The World Bank's Annual Report — An Old Theme In New Garb

states India's "Economic and Political Weekly."

Is the World Bank beginning to lose steam? According to the Bank's latest annual report, loans approved in the fiscal year 1978 (from July 1, 1977 to June 30, 1978). This represented a rise of a little under 6 per cent over 1977 — undoubtedly a modest achievement by the standards of the Bank under Robert MacNamara. The rise in loan approvals had been 75 per cent in 1974, 34 per cent in 1975, 15 per cent in 1976 and 16 per cent in 1977. The trend in disbursements is similar. At $2,787 million, disbursements in 1978 were again a little less than 6 per cent higher than in 1977. By contrast, the rise in disbursement had been 30 per cent each in 1974 and 1975, 24 per cent in 1976 and 7 per cent in 1977. The operations of the IDA, the World Banks soft loan association, tell the same story. Loans approved by the IDA in 1978 at $2,313 million may seem to mark a big jump of 77 per cent over 1977 but this is only because IDA's operations in 1977 had had to be cut back for lack of resources. Disbursements by the IDA in 1978 were actually 18 per cent lower than in the previous two years and were only just a little higher than in 1975.

Even more striking is the decline in the net transfer of resources by the World Bank and IDA to the underdeveloped countries. Repayment of principal and payment of interest and other charges by borrowing countries added up to $2,251 million in 1978 or equal to more than 58 per cent of fresh disbursements during the year. In other words, the poor countries were forced to use the larger part of their new borrowings from the World Bank and IDA to meet the repayment and servicing obligations on their existing debt to these institutions. This is part of being caught in what has been so aptly described as the 'debt trap'. The net transfer of resources to the underdeveloped countries by the World Bank and IDA in 1978 was just $1,598 million, compared to $2,078 million in 1977. It is indeed, a sobering thought that $1.5 billion was the sum total of the World Bank's net contribution to the developmental resources of all the poor countries put together. To make a rough and ready comparison, this is equal to no more than amounting to $6,098 million were about 11 per cent of this year's proposed public sector Plan outlay of India.

However, President MacNamara is not one to allow the Bank's evangelican aspirations to be circumscribed by the modest dimensions of its material contribution to the cause of the upliftment of the poor. Five years ago, at the annual meeting of the Bank in Nairobi in 1973, he decided that in order to improve the condition of the poorest segments of the population of the poor countries, the emphasis in the development programmes of these countries needed to be shifted to agriculture and rural development. Accordingly, he set a target of World Bank lending to projects in these areas of $4,400 million in real terms over the quinquennium 1974 — 78. Now, at the end of the five years, the Bank can claim to have exceeded this target. Loans approved by the Bank and IDA for agriculture and rural development during 1974 — 78 amounted to $10,020 million, equal to $5.950 million in real terms. MacNamara's target of $4,400 million has thus been surpassed by about 35 per cent.

In the discussion in its annual report on the policy changes recently effected by the governments of the countries of South Asia, the report notes with obvious satisfaction that "governments are reappraising the role of public investment in the economic development process. Throughout the region, this reappraisal is leading to a shift away from an earlier emphasis on heavy industry and certain types of infrastructure in favour of agriculture, irrigation, rural development, small scale industry and health". What is significant here is, of course, the counterposing of emphasis on agriculture, irrigation, rural development and so on — the need for which will hardly be questioned — against development of heavy industry and infrastructure. The suggestion is that if agriculture and rural development and all the other activities undoubtedly essential for the upliftment of the poor did not make enough headway in the past, it was because undue attention was given to investment and public investment especially in steel, heavy machine building, basic chemicals, power and so on and so forth.

The dangers of such a view of the development experience of

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clude assessments of the soundness of their economic policies.

The Bank has begun establishing permanent missions in underdeveloped countries, often located right within planning ministries. In an increasing number of countries the Bank puts together and chairs a consortium of the principal bilateral and multilateral lenders that coordinate donor contributions and policies. In many countries, such as Bangladesh, the Bank is quietly placing advisors in key ministries of the government. One trump card of the Bank is that it determines governments' international credit ratings.

Evaluations are sometimes commissioned of outside consultants; but how independent are they, given that their next contract might come from the Bank One such major evaluation we heard of was critical. It has been suppressed and the author was ordered to do a "re-write". Public reports, we are told, must be upbeat in order to gain support in the congress and parliaments of donor countries.

While in Bangladesh informed foreign sources told us that recently a mission had flown in from Washington and pronounced the RD-1 program we discussed earlier a success "because it is based on sound principles" and that it should be expanded. Yet only the day before a Bangladesh government official had shown us an internal Bank memorandum indicting every aspect of the implementation of the project and concluding that the co-op system operates "excessively in favour of the more wealthy farmers."

Some at the Bank might reason that meeting the basic needs of the poor would pacify those working to alter present social structures. But, even if this be the goal, their programs are ultimately self-defeating. Intervening with funds for profit-generating investments, while opting to keep intact the social structures that generate poverty, only strengthens the grip of elites. The result is that the poor are even further impoverished.

the underdevloped countries are brought out sharply in the reference in the report to other changes in government policies from which also the bank derives great satisfaction. Thus, to quote from the report, "in the wake of major political changes in several South Asian countries, an intense scrutiny of existing social and economic policies has started. It has already resulted in important measures, such as liberalisation of import and investment controls, greater recognition of the role of exports and reduced emphasis on import substitution......" Hallelujah! The poor are opening up their economies to make way for classic patterns in international division of labour — concentrating on agriculture and light industries and flogging the products of these sectors in the world markets to pay for liberal imports of the creations of the developed countries.

It is remarkable how unchanging has been the strategy of Western capitalism and its spokesmen like the World Bank towards the underdeveloped countries. Only, the advocacy has gained in sophistication. Earlier, these same policies used to be enjoined on the strength of arguments about the superior efficiency of private enterprise, international and domestic, and the importance, therefore, of giving such enterprise maximum freeplay. Now the case is advanced in the name of social justice and improving the living conditions of the poorest of the poor in the underdeveloped countries.

What is glossed over — and in this operation, governments and ruling classes of the poor countries are only too happy to aid and abet the World Bank and those for whom it speaks — is that if economic disparities have widened in the poor countries and the condition of the poor in these countries has failed to improve, or has worsened, it is not because public investment was misdirected into the development of heavy industry and of infrastructure facilities — such development has been pitifully small any way — but because the distribution of productive assets in society, of land most important of all, has been left untouched; because, despite the appearance of government control and regulation, the allocation of investment and the patterns of production have been decided by the flows of effective demand as determined by the highly unequal distribution of income and property; because as a result of this, resources have cascaded in the direction of provision of goods and services to make better the good life of the relatively well-off; and because too little resources have consequently trickled into the production of the basic necessities of life for the poor. These causal relationships between existing institutions and policies on the one hand and the deepening poverty of the poor have been altogether by-passed in the "intense scrutiny of existing social and economic policies" which the World Bank sees going on in the ruling circles of its client countries. The Bank, of course, could wish for nothing better.

BANK, IDA, IFC commitments top $ 8,700 million

Commitments to lend $8749.1 million to developing nations were made by the World Bank and its affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC) during fiscal year 1978, according to details of the Bank's *Annual Report* issued in September.

The World Bank approved 137 loans — totalling $6,097.7 million — to 46 countries during the year. In fiscal 1977, Bank commitments totalled $5,759 million.

IDA commitments in fiscal 1978 amounted to $2,313 million, and were for 99 credits to 42 nations. In fiscal 1977, IDA commitments were $1,308 million.

The IFC made 41 investments amounting to $338.4 million in 31 countries in the past year. By contrast, the Corporation — its essential function is to assist the economic development of its less developed member countries by promoting private sector growth — made loan and equity investments that amounted to $258.9 million in fiscal 1977.

The commitment figures for the Bank, IDA, and IFC were all record highs. The 77 per cent increase in lending by IDA over fiscal 1977 was due to the increased resources that were available to it by the Association's donor nations during the first year of a three-year Fifth Replenishment period that runs through fiscal year 1980. The Association has received $7,731.7 million in pledges from 26 countries for the Fifth Replenishment period. Almost 89 per cent of IDA's lending was to countries with annual per capita incomes of below $280. More than half of all IDA credits (58%) during fiscal year 1978 were for agriculture and rural development. Almost a third (32%) of Bank lending was to that sector.

COMMITMENTS — FISCAL 1979

The *Annual Report* states that the Bank's 20-member Board of Executive Directors representing 132 countries — has agreed to commitments of $6,800 million by the Bank in fiscal 1979. The annual publication of the World Bank adds, however, that the figures will be reviewed in a few month's time to take account of the progress in discussions surrounding a General Capital Increase for the Bank. The *Annual Report* does state that the need for the Bank to have a General Capital increase sufficiently large so as to permit its leading to grow in real terms over the next five years was endorsed during informal discussions — held in fiscal 1978 — on the subject. According to the Bank's Articles of Agreement, outstanding loans cannot exceed the sum of the Bank's subscribed capital, surplus, and reserves. Loans held by the Bank on June 30, 1978 amounted to $37,796 million.

NET INCOME — BANK

In fiscal 1978, the Bank's net income increased by 14 per cent to a level of $238 million. The figure was the second highest in the Bank's history.

Most of the Bank's net income is allocated to its reserves (which, on June 30, 1978 totalled $2,245 million), and to the operations of IDA. Since 1964, $1,225 million has been allocated to IDA, making the Bank the third largest contributor to the Association's resources.