as we go into floor consideration on these matters. So you are recognized to proceed as you wish.

STATEMENT OF HON. CHARLES W. WHALEN, JR., A REPRESENTATIVE IN CONGRESS FROM THE STATE OF OHIO

Mr. WHALEN. Thank you, Mr. Chairman.

I have deliberately made this statement as short as possible and I think that fact will be appreciated by the members of this subcommittee inasmuch as you hope to get out a bill before noon.

Mr. Chairman and members of the subcommittee, it is a pleasure for me to appear before you today in support of H.R. 11354 and H.R. 11355. The international lending institutions encompassed by these two measures are crucial to the effective economic advancement of developing countries and, therefore, deserve our full support.

Mr. Chairman, your subcommittee's discussion of the International Development Association—IDA—and the Asian Development Bank—ADB—is particularly timely in light of a recent survey by the Overseas Development Council. The ODC study reveals that 68 percent of the American people support the idea of giving U.S. assistance to underdeveloped countries. Further, your hearings come at a time when Congress and American citizens are beginning to reassess the shape of our foreign policy goals.

It also is especially appropriate that Congress lead in this dialogue, as it did during the efforts to establish IDA in the 1950's. In fact, the early congressional involvement and support for IDA assured approval of its charter and the U.S. financial commitment which was essential in getting it off the ground. As I am sure you recall, in 1957 Congress created the U.S. Development Loan Fund which proved to be the precursor of IDA. That congressional action was followed by Senator Monroney's suggestion in 1958 to establish an international development association.

Similarly, Congress played an indispensable consultative role in the negotiations leading to the creation of ADB, although, admittedly, congressional input was more limited than with IDA.

Why should the Congress authorize funds to sustain and, indeed, expand the activities of the International Development Association? In my opinion, there are three fundamental reasons.

The first is humanitarian. Paraphrasing the observation of the noted British economist, Barbara Ward, "the rich nations have a moral obligation to assist the world's poor nations." Apparently two out of every three Americans accept this thesis.

The second justification is political. By promoting a nation's economic development, IDA also enhances that country's chances for continuing political stability and independence. This, in turn, contributes to a more peaceful community of nations.

Third, it is in our Nation's own self-interest to do all that we can to further the progress of the International Development Association.

(A) In 1972 developing nations provided a \$14.6 billion outlet for U.S. products. By helping to raise the national income of these countries, IDA expands this market potential for American goods.

(B) By 1985 the United States will be dependent upon external suppliers, principally the developing countries, for 10 of the 15 minerals most essential to industrialized societies. By the year 2000 this will increase to 13 of those 15 minerals. In order to meet this growing mineral demand, the world's less developed nations must obtain capital in quantities sufficient to achieve the required expansion of output.

What is the cost of IDA IV to the American taxpayer? As you know, the request we are discussing today is for \$1.5 billion. However, that amount represents a significant decrease in the U.S. share—from 40 percent of the total replenishment to 33 percent. In dollar terms, this is a \$300 million reduction. Moreover, we may divide our payments to IDA IV over 4 years instead of the usual 3. This thereby reduces our annual installments to \$375 million, or \$11 million less than our present annual IDA contribution. Apart from the monetary savings these reductions mean for the United States, they also indicate that other developed countries are bearing a more equitable burden of developmental costs. In fact, of the 16 OECD member countries, the United States has dropped to 14th place in terms of our official development assistance (ODA) as a percentage of our gross national product. Can we be assured that our contributions to IDA will be used efficiently?

Demands for IDA's funds far exceed its availability. Thus, it is necessary that IDA carefully ration its moneys. To achieve most effective allocation of its limited resources, IDA has established four criteria for loan applicants. To qualify, a country must:

(1) Have an annual per capita income of less than \$375—it is usually less than \$100;

(2) Possess sufficient economic, financial, and political stability to warrant long-term development loans;

(3) Be confronted with an unusually difficult balance of payments problem with little prospect of earning enough foreign exchange to justify borrowing on conventional terms; and

(4) Demonstrate a genuine commitment to development which is reflected in national policies.

Strict adherence to these criteria throughout IDA's history assures that funds channeled through that organization have been, and will continue to be, used efficaciously.

Let me now turn to the Asian Development Bank. I think it can be stated that the lack of U.S. interest is, at the least, embarrassing. After making our \$217 million subscription in the mid-1960's, we have failed to contribute to the Bank's ordinary capital. Even the \$100 million authorized for ADB's special funds has never been appropriated. As a result of this neglect, our voting power in the ADB has diminished from 16½ percent to 8.4 percent.

A further consequence of our failure to participate in ADB has been a diminution of U.S. influence in the entire Asian-Pacific region, an area confronted with often overlooked economic and social problems. I do not mean to imply that the United States should hold a position of dominance in all or, indeed, in any regional development bank. On the other hand, I do not believe that we should present a completely disinterested approach. Yet that appears to be our stance with respect to the ADB.

Certainly, this is an auspicious time for the United States to rekindle our commitment to the Asian Development Bank. We have terminated our extensive military involvement in Southeast Asia. Now we should renew our emphasis on constructive economic development in that and other areas of the Asian continent.

In conclusion, therefore, I urge you, Mr. Chairman and members of the subcommittee, to act favorably on these bills. It is my opinion that by continuing to fund IDA and the ADB, Congress exhibits its understanding of the world's accelerating interdependence and an awareness of the ever-growing role which the developing countries are playing in the international community.

This is the substance of worldwide economic development—a dynamic series of processes going considerably beyond allotments of foreign aid as we have known it in the past.

Thank you.

Mr. GONZALEZ. Thank you very much, Congressman.

We are deeply grateful that you took time under difficult circumstances today to come before this subcommittee on this level, which as I said earlier, means very, very much.

Mr. WHALEN. Thank you.

Mr. GONZALEZ. We have nine members present, which is a quorum, and with the imminence of other quorum calls facing us, I wonder if I could have unanimous consent to proceed on the markup of the two bills before us, and if the two witnesses will be patient with us we can get that out of the way while we have the quorum.

If not, you have before you now the two bills, H.R. 11666 and H.R. 11354. One is the Asian Development Bank bill, the other is the IDA.

You have a brief summary that should have been presented to you by now. But let me say the staff has never been introduced and I think we ought to.

On the minority side we have, of course, Orman Fink and his assistant, Graham Northup. Will you please stand up so the witnesses will know who the work force is.

On the majority side, we have equally distinguished gentlemen. We have Kelsey Meek, our full staff member. Will you stand, Kelsey, and Jim Caldwell.

I should have done this earlier. I apologize for not doing it. Dr. Paul Nelson, you know. I just assume everybody knew who he is. But he is the Dr. Kissinger of the full committee.

Why don't we take up H.R. 11354 first, the increased participation in the International Development Association or IDA.

Mr. Stephens?

Mr. STEPHENS. In order to begin I move that the subcommittee take up H.R. 11354 and report it back favorably to the full committee.

Mr. GONZALEZ. Is there a second to the motion?

Mr. FRENZEL. I second that.

Mr. GONZALEZ. The motion has been heard and seconded.

Is there any objection.

If not, all those in favor signify by saying aye.

[Chorus of "aye."]

All opposed by saying no.

[No response.]

Mr. GONZALEZ. The ayes unanimously have it and H.R. 11354 is approved by the subcommittee and referred to the full committee for its consideration and approval.

Mr. Stanton?

Mr. STANTON. Was that vote unanimous from the subcommittee?

Mr. GONZALEZ. Yes; a unanimous voice note. Nobody is suggesting a rollcall vote so let the record state that it was unanimously decided.

The next bill, H.R. 11666, to provide for our participation in the ordinary capital and special fund of the Asian Development Bank. It is a simple short bill. The sum contained herein is the minimal.

Mr. STANTON. I move the adoption of H.R. 11666 and recommend that it be reported out of our subcommittee to the full committee.

Mr. GONZALEZ. Is there a second?

Mr. MOORHEAD. I want to make a comment. I think we should have in the report Resolution No. 46 of the Board of Governors.

Mr. GONZALEZ. With unanimous consent the subcommittee will include Mr. Moorhead's suggestion in the record, and you heard the motion. Is there a second to the motion?

Mr. FRENZEL. I second it.

Mr. GONZALEZ. The motion has been made and seconded. All in favor please signify by saying aye.

[Chorus of "aye."]

All opposed by saying no.

[No response.]

Mr. GONZALEZ. The ayes have it unanimously again, let the record show and H.R. 11666 is passed on to the full committee for its consideration and approval.

Mr. STEPHENS. Mr. Chairman, that shows what a persuasive job that Congressman Whalen did without even answering any questions. [Laughter.]

Mr. GONZALEZ. Well, now, we are going to have the trial. We have already shot him. We have the verdict. But let me say this. That the chairman has notified us that the full committee intends to have a hearing for the purposes of taking up these two bills. He sent a notice on the assumption that this subcommittee would be acting. I think the record shows that this subcommittee has acted expeditiously.

The President did not submit his message on the bills until just recently and this subcommittee I believe has established a record, even with such a short time. We have had very ample consideration, perhaps more than at any time previously when we had similar legislation under consideration on the subcommittee level.

Mr. STANTON. Mr. Chairman, I would like to take this opportunity to congratulate the chairman of the subcommittee and reiterate what you have just said. To my knowledge, while this has been delayed, not because of the fault of anybody in this subcommittee and certainly not the chairman, you have had as extensive hearings and more witnesses I think on this particular bill than I have remembered in previous years when the same subject matters were brought before us and I congratulate you.

Mr. GONZALEZ. Thank you very much.

Mr. YOUNG. I am concerned about the mood of isolationism in the House and the response that we are going to get when we take this bill to the floor, and I would wish that there would be some way that we could get the testimony of Mr. Rockefeller and Professor Bergsten mailed to—well, actually, I would like Mr. Rockefeller to mail it to some of his banking associates. I don't know whether that is an appropriate suggestion from the subcommittee.

Mr. GONZALEZ. It certainly is, Mr. Young. In fact, I wish to thank you. I had intended to seek the consent of the subcommittee because we will not have time to have the printed record of these hearings for even our full committee. So, I was going to suggest that our staff collect the testimony that has been presented to us even if they are in the mimeographed form and make sure that each member of the full committee receives copies.

I agree with you, I think we will have a tough time, but that always the best answer is to be prepared and if our colleagues are informed I have no doubt of the outcome.

So, Mr. Young, I think that is a very good suggestion and we can suggest to Mr. Rockefeller in turn that he get his associates in the private sector and communicate with their Congressmen. I think that is a very valuable suggestion.

Mr. YOUNG. Do we have time for me to ask the panel a question?

Mr. GONZALEZ. I was starting to say I believe it is in order and if there is no objection we will recognize you as a starter for questions of the panelists.

Mr. YOUNG. In view of what all of the witnesses said about resources, and especially oil and the new potential oil reserves in Nigeria and off the coast of Angola and other places in Africa where there are rumors of large oil finds, it seems to me this is a good time to raise the question of the African Development Bank, and I know that there are some

problems with the development bank itself, but I would just like to get any opinion that Dr. Bergsten would have on that subject while he is still here.

Dr. BERGSTEN. I would agree with that view and again, as I tried to do in my statement, I would try to draw broader lessons from the oil situation. I have argued, and I think there is growing consensus, that problems similar to what we now face in oil may well be occurring in other commodities. They may not be as disastrous as the oil problem because the other commodities are not as overriding in importance, but nevertheless these are serious issues. And there are other African countries such as Zaire, particularly, Mali on several key raw materials, which may be in a similar position, too, 5 or 10 years from now, that Nigeria is in today because of its development of large oil reserves.

So, the general point that I was trying to make in my statement certainly applies to a number of African countries, on a number of raw materials, and the same kind of conclusions would apply. If with a modest contribution in financial terms of the type that I understand is being considered for the African Development Bank, we could take a positive step in that area, I would regard that again as very low cost investment for potential very big future returns.

Mr. YOUNG. I wonder if we might also ask you to put in writing the explanation you gave of the relationship of the link and the dollar overhang and that perhaps this subcommittee might consider forwarding that to Dr. Burns and Mr. Volcker and Secretary Shultz.

Mr. WHALEN. This is the Bergsten "reverse Marshall plan."

Mr. GONZALEZ. You wish to put that in the form of a motion?

Mr. YOUNG. I would move we request this subcommittee that Dr. Bergsten give us his views on the link and the dollar overhang problem, that they may be forwarded to our representatives in the Committee of 20.

Mr. GONZALEZ. You have heard the motion. If there is no objection it is so ordered.

[The following letter was received from Dr. Bergsten:]

THE BROOKINGS INSTITUTION,
Washington, D.C., December 11, 1973.

HON. HENRY B. GONZALEZ,

Chairman, Subcommittee on International Finance, Committee on Banking and Currency, U.S. House of Representatives, Washington, D.C.

DEAR MR. CHAIRMAN: Per your request during my testimony before the Subcommittee last week, the following outlines my proposal for a link between international monetary reform and development finance which would avoid any risk of jeopardizing confidence in Special Drawing Rights (SDR).

Conventional "link" proposals would distribute an increased share of annual SDR allocations to the developing countries, either directly or indirectly through the international development institutions (such as the International Development Association and/or the regional banks). The main objection to this approach is that it would produce determinations of the volume of SDR allocations based on development needs and political pressures from the developing countries, rather than the need for world liquidity, with inflationary consequences which would undermine confidence in SDRs as the primary reserve asset of a reformed international financial system.

My proposal would leave untouched the existing method of allocating SDR, and hence avoid any such risk. It would build on the need to consolidate the existing dollar (and sterling, and perhaps mark) overhang—the \$80 billion or so now held in national monetary reserves as the result of past U.S. balance of payments deficits—as part of any comprehensive monetary reform.

The overhang can best be consolidated through the issuance, by the International Monetary Fund, of a special issue of SDR into which all monetary author-

ities could (or must) convert their dollar reserves. The dollars would then be held by the IMF in the form of special securities issued by the U.S. Treasury. It is impossible to forecast how many dollars would be consolidated if the operation were carried out on a voluntary basis, but it is reasonable to expect that \$40-50 billion might come in.

Two "link" possibilities then arise. First, the dollars held by the IMF could themselves be loaned on soft terms (or granted) to the developing countries, either directly or through the international development institutions. If \$40 billion were consolidated and such loans carried 40-year maturities, \$1 billion of annual development finance could be made available in perpetuity.

Second, loans or grants could be made from the IMF's interest earnings on the dollars. Such earnings would arise if the interest paid by the United States to the IMF on the special Treasury securities exceeded the interest paid on the special SDRs to their new holders by the IMF. The United States had traditionally paid market interest rates (now about 6 percent) to foreign dollar holders, and the SDR have carried an interest rate of 1½ percent since they were first created in 1970. In the monetary reform negotiations, however, it is possible that this spread might be reduced both by reducing the interest rate burden on the United States (because it would probably have to maintain the value of the dollars against any future U.S. devaluations and might have to amortize the debt over some period of time, whereas the bulk of the dollars are now unguaranteed and inconvertible into U.S. reserves) and by raising the interest rate paid on SDRs (to make it a more attractive reserve asset). Even if the spread were reduced to two percentage points, however, the scheme could provide \$1 billion annually of development finance.

This approach would leave the creation of SDRs, both annually and via the special issue to consolidate the dollar overhang, to be determined wholly by the needs of world liquidity. It would thus avoid any risk of undermining confidence in the new asset, while meeting the aspirations of the developing countries to provide a link between monetary reform and their own development needs.

Sincerely,

C. FRED BERGSTEN, *Senior Fellow.*

Mr. GONZALEZ. Do you have any other questions?

Mr. YOUNG. No. Well, I think if some of our people in decisionmaking positions had read Dr. Bergsten's article to this effect almost a year ago we might have been much better prepared to face the present oil crisis.

Mr. GONZALEZ. There is no question about it. If we could have academe with a direct line to the political area perhaps we could have philosophers among us legislators. I agree with you that the big gap, I think some of our witnesses commented on that, Dr. Burns yesterday said that he considered coming before our subcommittee a duty, because he felt that there must be an immediate and a private feeling of confidentiality between him as a manager in the monetary markets and those of us serving in the legislative field, and that unless there is communication very critical gaps can exist that will endanger not only legislation but the policymaking ability of the administrators.

Mr. FRENZEL. Is there a motion before us?

Mr. GONZALEZ. The only motion was a suggestion made in the form after a motion by Mr. Young which without objection we adopted.

Mr. FRENZEL. We did? I would like to reserve an objection. I think Dr. Bergsten's statement is a good one. I think it should appear in our record. On the other hand, it is one which I don't wholeheartedly endorse and many other members don't either. So, I don't think we should be sending it around. I think it should be in our report. If anyone wants to read it that is fine, and if that was the intent of his motion I would not have any objection.

Mr. GONZALEZ. Let me say this then. That the chairman at this point, in view of this, at the time I announced with unanimous consent I

didn't think there was any objection, but in view of the objection suppose we recall that motion and reconsider it and have Mr. Young restate his motion so that we will understand fully what it is he is seeking.

Mr. STANTON. A point of clarification. I understood Mr. Young's motion in no way constituted any type of endorsement from this subcommittee, it was a point of information only.

Mr. FRENZEL. Didn't it include sending it someplace?

Mr. GONZALEZ. Let's let Mr. Young restate it. Let's let him restate his motion and then you can consider it and see if you wish to continue your objection or withdraw your objection.

Mr. YOUNG. Let me say my intention was simply to call this to the attention, and my impression of the kind of testimony that we have received here from various branches is that they don't necessarily get together on these things very often and that a simple memo calling to their attention this particular body of testimony is really all I had in mind. The decision on what will be done about it I am sure is up to their good judgment.

Mr. GONZALEZ. You do not mean to imply that this forwarding of information would in any way carry the endorsement of the subcommittee?

Mr. YOUNG. No.

Mr. FRENZEL. If the letter is clearly indicative of that point I have no objection.

Mr. GONZALEZ. Fine. You withdraw your objection?

Mr. FRENZEL. Yes.

Mr. GONZALEZ. Do you have any more questions?

Mr. Stanton?

Mr. STANTON. A quick observation. I haven't had a chance to read your statement because I was called out previously but I like Mr. Young's remarks and your own colloquy with him stated, of course, the same principle that Dr. Burns did yesterday. The Doctor said "I would rather have oil than gold today." He made a significant observation similar to yours today "today it is oil, tomorrow it may be some other product." You pointed out copper and so forth and so on. As we delve into this question one can't help but think in the Arab countries it was American ingenuity and American companies that went over and developed that source of oil halfway around the world back in the forties and early fifties and the nationalistic point of view, of course, it's been cut off. As we look for the natural resources in the future of society of what part international organizations can play in the development of these, also at the same time assuring a source of the necessary supplies to the majority of people involved.

Any thoughts you would have along that line?

Dr. BERGSTEN. I certainly share your view that it is impossible to think of U.S. self-sufficiency in all materials even if we thought that was a desirable objective. That is obviously impossible. We are going to be dependent on external sources for a wide variety of our internal needs and I think that is likely to be an increasing phenomenon across an increasing range of both raw materials and manufactured goods. The crucial question is, as you put it, what can be the role of international institutions of the type we are talking about in providing the kind of world in which our dependence does not raise major problems

for us. I think that effect is largely an indirect one. These institutions and the kind of international economic order they would promote can inject elements of cooperation into the international environment rather than elements of defensive reaction and nationalism which we are seeing too much of today. In purely economic terms they can provide alternative means for countries who possess these precious resources to develop their own economies and societies in a constructive way rather than having to resort to destructive nationalism of the type we are seeing all too much of today. The institutions and the order they promote can, I think, play a major role in developing the kind of world we want.

One can look back to the 1930's, when the breakdown of the international economic order played a major role in the internal economic problems of a variety of countries, particularly in Europe, which in turn brought on the kind of regimes which led to world war. I won't make it that extreme today, but I think the analogy is very clear. Reactionary breakdown of the international economy can lead to all sorts of political instability within countries, both industrialized and developing, with all sorts of adverse implications for world peace.

On your other point, about private investment. You are quite right in saying that a few U.S. and British firms did develop world oil resources a generation ago. The world has changed a great deal from that kind of environment, however. At that time it was those few firms which really did have monopoly access to capital and markets. We were the only ones who could do the kind of development we are talking about.

Today there is no such monopoly for American firms. At a minimum, European and Japanese firms have the same competence. Indeed, the local firms and governments of a number of the developing countries can hire outside consultants, technicians, et cetera, to do it for them so that they control the process. So, even if we wanted to pursue the kind of national approach which got pursued a generation ago in oil it would be impossible; here is too much competition, with no monopoly in the various critical elements that are involved. If we don't maintain the kind of constructive relationship with the key countries that will encourage them to let us have at least a share of the pie, we run a very serious risk of other people getting it. That is the burden of what I was trying to say.

Mr. STANTON. Also I think Mr. Whalen would suggest or has suggested in his statement one of the preliminary arguments that we have got to get across to our colleagues on the House floor when this bill comes up is that very point. Now, is not the time to leave the ball game.

Dr. BERGSTEN. You can't cop out on the world at this point when we are getting more dependent on it.

Mr. GONZALEZ. The case of the old Aesop fable, we can never scorn or be arrogant about the lesser.

Mr. Frenzel?

Mr. FRENZEL. Thank you, Mr. Chairman.

I appreciate the indulgence of our witnesses in staying this long and thank them for their testimony. Mr. Chairman, I think it is particularly heartening to find a member of our Foreign Affairs Committee coming before this subcommittee. Whenever we bring these bills to the floor we do find a certain amount of competition over the

jurisdiction. It gives me a lot better feeling to know that the Foreign Affairs Committee is interested and that it, or some of it, subscribes to the work which we are doing in this subcommittee.

Yesterday, or the day before yesterday, I asked some questions about the appropriateness of what our share is on development aid, and I think that area can stand some more discussion, but I suppose the real question that bugs me about this problem is the same one that was expressed by our distinguished colleague from Georgia, Mr. Young. That is that all of us geniuses sit here and approve these authorization bills annually—this is my third go-round at it—and every year Dr. Bergsten comes down and unloads the wisdom of Brookings upon us and our friend the big banker from New York deposits his wisdom here, too. Then we go out in the world and find that the Appropriations Committee, and indeed our own constituencies, don't think we are quite so bright. So, I have a question of our witnesses after stating that Brookings does a good job of informing the Congress. Does it ever do anything about informing the world or at least the United States about our obligations and about the advantages to the country in these developmental programs. In absentia, because I am sure Mr. Rockefeller will read the record, what does his bank and his bankers associations do about discharging the same responsibility?

Dr. BERGSTEN. I can try to answer for Brookings. We do try to do a great deal of educational work in this area through our publications.

In the last 2 years alone Brookings has published at least two major books on the developmental issue which comes to conclusions along the lines of what we are talking about today. There is, of course, the additional question, the very crucial one for any institution such as Brookings as to whether we are in fact reaching people, and that is a question you quite properly raised and Brookings along with similar institutions frequently look at the question whether we should be doing more in terms of public education through going on the media, getting involved in television programs, radio programs, oriented at a broader audience than the admittedly quasi-intellectual audience we hit with our publications. We have never found really a good answer to that.

It would require a lot of money and a lot of time for an institution such as Brookings to go into a big public affairs program. Maybe we ought to do it from time to time. We welcome your thoughts at any point as to how we could do it.

I do happen to be involved currently in an operation of the Council on Foreign Relations in New York. In fact I am going to chair a meeting of it there tonight which is aimed very much at reaching out through the country, through local committees on foreign relations incident 35 cities around all parts of the country to try to discuss precisely these issues with the leadership around the country.

Mr. FRENZEL. I know just what they will do, they will go to the 100 members of the CFR in Minneapolis and St. Paul and say the same things and they will all agree with each other and go home.

Dr. BERGSTEN. I agree that is a big problem and I must say that all of these groups need advice on how better to communicate their own findings to a much broader audience. I couldn't agree with you more that is a problem.

Mr. FRENZEL. Whatever criticism is expressed or implied here, applies also to the Congress and to the administration. I think the Con-

gress has never had a chance to look at the priorities of aid, not only with respect to the total budget, but with the multilateral versus the unilateral versus the military, versus the U.N. We ought to analyze the whole range of programs that might be considered aid. I think this is the reason why we authorize and appropriate at some peril because we are probably several paces ahead of our constituencies. But I believe that our constituencies would be right with us if they understood, if any of us did a good job of communicating this. If Congressman Whalen would care to answer that question. He has hardly had a chance to speak.

MR. WHALEN. Mr. Frenzel, in answering your question, I feel a little bit like coach George Allen responding to questions after a big victory. Let me say that in passing these two measures, in the words of George Allen, your subcommittee showed real "character."

Carrying the Redskin analogy a little further, in following the two titans of the financial and academic communities I feel a little bit like Sam Wyche trotting out on the field after Billy Kilmer and Sonny Jurgenson. But now to get to your question.

I would share with you, Mr. Frenzel and Mr. Young, your concern as to the fate of these two bills when they reach the House floor. Certainly the public does not understand the need and I think, therefore, it is evident that many of the members of this body do not understand the basic reasons for passage of these two measures. This is really one of the reasons I am here. I realize that following the distinguished witnesses that you have had that I am not going to contribute that much more to your knowledge and wisdom. But I do feel that it represents at least a personal interest and commitment on my part and I can assure you that I will do everything that I can in my limited way to develop support for these two bills.

MR. FRENZEL. All you have to do is get the positive vote of your colleague from Iowa who is a member of your Foreign Affairs Committee.

MR. WHALEN. Well, don't put that burden on me, Mr. Frenzel. If we can get a few others we will certainly try.

MR. FRENZEL. Thank you very much.

MR. GONZALEZ. May I say that our colleague is extremely modest. He may have been here with very famous men but we think your contribution is equally valuable.

MR. WHALEN. I thank you, Mr. Chairman.

MR. GONZALEZ. I sincerely mean that.

MR. BURGNER, you have not had a chance to say much.

MR. BURGNER. The verdict appears to be in, I see no need to prolong the trial. [Laughter.]

MR. GONZALEZ. Do either one of you or both care to sum up or make a final statement or observation?

MR. WHALEN. All I can say is, good luck in your next steps in the committee and particularly on the House floor.

MR. GONZALEZ. Thank you very much. Your willingness to come before us on rather short notice has contributed more than you realize.

MR. YOUNG. If I could take 1 minute before we go, to raise again for the thinking of the subcommittee and our experts who have testified before us, the whole question of the African Development Bank and the possibility of pushing forward on that in the near future. During

the trip of this subcommittee to the World Bank meeting in Nairobi, one of the things that I could not help but notice was the fact that these countries in Africa maybe have 5 years of leadership of the elder statesmen. The men—Dakar, Kenneth Kaunda in Zambia— all have 5 to 10 years more of active leadership. All of those countries, it seems to me, are doing quite well in their deveopment pattern now, but the demand to reach down to the village level to really produce, you know, to make discernible gains for the African citizen, is going to be the challenge that the bureaucrats who take over from them have got to meet, and my fear is that if there is not a stable governmental transfer of power in those countries, which I think banking and development aids a great deal, the kind of thing I think we can look forward to all over Africa is the sheer chaos and tribalism that you now see in Uganda. That would be terribly detrimental to all American interests in Africa and probably set the continent back 20 to 40 years, and I think the ability to move ahead with a plan for development and funding for that development is one which greatly depends on time, so I would just think as soon as we could give some consideration to that, it would be in our interests to do so.

Mr. GONZALEZ. I appreciate that, Mr. Young, and I might add that this matter has been discussed with both Treasury officials as well as some State Department officials.

The consensus has been that as desirable as it is to go, that heretofore the big problem has been our questionable behavior in keeping our commitment with the Inter-American Development Bank. I think, though, you will find that there is really very little debate. You have the Inter-American Bank; you have the Asian Development Bank. Nobody can logically argue against the establishment of the African Development Bank. So perhaps we can go into this further as soon as we have an opportunity after the House considers these other two bills.

Dr. BERGSTEN. I woud add my congratulations for the unanimous action today and certainly offer any help that I personally or anybody else at Brookings could give you in trying to promote a wider degree of unanimity in the Congress on the issue.

Mr. GONZALEZ. Thank you very much. You have been most generous and helpful, and we certainly will continue to call upon you.

If there is no further business, the subcommittee stands adjourned until further call of the Chair.

[Whereupon, at 12:15 p.m., the subcommittee adjourned, subject to call of the Chair.]