

THE WORLD BANK GROUP ARCHIVES

PUBLIC DISCLOSURE AUTHORIZED

Folder Title: Travel Briefings: Switzerland - Travel briefs 01

Folder ID: 1772907

ISAD(G) Reference Code: WB IBRD/IDA 03 EXC-10-4540S

Series: Travel briefings

Sub-Fonds: Records of President Robert S. McNamara

Fonds: Records of the Office of the President

Digitized: July 16, 2013

To cite materials from this archival folder, please follow the following format:
[Descriptive name of item], [Folder Title], Folder ID [Folder ID], ISAD(G) Reference Code [Reference Code], [Each Level Label as applicable], World Bank Group Archives, Washington, D.C., United States.

The records in this folder were created or received by The World Bank in the course of its business.

The records that were created by the staff of The World Bank are subject to the Bank's copyright.

Please refer to <http://www.worldbank.org/terms-of-use-earchives> for full copyright terms of use and disclaimers.



THE WORLD BANK
Washington, D.C.

© 2012 International Bank for Reconstruction and Development / International Development Association or
The World Bank
1818 H Street NW
Washington DC 20433
Telephone: 202-473-1000
Internet: www.worldbank.org

PUBLIC DISCLOSURE AUTHORIZED

McNamara files

THE WOODRIDGE GROUP
Archives



1772907

A1995-259 Other #. 27 309708B
Travel Briefings - Switzerland - Travel briefs 01

DECLASSIFIED
WBG Archives

(9)

ITINERARY

717/1/6

Schedule for Mr. McNamara's Visit to Bern

November 28 - 29, 1980

November 28

- 7:30 a.m. Departure from Paris (Roissy Airport) on AF 680 (Messrs. McNamara, Benjenk, Steckhan).
- 8:35 a.m. Arrival Zurich. Party will be met by Ambassador Jacobi and his associate, Mr. Jecker. Two cars will take the party directly to Bern (distance: 130 kms -- estimated travel time: 90 minutes).
- 10:30 a.m. Arrival Bern -- Hotel Bellevue.
- 11:00 a.m. Party will meet with Federal Councillor Honegger (Minister of the Economy) in his office at the Bundeshaus (next to Hotel Bellevue). Also present: Central Bank President Leutwiler, State Secretary Jolles, Ambassador Jacobi.
- 11:15 a.m. Federal Councillors Aubert (Minister of Foreign Affairs) and Ritschard (Minister of Finance) will join the meeting. Photographers and television will take a few pictures (but no questions).
- 11:30 a.m.-
12:45 p.m Meeting in conference room 87 of Parliament (simultaneous interpretation provided). Present: three Ministers, Central Bank President Leutwiler and two aides per Minister (including Ex-Ambassador to the United States Probst).
- 13:00 p.m.-
15:15 p.m Lunch at State Guest House (Von Wattenwyl-Haus) offered by the three Ministers for participants at morning's discussion. (The State Guest House is within walking distance, however, cars are available in case of bad weather.)
- 15:30 p.m. Return to Bellevue Hotel. Free time.
- 17:55 p.m. Party will walk to town hall (across the street from hotel) for courtesy visit to state government of Bern.
- 18:15 p.m.-
19:15 p.m Party will go to the adjacent council hall in town hall. (The council hall has about 350 seats. Simultaneous translation into German. Since 500 guests are expected, speech will also be transmitted into adjacent room). Former Ambassador Schnyder, President of Swiss Society for Foreign Policy, will introduce Mr. McNamara.

18:30 p.m.

Speech by Mr. McNamara

19:10 p.m.

Concluding remarks by Dr. Aebi, President of the Economic Society of Bern. Return to hotel.

19:45 p.m.-

Drinks followed by dinner at hotel (about 90 guests).

22:30 p.m

Former Federal Councillor Brugger, presently President of Volksbank, the fourth largest bank in Switzerland, which underwrites the event, will give a toast and Mr. McNamara will reply (note it is customary that the major Swiss banks take turns in underwriting such official dinners).

November 29

8:15 a.m.

Departure from hotel by car to Zurich for 10.55 a.m. (LH 223) flight Zurich-Frankfurt

The Sponsors of McNamara's Engagement in Bern

The sponsors of his speaking engagement on November 28, 1980, at 18:15 hours are the Swiss Society for Foreign Policy and the Economic Society of the Canton of Bern, the two most prestigious societies in the area.

The Swiss Society for Foreign Policy has some 330 members. Its president is the former Swiss Ambassador to the United States, Felix Schnyder. Its purpose is to promote understanding of foreign policy issues. Among the subjects discussed last year were UNESCO, UNCTAD and the posture of Switzerland in the North-South conflict. President Schnyder will introduce Mr. McNamara to the audience.

The Economic Society has some 540 members. Its purpose is to promote discussion of socio-economic subjects. Its president Dr. Aebi, Director of the Chamber of Commerce of Bern, will move a vote of thanks after Mr. McNamara's speech. Ambassador Jacobi is a board member of the Society.

ISSUES FOR
DISCUSSION

7/17/1/5

Issues for Discussion During Mr. McNamara's Visit

The Swiss would be interested to hear about:

- (i) Mr. McNamara's views of the situation of the Third World over the next ten years and the necessary assistance from OPEC and OECD countries;
- (ii) Future programs of the Bank (Energy, China, Structural Adjustment, Health, etc.);
- (iii) Financing these programs;
- (iv) Implications of North-South dialogue and global negotiations on the future structure, voting rights, etc., of the Bank;
- (v) Timing, size and prospects for IDA7;
- (vi) Possibilities for Switzerland to influence IDA policies if it were to join IDA7;
- (vii) Implications of possible Swiss membership in Bretton Woods Institutions and possibilities for a Swiss seat on the IMF board.

The Swiss would hope Mr. McNamara:

- (i) Would ask the Ministers about how the Swiss see the future of their relationship with IDA and IBRD;
- (ii) Would emphasize to the Ministers that Switzerland's present "privileged" position in IDA and IBRD (e.g. procurement) is being increasingly criticized by the Bank's shareholders.

Mr. McNamara may have views and questions on the proposed withholding tax on interest payable on Swiss franc bonds of foreign borrowers.

BRIEFING PAPER UPDATE

717/1/6

BRIEFING PAPER UPDATE

SWITZERLAND

I. KEY ISSUES

A. IDA

The Swiss Upper House approved, on October 10, the conversion of the two Swiss loans to IDA into grants. The measure will become law by January 19, 1981, unless 50,000 signatures can be collected to allow a referendum. However, this is highly improbable. The effect of this conversion upon the Association is that it would relieve IDA of future repayment obligations totalling the equivalent of about US\$110 million (under the exchange rates prevailing on September 30, 1980).

B. ODA

On October 9, the first Chamber of the Swiss Parliament approved by 124 to 3 votes a new three-year aid program of SWF 1.65 billion (US\$1 billion equivalent) which represented an increase of about two-thirds over the previous three-year program. At US\$1 billion, Swiss public aid would rise to a level of 0.31% of GNP by 1983. However, public opinion is basically against further increases in the Swiss aid program.

C. Swiss Membership in the United Nations and in The Bretton Woods Institutions

The issue of Swiss membership in the United Nations on the one

hand, and in the Bretton Woods Institutions on the other, are separate and seen as such by the government. There is no agreement as yet in the government whether the proposal to join the United Nations or to join the Bretton Woods Institutions should be considered first. Some in the Department of Economy feel Bretton Woods should come first while many at Foreign Affairs would give priority to United Nations membership.

(i) Membership in the United Nations

Despite a policy of neutrality which dates back at least to the Congress of Vienna in 1815, after World War I, Switzerland became a member of the League of Nations after a successful national referendum. Now, Switzerland is the only country remaining outside the U.N. by its own will. Switzerland is a member of most United Nations specialized agencies and finds this advantageous. In fact, in Geneva, the dozen main UN and intergovernmental organizations and the diplomatic missions accredited to them reportedly employ about 20,000 people, a tenth of Geneva's working population. In 1977 both houses of Parliament accepted the government's contention that entry into the United Nations was desirable and asked the government to propose the necessary steps in due course, a national referendum being mandatory. Opinion polls, however, show consistently that the United Nations is widely considered as an inefficient and expensive organization whose General Assembly has fallen under the influence of what many Swiss

regard as an unruly Third World. While government considers United Nations membership as an important foreign policy target of the current 1979-1983 legislative period, a detailed schedule for the necessary legislative measures is not yet known.

(ii) Membership in the Bretton Woods Institutions

Discussion of Switzerland's relationship with IDA, IBRD and IMF seems less advanced than United Nations membership and has to be seen against the background of Switzerland's difficult fiscal situation and the unpopularity of international public aid institutions.

On the fiscal side, Switzerland has been running a small but worrisome budget deficit and in 1982 the two main sources of federal revenue, an income tax and the turnover tax, will expire. Since Federal Councillor Willi Ritschard became Finance Minister a year ago - the first socialist in this job in two decades - he has been desperately trying to put together a new tax regime to be approved by Parliament and referendum before the end of 1982. The sovereign, i.e. the people, have in the past rejected twice, by referendum, the introduction of a value added tax as part of a reform of the entire budget structure. If new taxes are not voted by 1982, aid expansion, including IDA contributions, may prove difficult. In the meantime, a number of cutbacks are proposed, such as cancellation of a bread subsidy and reduction of federal contributions to social

security.

On the IDA side, some progress has been made. After the conversion of the IDA loans into grants, the Swiss authorities are planning, as the next step, a series of co-financings with IDA to make IDA more acceptable to the public by showing that it works and corresponds to Switzerland's aid policy as laid down in the 1976 Development Cooperation law. The possibility of a Swiss contribution to IDA7 is still remote. During Mr. McNamara's visit, the Swiss will be interested to learn about the effectiveness of IDA in reaching the poor, and the prospects and timetable for IDA7. The Swiss authorities also feel that Switzerland will have to have some say in IDA's policies if they were to join IDA7.

The broader issue of Swiss membership in the Bretton Woods Institutions has been the subject of an internal draft report which some senior officials in the Department of Economy feel needs substantial rewriting. Thus, Mr. McNamara's visit is timely and his interlocutors will have questions in this field. It is clear that without the agreement of the Central Bank President, Switzerland will not join - and President Leutwiler wants a seat on the IMF board. The Bank's friends in the government hope that Mr. McNamara may be able to help in this respect. All in all, an eventual proposal to join the Bretton Woods Institutions is less advanced than that to join the United Nations.

II. CURRENT AID DEVELOPMENTS

A. Public Attitudes

Aid matters get frequently discussed in Swiss newspapers and on Swiss radio. Most major newspapers support aid and are, despite the odd critical article, increasingly sympathetic to the World Bank. The Swiss authorities have launched an active but limited information program on aid (costing 0.3% of total aid disbursements). Thus, two years ago the Ministries of Foreign Affairs and the Economy started a quarterly called "Development" with a circulation of 15,000 copies.

In addition, senior government officials like State Secretary Jolles and Ambassador Jacobi have in recent years been very busy speaking out on aid and supporting the World Bank in public. In reference to Switzerland's niggardliness towards IDA, Central Bank President Leutwiler said "I am ashamed of being Swiss". The quote hit the headlines of all influential papers.

Two years ago, government set up a 15-member advisory commission on aid to facilitate a dialogue in this field. Its members come from voluntary aid organizations, business and banking, the parties, academia and the mass media. Among them is Swiss Bank Corporation Director General Frant Lutolf, a former senior World Bank staff member. The advisory commission meets four times a year with representatives from the Federal Council to discuss various aspects of

aid. Recently, it supported the proposed SWF 1.65 billion (US \$1 billion equivalent) aid program for the next three years. At last week's meeting for instance, World Bank/IMF membership was touched upon and the commission expressed the wish to be consulted before the Federal Council sends a message on IDA/IBRD membership to Parliament.

As a result of all these efforts, the Swiss public has in recent years become more conscious of the requirements of the Third World. Nevertheless, a deep-rooted resistance to public aid and the World Bank is still quite common, although the Swiss are generous when it comes to voluntary private aid (US\$51.3 million in 1979 or 25% of total ODA). Generally speaking, the man in the street is suspicious of large-size international organizations, their anonymity, their power, their lack of supervision, and their penchant for huge projects. There is a popular feeling that private aid can work more easily and effectively in the Third World in raising the standards of living.

While it is difficult to know the present aid views of the "silent majority", the small but vocal extreme left continues to speak out strongly against development aid. The Swiss extreme left considers the state of the Third World as clear evidence that something is wrong in the industrialized states. The objectives of the left are to establish active solidarity between the so-called underprivileged workers in Switzerland and the absolute poor in the

Third World and to break the Third World's dependence on the North which is allegedly reinforced by the activities of northern politicians, the military, the multinationals and - even well intended - development aid.

To break this dependence, the economies of the South have to be "uncoupled" from the North ("Abkuppelung") which means:

- (i) reduction of economic relations between North and South, including aid and trade ties, to the absolute minimum;
- (ii) development of a national market in each developing country with special emphasis on the production and distribution of goods to cover basic needs;
- (iii) priority for agriculture and production of food rather than cash crops for export;
- (iv) nationalization of foreign firms and state control of international banking to prevent the upper class from transferring their capital to (presumably Swiss) bank accounts;
- (v) promotion of South-South trade through regional integration;
- (vi) reduction or temporary interruption of foreign

development aid.

The four major political parties support aid in general with the Socialists being the most critical. However, the parties put major emphasis on bilateral aid while at the same time accepting the need for some multilateral aid. The last aid debate in the House provided a glimpse of the aid views of parliamentarians. It took place on October 9 of this year when the House approved a record three year aid program of Swiss Francs 1.65 billion (US\$1 bn equivalent) by 124 to 3 votes.

The approval came after more than six hours debate. All parties supported the program, although not without reservations from some speakers. There was very little discussion about multilateral aid, most of the debate being concerned with financial constraints (can Switzerland really afford to give so much aid?). Little was said about basic development issues (such as those included in the Brandt Report) and the proposals for a new International Economic Order, but interestingly, the debate followed immediately after a review of the Swiss Defense budget and several deputies took the occasion to underline the relationship between security and development.

Among the arguments advanced in support of an expanded aid effort were:

- (1) the needs of the Third World and the growing gap

between rich and poor countries;

- (ii) aid as a factor promoting world security;
- (iii) solidarity with other industrialized countries who provide much more aid than Switzerland;
- (iv) avoidance of the danger of international isolation and criticism from abroad;
- (v) the commercial interests of Switzerland as an exporting country.

But despite the overwhelming support for the government program, many critical voices were heard during the debate:

- (i) not enough is known about the relevance and usefulness of current aid projects;
- (ii) parliament should have a larger say in controlling aid, especially multilateral aid;
- (iii) insufficient efforts have been made to explain openly to the public why Switzerland should support more aid.

To sum up, since the ill-fated IDA referendum of June 1976, the attitude towards aid and the Bretton Woods Institutions in Switzerland has become more favorable, despite continued opposition by

extremists. Nevertheless, it still appears highly doubtful whether a referendum on IMF/World Bank membership would pass.

III. AID PERFORMANCE AND POLICIES

A. Aid Performance

In contrast to the situation of DAC countries taken together, ODA flows from Switzerland have recently been rising from 0.19% of GNP in 1977 to 0.20% in 1978 and 0.21% in 1979. Although the ratio remained at no more than about 60% of the DAC average, this itself was a marked improvement from the position of the early sixties, when the ratio was as low as 10% of the DAC average.

The expansion of Swiss ODA in 1979 was primarily due to multilateral ODA which increased by 36% to US\$98 million in 1979 from US\$72 million in 1978. Multilateral aid has accounted for about 43% of all Swiss ODA in 1976-1978, rising to 48% in 1979. Switzerland participates in a substantial number of international aid organizations and believes that through its membership it can influence their policies and at least indirectly control the use of its contributions to these organizations. Switzerland is not a member of the United Nations. In the technical assistance field Switzerland is a member of UNDP, FAO, ILO, ITU, UNESCO, UNICEF, UNIDO, WHO, and WMO.

Swiss contributions to the UN agencies increased substantially (by 34%) in 1979, to US\$58.9 million (30% of total ODA) from US\$44.1 million in 1978. At present, UNDP is the largest

beneficiary of Swiss multilateral assistance. The share of UNDP in total UN agencies aid which was 35% in 1977, and 34% in 1978, fell slightly to 33% in 1979. Switzerland, from the start, has always been represented on the 48 member board of UNDP.

Swiss contributions to multilateral aid institutions are concentrated on the three regional development banks and IFAD. Of the US\$21.0 million going to these banks in 1979, US\$19.6 million (or 93%) went to their respective funds for special operations. On the other hand, bilateral ODA increased only slightly, by 6%, to US\$107 million in 1979 from US\$101 million in 1978.

B. Capital Flows

In 1979 Swiss capital flows to developing countries were US\$5.5 billion, equivalent to 5.6% of GNP in that year (see Table 1). Private financial flows made up over 90% of the total flows. It is Swiss policy to encourage those private flows to developing countries through guarantees on export credits and investment, official supplements to private loans ("mixed credits") and efforts to maintain open capital markets.

Table 1. Swiss Capital Flows to Developing Countries
(1979)

| | <u>Amount</u> (US\$m) | <u>Percent of GNP</u> (%) |
|---|--------------------------|------------------------------|
| Official Development Assistance | 205 | 0.21 |
| Other Official Flows | 55 | 0.06 |
| Grants by Private Voluntary Agencies | 51 | 5.33 |
| Private Flows | <u>5222</u> | <u>5.33</u> |
| Total Capital Flows | <u>5533</u> ===== | <u>5.65</u> ===== |

Source: DAC/OECD Memorandum de la Suisse

Contrary to the situation in most other industrial countries, Swiss export credits are extended largely by the private sector with a minimum of official assistance, except for Government insurance to cover credit repayment risks. Prior to 1976, the annual level of export credits to developing countries averaged about US\$100 million per year, among the lowest for DAC countries. From 1976 through 1978, however, Swiss private export credits to developing countries expanded very sharply to an average of close to US\$700 million, considerably faster than in overall exports. In 1979 export credits fell back to US\$616 million. These high levels of lending coincided with the emergence of Switzerland in 1976 as a significant exporter of capital and the marked sharpening of export credit competition at that time among most industrial countries.

Although export credit declined somewhat in 1979, this was more than offset by the rapid growth of direct investment and especially by borrowing on the Swiss capital market (see Table 2). The latter totalled US\$3.2 billion net, of which US\$2.6 billion was directly by developing countries and US\$0.6 billion in international institutions, (US\$405 million by the World Bank alone). Loans by banks stayed flat at just under US\$1.0 billion. It is, of course, important to recognize that Switzerland's high capital outflow to developing countries in 1979 reflects international intermediation.

Table 2. Swiss Net Private Capital Flows to Developing Countries
(US\$ millions)

| | <u>1977</u> | <u>1978</u> | <u>1979</u> |
|--|---------------|---------------|---------------|
| Export Credits (Guaranteed and Non-Guaranteed) | 916.3 | 830.1 | 616.2 |
| Direct Investment | 211.3 | 174.1 | 415.9 |
| Borrowing by International Institutions and Developing Countries | 854.4 | 1562.1 | 3214.8 |
| Long Term Bank Loans | <u>n.a.</u> | <u>941.0</u> | <u>975.0</u> |
| | <u>1982.0</u> | <u>3507.3</u> | <u>5221.9</u> |
| | ===== | ===== | ===== |

Source: DAC/OECD Memorandum de la Suisse

IV. POLITICAL AND ECONOMIC SITUATION

A. Political Situation

The Swiss government system differs in many ways from other European or American systems. The Battle of Morgarten in 1315 gained the Swiss de facto independence from the Habsburg Emperors. Ever since the Swiss have been fiercely Republican. Under the Swiss constitution, the people is its own sovereign and often applies the power implied to make or break legislation through referenda of which there have been about 300 since the middle of the 19th century. (The referendum of June 1976 defeating a Swiss contribution to IDA which Government and Parliament had overwhelmingly approved is a typical example).

The Swiss Confederation with a total population of some 6.3 million of which 880,000 are foreigners is an accretion of 26 highly individualistic mini-states, the Cantons, with few national frontiers to the outside world, which may explain the isolationist not to say parochial outlook of the average Swiss citizen and his great distrust of the central authorities in Bern. Three quarters of the population speak German, one fifth French, four percent Italian and 0.4 percent Romansh. Of the Ministers Mr. McNamara will be meeting, Federal Councillors Honegger (Minister of the Economy) and Ritschard (Minister for Finance) are German speaking and Aubert (Minister for Foreign Affairs) French speaking. None of them speak English well.

The principal branches of the federal government are the bi-cameral Parliament and the so-called seven member Federal Council (the Executive arm).

Parliament has a House (National Council) of 200 directly elected members and a 46 member Senate (Council of States) to which each of the 26 Cantonal (State) governments sends two representatives. Every law requires approval by both chambers. Parliament meets in Bern four times a year for about three weeks each time and the next parliamentary session begins on December 1. Parliamentarians are poorly paid (less than US\$20,000 a year), have no personal aids and usually have another full time job.

About a dozen parties are represented in the lower house with the four major parties namely the Liberals (51 seats), the Socialists (51 seats), the (Catholic) Christian Democrats (44 seats) and the (agrarian and shop keepers) Swiss People's Party (23 seats) occupying 85 percent of the 200 seats. Since 1975 the Socialist have been the largest party and the Ministers for Finance (Ritschard) and Foreign Affairs (Aubert) who Mr. McNamara will meet are the two socialist members of the seven-man Federal Council.

In fact members of the Federal Council are elected by both houses of Parliament in joint session, whenever there is an opening, taking into account aspects of regional and linguistic balance. Once elected, a Federal Councillor keeps his post as a matter of tradition

until he resigns or dies. Since 1959 a so-called magic formula has been in operation whereby the seven seats on the Federal Council are allocated among the four main parties on a 2:2:2:1 basis. Thus, the Federal Council is a collegiate organ meeting once a week to discuss gubernatorial matters and to administer the country. Since the Council is strictly founded on the principle of joint responsibility it is important that Mr. McNamara speak to the three councillors (Messrs Honegger, Ritschard and Aubert) so as to impress upon them collectively the importance of the World Bank and IDA. The Chairman of the Federal Council holds an office which rotates annually among its members. He prepares and chairs the Council's meetings but unlike the German Chancellor, the British Prime Minister or the President of the United States, the Chairman can neither select his Ministers (Federal Councillors) nor give them instructions or provide policy guidelines. However, he is the nominal President of the Swiss Confederation - though few ordinary Swiss citizens could tell his name. (By the way this year Federal Councillor and Head of the Military Department George-Andre Chevallaz is President). The Federal Council does not need a "Parliamentary Majority". Hence there is no danger of a government crisis even if Parliament votes against a particular bill submitted by the Federal Council.

Of the Federal Councillors Mr. McNamara will meet, Fritz Honegger (Economy) enjoys a solid reputation, while Pierre Aubert (Foreign Affairs) is considered light-weight. Willi Ritschard (Finance), a

trade union leader who was voted into the Federal Council by a coalition of Bourgeois parties when a vacancy arose for a Socialist in 1973, was not the choice of his own Socialist party.

State Secretary Jolles is officially only the top civil servant in the Department of Economy but because of his experience and standing is often unofficially referred to as the Eighth Federal Councillor.

B. Economic Situation

In both 1974 and 1978 Switzerland was the richest industrialized country on a per capita basis with Sweden second. In 1978, Switzerland's per capita GNP was US\$12,100. The margin of superiority had, however, risen from 9 to 19 percent. 1/ How was this possible when between 1973 and 1978 Switzerland's GDP in constant prices actually fell at an average rate of 1 percent a year, the worst performance of any OECD country? The answer lies with its low inflation rate (a 2.9% average annual rise in consumer prices between 1974 and 1979), strong balance of payments and political stability. As a result of constant upward pressure, the exchange rate soared between 1973 and 1978 and held on to healthy gains, even in real terms, up to 1980. Thus, between 1973 and the peak in 1978 the nominal effective exchange rate rose by 80% and the real effective

1/ Data on GNP per capita are from World Bank, Atlas 1976

exchange rate by close to 40%, calculated from consumer prices, and by close to 20% calculated from the export prices of manufactured goods. (In 1980 corresponding figures were 70, 20 and 10% respectively.) It was the strength of the exchange rate that lifted the country's per capita income to such a high level in 1978.

Switzerland has had an extraordinarily strong and unusually structured balance of payments. The current account has been in continuous surplus and the trade balance actually improved after 1974, partly because of the slow GDP growth, going into deficit again only in 1979. Switzerland also enjoys large surpluses from transactions in services, despite outflows of workers' remittances which were as large as US\$2.7 billion in 1978. The strong current account has permitted large exports of long-term capital and has, nevertheless, led to accumulation of reserves in most years. Official reserves reached US\$24 billion at the end of 1979 with gold at official government valuation. At market prices for gold, reserves were worth about US\$66 billion at the end of 1979. By August 1980, however, reserves had fallen by about US\$4 billion. The striking feature of the balance of payments, however, is the large net "errors and omissions", (more than a third of merchandise exports in 1978, for example) which presumably reflect Switzerland's unique role as an international financial center.

Switzerland's economy is open not only to capital flows, but

also to trade. Exports of goods and non-factor services are about 35% of GNP. In 1979 only Belgium, Ireland, the Netherlands and Norway were more dependent on exports of goods. Machinery and transport equipment account for as much as a third of commodity exports. In all, manufactures contribute over 90% of merchandise exports and in 1979 Switzerland enjoyed a surplus of US\$2.8 billion in this sector. Switzerland has, moreover, managed to retain liberal trade policies throughout the 1970s.

Switzerland's strong trade balance is remarkable since the country is completely dependent on imports for its supply of petroleum, natural gas and coal. The country is well endowed, however, with both hydro-generated electric power and with nuclear power. Of local electricity production about 20% is exported and the part domestically consumed covers as much as 40% of domestic energy consumption. Also important for its ability to cope with higher oil prices has been conservation. In 1978 petroleum consumption was 12.3% below the 1973 level.

Overall, Switzerland has weathered the storms of the 1970s at the cost of low growth. Its balance of payments has been very strong - at least until 1980. The structure of the balance of payments is unusual, with high movements of capital both into and out of the country. It is probably in its role as a capital market rather than as a trader or employer of labor that Switzerland is most

important for the developing countries.

Ann. Mtg. Brief

717/1/3

BRIEFING PAPER

SWITZERLAND

- I. Key Issues
- II. Aid Performance and Policies
- III. Borrowings in the Swiss Capital Market

Attachments

Annex I - Political and Economic Situation

Annex II - Cofinancing

Annex III - Swiss Staff in the World Bank

Annex IV - Statistical Tables

- Table 1 - Flow of Official Development Assistance from Development Assistance Committee Members
- Table 2 - Flow of Official Development Assistance: Pattern for DAC Donors
- Table 3 - Concessionary Flows to Multilateral Institutions by Donor Country
- Table 4 - Estimated Effect of IBRD and IDA Operations on Switzerland's Balance of Payments through FY80
- Table 5 - Flow of Resources from DAC Members
- Table 6 - Comparative Aid Performance of DAC Member Countries
- Table 7 - Concessionality of ODA Commitments
- Table 8 - Net ODA Flows to Multilateral Agencies - 1979
- Table 9 - Distribution of ODA from OECD Countries in 1979 by Developing Country Income Group

September 1980

I. KEY ISSUES

A. BANK ISSUES

IDA6

With the exception of IDA there are no Bank Group related issues of pressing concern. In February 1980, Switzerland announced its intention, subject to parliamentary approval, to convert the two loans made to the Association in 1967 and 1972, respectively, into grants. The loans amount to about Swf.180 million (approximately US\$110 million equivalent).

Mr. McNamara's Visit and Related Issues

Swiss authorities have confirmed their invitation to Mr. McNamara to visit Switzerland after the Annual Meeting. By then, the Council of States (Swiss Senate) will have deliberated on the IDA loan conversion into grants.

The Swiss authorities prefer to place Mr. McNamara's visit into the more general framework of Switzerland's overall relations with the Bretton Woods institutions (see Annex I, page 3). A briefing by Mr. McNamara to the Federal Council on Bank activities might improve the prospects for the Swiss to pursue the question of their membership in the Bretton Woods institutions, before considering membership in the UN.

B. OTHER ISSUES

ODA

Despite the recent defeat in a referendum of a revenue raising proposal and successive cuts in the 1980 and 1981 budget, the ODA/GNP ratio has increased from 0.19% in 1977 to 0.21% in 1979. Although the Government intends to raise the ratio to 0.30% by 1982, public opinion is basically against further increases in the Swiss aid program.

II. AID PERFORMANCE AND POLICIES

A. Aid Performance

Switzerland is close to the bottom of the list among the 17 DAC members, while it ranks first with regard to per capita GNP. In 1979, net ODA disbursements rose 18% in nominal terms from US\$173 million in 1978 to US\$205 million. In terms of national currency ODA increased by about 10%. In 1978, the growth in nominal terms was considerably higher (45%) but was mostly due to the strong appreciation of the Swiss currency.

The expansion of Swiss ODA in 1979 was primarily due to multilateral ODA which increased by 36% to US\$98 million in 1979 from US\$72 million in 1978. The UN agencies and the EEC are the major recipients. Multilateral aid has accounted for about 43% of all Swiss ODA in 1976-78, rising to 48% in 1979. On the other hand, bilateral ODA increased only slightly, by 6%, to US\$107 million in 1979 from US\$101 million in 1978.

Swiss ODA commitments increased substantially (by 85%) in 1979, to US\$316 million from US\$171 million in 1978. Multilateral commitments increased by 136% (from US\$61 million to US\$144 million); bilateral commitments, as opposed to disbursements, increased considerably (by 56%) in 1979, to US\$172 million from US\$110 million in 1978.

B. Aid Policies

The Swiss authorities have never adopted the 0.7% ODA target. Their aim is to reach as soon as possible the ODA average of the DAC countries, which in 1978 was 0.35%.

Achieving these targets will depend on the Government's success in raising public revenues. Without the value-added tax, which would have provided the federal government with a reliable revenue source, federal finances are likely to remain extremely tight for many years to come. The Government is now considering new revenue measures which include a withholding tax on deposits by foreigners, as well as taxes on energy consumption (as a simultaneous conservation measure) and on heavy road transport (also to make rail transport more competitive).

The basis for Switzerland's aid policy is the 1976 Development Co-operation Law which confirmed the marked Basic Needs orientation to the Development Co-operation Program with a stress on: (i) rural development, (ii) improvement of nutrition, particularly food production for local consumption, (iii) promotion of handicrafts and small-scale industry, (iv) employment creation, and (v) the seeking and preservation of environmental and demographic equilibrium. The law stipulates that Swiss aid should go to the poorest countries.

In recent years, assistance for food production and rural

agro-industry has accounted for the largest share (between one-quarter and one-third) of total project aid and technical assistance, with education and health projects receiving about 15% of the total. International experts agree that Swiss aid projects are usually well designed and executed, and that many of them are properly poverty-oriented.

In 1979, 49% of total Swiss ODA was directed to the low-income countries. On January 1, 1978, Switzerland converted credits to LLDCs amounting nominally to nearly US\$75 million into grants. Future aid to these countries will be provided in the form of grants. In 1979, Switzerland agreed to reschedule US\$43.8 million of Turkey's debt.

To make their relatively small aid volume more effective, the Swiss authorities have concentrated their funds on a small number of countries. In Africa, where about 40% of Swiss bilateral aid (nearly all grants) went in 1978-79, compared to 30% in 1977, the main beneficiaries were Cameroon, Chad, Kenya, Madagascar, Mali, Niger, Rwanda, Tanzania and Upper Volta. In Asia, with about 37% of Swiss aid mostly in grant form, the large recipients were Bangladesh, India, Indonesia, Nepal, Pakistan and Thailand; in Latin America with about 12% of all bilateral aid (more than half of it as grants), Bolivia, Paraguay and Peru were the main beneficiaries.

C. Aid Administration

The administration of Swiss aid is divided between the Foreign Office (Minister Pierre Aubert) and the Ministry of the Economy (Minister Fritz Honegger). In the Foreign Office, the Directorate for Development Co-operation and Humanitarian Aid, headed by Ambassador Marcel Heimo, is in charge of the planning and execution of development projects and programs. In the Ministry of the Economy, the Office for External Economic Relations, headed by Under-Secretary Paul Jolles, deals among other things with LDC trade, private financial flows and relations with international financial institutions. In that Office, Ambassador Klaus Jacobi is in charge of the financial aspects of development co-operation. The overall planning and execution of Swiss aid policy is done by both ministries together and the representation of Switzerland in international conferences and institutions is assigned to one or the other on an ad hoc basis. In April 1980, Ambassador Jacobi visited IDA projects in Senegal in an attempt to gain first hand experience of IDA activities. This was part of the Swiss government's recently stepped up public relations campaign in favor of ODA when the Parliament is considering the IDA debt waiver measure. The Ambassador was impressed by what he saw during his visit and should be in a better position to respond to queries from journalists on the subject of Swiss experience of IDA projects.

D. Public Attitudes

While the government, under the active leadership of Foreign Minister Pierre Aubert, is making efforts to increase Switzerland's participation in international institutions, the Parliament still shows considerable reluctance. The recent debate on Swiss participation in the regional development banks showed that the traditional opposition from the extreme right as well as from the extreme left to the established form of development is as strong as ever. Because of the Swiss form of direct democracy where the populace is called upon from time to time to express its views on national and international issues, the attitudes of the voters, with all its unpredictability, assumes a much greater importance than in other countries. The decisive mass of Swiss voters is distant from, and skeptical of, official development assistance. As witnessed by the high level of private contributions (US\$48.6 million in 1978, or 28% of ODA), the Swiss people have a tendency to regard development more as a direct human effort than something that requires large-scale programs by big organizations. Because of this popular attitude, it has not been too difficult for anti-aid groups to mobilize the Swiss electorate to vote down an aid-related bill (such as IDA in June 1976) when it was put before them. There are indications, however, that even the Swiss conservative financial circles are becoming more interested in North/South issues. Recently, a monthly publication of the largest Swiss bank (UBS) commented on the state of North/South

dialogue and emphasized the importance of the Brandt report, the dangers of protectionism, the need for substantial relief for the 800 million absolute poor, the need for additional funds for middle-income countries, and growing criticism of Switzerland's poor aid performance and failure to contribute to IDA.

E. Relationship with IDA

Despite the 1976 referendum on IDA and the general negative public attitude to official aid, the Swiss authorities have recently embarked on an "IDA strategy" which involves three steps: first, waiver of IDA 2 and 3 debts, amounting to about SwF. 180 million (US\$110 million), then more Swiss co-financing of IDA projects and ultimately, a Swiss contribution to IDA 7. Considerable progress has been made on the first point. In June 1980, the first chamber of Parliament voted in favor of the Government proposed debt waiver. However, it also added a clause submitting the proposal to a referendum (provided enough signatures can be collected). The proposal now goes to the Council of State (the Second Chamber), where a vote is expected on October 10. Under the Swiss Constitution, no referendum is required for ratification, unless both chambers of Parliament vote specifically to submit it to a referendum. The First Chamber has so voted. It is likely that the Second Chamber will vote a similar provision.

In terms of co-financing, Swiss authorities have recently

held extensive discussions with Bank staff on a number of projects. Three of these projects are scheduled for Board presentation in FY81. As to the likelihood of Swiss contribution to IDA 7, it is still too early to tell. Membership in the Bretton Woods institution will be a key test in this regard. Although legally, future Swiss commitments to IDA 7 only require approval of the Federal Council, the latter may, as a matter of political expediency, decide to submit future IDA commitments to parliamentary ratification. Finally, a so-called "initiative" requiring 100,000 signatures can open the way for a referendum on a change of the Constitution. Thus, it would be conceivable for example that through such an "initiative" the voters will put a clause into the Constitution barring membership in any multilateral organization such as IDA.

III. BORROWINGS ON THE SWISS CAPITAL MARKET

During FY79, the Bank's total borrowings in Swiss Francs amounted to SwF 2,400 million, equivalent to about US\$1,431 million or about 33.4% of the US\$4,288 million FY79 borrowing program.

For FY80, the Bank's total borrowings in Swiss Francs amounted to SwF 1,600, equivalent to about US\$1,019 million or about 19% of the US\$5,324 million FY80 borrowing program. Of the SwF 1,600 million, SwF 100 million was placed directly with the Saudi Arabian Monetary Agency (SAMA), SwF 400 million in the form of 3- and 4-year notes to central banks, and SwF 1,100 million was raised in the Swiss capital markets in the form of public offerings, private placements and loans. For FY81, the Bank's total borrowings in Swiss Francs as of September 30, 1980 amount to SwF 825 million (about US\$509 million). This amount includes SwF 175 million from SAMA which is not yet signed.

On June 30, 1980, outstanding Swiss franc borrowings amounted to SwF 8,785 million (US\$5,427.9 million equivalent) which represent 18.3% of the Bank's outstanding debt.

The positive attitude of the Swiss National Bank towards central banks holding Swiss currency as part of their official reserves has resulted in two Swiss franc denominated issues to central banks amounting to SwF 400 million (US\$237.4 million equivalent), with

a third such issue currently being offered. The Swiss National Bank also supports the recycling of OPEC surpluses through the issue of Swiss franc denominated, privately placed debt. One such transaction for SwF 100 million (US\$57.2 million equivalent) with SAMA was successfully concluded in FY79.

Further new developments have served to broaden the market for IBRD borrowings in the Swiss capital market. For the first time an issue of SwF 100 million (US\$57.2 million) was placed with banks other than the big three (Credit Suisse, Swiss Banking Corporation, Union Bank of Switzerland), another operation which increased the scope of the market. Two additional banks have been included in the Bank's private placement syndicate.

In addition, the Bank is currently envisaging transactions which will combine the big three with the cooperative banking sector and the cantonal banks. Fiscal year 1980 saw the Bank's first syndicated loan of SwF 200 million (US\$120.5 million) in the Swiss capital market, and this has been repeated, in the same amount, in FY81. Finally, there were a total of 12 transactions in FY80 as opposed to three or four up to a few years ago; an increase in activity which bespeaks the Bank's increased access to the Swiss market.

POLITICAL AND ECONOMIC SITUATION

A. Political Situation

The basic elements of the Swiss political system are a small but efficient federal government which keeps a low profile in view of the Swiss abhorrence of bureaucracies, a parliament which does not possess much expertise of its own and therefore traditionally follows most government recommendations, and the "sovereign" (the Swiss people itself), which is called upon to vote directly on a large number of issues through popular referenda. More and more in recent times, the Swiss voter has ignored recommendations from the government and from parliament. Proposals which involve increased public spending and an enhanced role for government are usually rejected by the electorate. Typical examples were the IDA referendum in June 1976, the vote on a new wealth tax in November 1977, and the twice defeated attempt to introduce a new value-added tax in June 1977 and May 1979. The failure to obtain new sources of revenue leaves the federal government in a constrained financial situation, forcing it to cut down on public spending.

Parliamentary elections in late October 1979 did not change the Swiss political scene to any great extent. Four parties currently make up 85% of the National Council, Switzerland's lower chamber (a proportion unchanged from previous session). These are the Christian Democrats (CVP) with 22% of the seats, the Liberal Party (FDP) with

25%, the Social Democratic Party (SDS) with 25%, and the centrist Swiss People's Party (SVP) with 11%.

For more than 15 years, these four parties have formed an informal coalition which is known in Switzerland as the "magic formula." The formula implies that, of the seven-member cabinet, two ministers each will be put up by the FDP, CVP, and SDS, and one by the SVP. Despite rumblings from the Social Democrats before the last elections that they might withdraw because so many of their reform initiatives have been frustrated, they have remained in the Council and the "magic formula" has been left intact for the time being. At present, the Social Democrats are preparing a proposal to reform the Swiss banking system with a view to reducing its influence and lifting some of the bank secrecy regulations, but again they fear that this initiative will end without a tangible result. Despite the Social Democrats' discontent, it is regarded as unlikely that they would go so far as to leave the coalition, which after all has provided them with ministerial posts and other positions of influence.

Following the elections, Defence Minister Rudolf Gnagi resigned because of failure to provide the Swiss army with new tanks. The former Minister of Finance, Georges Andre Chevallaz has assumed the defense portfolio and is President, under the rotating presidency system. Former Transport and Energy Minister, Willy Ritschard (one of the Social Democrats), has remained in the Council despite failing

health and has been given the finance portfolio. Leo Schlumpf (CVP) is the new member given the energy portfolio. At present, the following ministers are of importance to the Bank: Foreign Minister Pierre Aubert (SDS), Finance Minister Willy Ritschard (SDS) and Economics Minister Fritz Honegger (FDP).

The main foreign policy issue of interest to the Bank is the question of Switzerland's membership in the UN and in the Bretton Woods institutions. Switzerland is already a member of most UN special agencies. Before the last elections, Foreign Minister Pierre Aubert was pushing hard for full UN membership, but an increasing number of officials in his own Ministry (and in the Economics Ministry) have been arguing that membership in the Bretton Woods institutions should be the first order of business. The argument runs that UN membership stands little chance of being accepted by the Swiss people (recent opinion polls have consistently shown a majority against joining), and that it would be hopeless to try to obtain approval for Bretton Woods membership in the wake of an unsuccessful UN referendum. If, on the other hand, the more easily accepted Bretton Woods membership came first, chances would look much better. It is, of course, recognized that Bretton Woods membership, too, is far from certain to be accepted, particularly in view of the negative precedent of the 1976 IDA referendum. The Government was expected to submit its proposal on UN membership to the Parliament later this

year. However, Foreign Minister Aubert, who is the main proponent of the idea, was nearly defeated in the last election and is reportedly going slow on this issue. All indications are that even if the Government submits a message to the Parliament, the latter is likely to procrastinate till prospects for the popular vote improve. Membership in international organizations requires parliamentary approval and is subject to the so-called discretionary referendum, which means that Parliament has to put in a clause which says in effect, "we approve this, provided the Swiss do not ask for a referendum within 90 days." The general expectation is that a referendum will be initiated.

B. Economic Situation

Overall, the Swiss economy has done relatively well since the 1975 recession which resulted in an 8% loss of GNP. Small, but steady growth rates in real terms have since compensated for about half of that loss. Continued improvements in productivity and successful development of new products, combined with generally stable real exchange rates and labor discipline have kept exports (which account for one-third of GNP) competitive and have allowed the Swiss to reach and maintain their position at the top of the world table for GNP per capita.

In the past 24 months, however, two outstanding developments

have marred an otherwise stable economic situation in Switzerland. The first was the dramatic rise in the value of the Swiss Franc in the second half of 1978. In the year ending September 1978, the Swiss franc had risen by 41.5% against the average of its 15 most important trading partners' currencies. This rise had a profoundly negative impact on exports. With exports accounting for 30% of GNP, the impact of stagnating and then falling exports quickly spread through the economy, slowing the growth in production.

In 1978, the GNP growth rate fell to 0.2% compared with 2.7% in 1977. While fiscal policy did not react to the deflationary effect of the currency's appreciation, in late 1978 the National Bank abandoned its policy of fixing monetary targets and set instead a target for the exchange rate with the D-Mark, because of Swiss exports' heavy dependence (20%) on West Germany. As a result of the National Bank's intervention in the foreign exchange markets, by June 1979 the Swiss franc had retreated from the dizzying heights it had reached earlier. Exports regained their competitive edge as the real exchange rate of the Swiss franc declined further.

The second major development in the Swiss economy came in the form of an unaccustomed inflationary push which began sweeping the economy in late 1979. By December 1979, the consumer price index which had been rising by about 1% a year, shot up to an annual rate of more than 5%. The absence of the dampening effect of the steady Swiss

franc appreciation, together with the increases in the prices of oil and other raw materials, had finally worked through the system to produce their maximum impact. Moreover, the National Bank's intervention in foreign exchange markets in the preceding months had led to a 25% increase in the narrowly defined monetary base in the year ending December 1979.

Inflation is now considered as Public Enemy No. 1. The Swiss are worried that unless they control rising prices their exports will suffer and prevent any increases in, and possibly lower, living standards in the future. The National Bank is following a prudent monetary policy which would keep the growth rate of money supply at about 4% in 1980, roughly equal to the projected growth in nominal GNP.

Another fundamental change in the structure of the economy is the recent disappearance of major current account surpluses. Switzerland had been criticized in the past by other industrial countries for its slow growth and high current account surplus, both of which were contrary to the concerted action agreed among OECD members. In 1979, a combination of rising raw material prices and growing demand for imports following the economy recovery in the first half of the year increased the import bill by 15% (10% in real terms). Exports, on the other hand, increased by only 5% (2% in real terms) and as a result the trade deficit rose to US\$4.7 billion in 1979

compared with US\$1.1 billion in 1978. The trade gap pushed the current account surplus down from US\$4.4 billion in 1978 to US\$2.4 billion in 1979. Further deterioration in the terms of trade in early 1980 has widened the trade gap further. Large exports of capital and increased investments abroad caused by the big difference between interest rates in Switzerland and abroad in the first half of the year will reduce the service surplus and is likely that by end 1980 Switzerland would have registered its first current account deficit in ten years.

In 1980, GNP is expected to grow by 1% (just above the 0.8% rise in 1979) largely on account of good export performance and a booming construction industry in the first half of the year. Private consumption will grow no faster than last year's 1.7% while public consumption will rise by only 1% in view of continuing budgetary constraints. Meanwhile, gross investment is expected to grow at about 5% compared to 7.2% in 1979. Since economic activity in Switzerland always follows the evolution of the international situation some six to twelve months later, the negative impact of the recession in other industrial countries, particularly the US, is likely to hit the Swiss economy in late 1980 and first half of 1981. Thus, the outcome for 1981 may well be near zero growth.

Overall, the Swiss economy is probably less equipped today to meet recession when it comes, than it was in 1974. Although

unemployment at 0.2% is at its lowest since 1974, it must be noted that during the last recession the labor force was reduced by about 10%. Two-thirds of those leaving the market were migrant workers who went home and were not replaced, the remainder being mainly part-time workers and those who had postponed retirement in the boom years. Such adjustment will be difficult to repeat in the face of a new recession. Moreover, although Swiss interest rates are lower than in other industrialized countries, at about 5.5% they represent a near doubling in a matter of years. Thus, higher interest rates have eroded but not eliminated one of the comparative advantages of Swiss industry.

The Swiss economy has probably used up most of the safety margins it had accumulated in the good years. Economic management, including fiscal and monetary policies will therefore have to play a more important role than in the past, particularly in the difficult times immediately ahead.

ANNEX II

COFINANCING

In FY79 Switzerland cofinanced its first Bank Group project (\$5.0 million was provided for an IDA project in Bangladesh). In FY80, cofinancing increased sharply to \$295.0 million.

| <u>Country</u> | <u>Project</u> | <u>IBRD/IDA</u> | <u>Amount of Cofinancing US \$ million</u> |
|----------------|----------------|-----------------|--|
| Turkey | Karakaya Power | IBRD | 295.0 |

ANNEX III

SWISS STAFF IN THE WORLD BANK

From June 30, 1975, to June 30, 1980, the number of Swiss staff in levels J and above rose from 19 (1.0%) to 26 (1.0%).

SWISS NATIONALS IN LEVELS O-Q
(As of June 30, 1980)

| | | |
|--------|---|--|
| ROULET | - | Chief of Resident Mission, South Asia - Field |
| WYSS | - | Assistant Director, Latin America and Caribbean Projects Department |

Table 1. FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE FROM DEVELOPMENT ASSISTANCE COMMITTEE MEMBERS TO DEVELOPING COUNTRIES AND MULTILATERAL INSTITUTIONS ^{a/}
(Calendar Years, US\$ million and % of Projected GNP)

| COUNTRY | 1965 | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|---------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Australia | 119 .53 | 212 .59 | 552 .59 | 377 .41 | 400 .42 | 588 .54 | 620 .52 | 690 .51 | 768 .50 | 854 .50 | 943 .50 | 1062 .51 | 1172 .51 |
| Austria | 10 .11 | 11 .07 | 64 .17 | 48 .12 | 118 .24 | 166 .29 | 128 .19 | 174 .23 | 212 .25 | 256 .27 | 294 .28 | 336 .29 | 384 .30 |
| Belgium | 102 .60 | 120 .46 | 378 .59 | 340 .51 | 371 .46 | 536 .55 | 626 .56 | 714 .59 | 814 .60 | 928 .61 | 1057 .63 | 1205 .65 | 1374 .67 |
| Canada | 96 .19 | 337 .41 | 847 .52 | 763 .39 | 945 .48 | 1060 .52 | 1033 .47 | 1151 .46 | 1279 .45 | 1420 .45 | 1552 .45 | 1701 .44 | 1863 .44 |
| Denmark | 13 .13 | 59 .38 | 205 .58 | 214 .56 | 258 .60 | 383 .75 | 448 .75 | 488 .67 | 571 .70 | 638 .70 | 707 .70 | 781 .70 | 861 .70 |
| Finland ^{b/} | 2 .02 | 7 .06 | 48 .18 | 51 .17 | 49 .16 | 55 .17 | 90 .22 | 104 .22 | 121 .23 | 141 .24 | 164 .26 | 191 .27 | 223 .28 |
| France | 752 .76 | 971 .66 | 2093 .62 | 2146 .62 | 2267 .60 | 2705 .57 | 3342 .59 | 3836 .59 | 4282 .59 | 4786 .59 | 5369 .60 | 5932 .60 | 6546 .60 |
| Germany | 456 .40 | 599 .32 | 1689 .40 | 1592 .36 | 1717 .33 | 2347 .37 | 3378 .44 | 3581 .44 | 4029 .44 | 4533 .44 | 5100 .45 | 5737 .46 | 6336 .46 |
| Italy | 60 .10 | 147 .16 | 182 .11 | 226 .13 | 186 .10 | 375 .14 | 279 .09 | 320 .09 | 385 .10 | 461 .10 | 554 .11 | 605 .11 | 668 .11 |
| Japan | 244 .27 | 458 .23 | 1148 .23 | 1105 .20 | 1424 .21 | 2215 .23 | 2638 .26 | 3071 .27 | 3532 .27 | 4061 .28 | 4671 .28 | 5371 .29 | 6177 .30 |
| Netherlands | 70 .36 | 196 .61 | 608 .75 | 728 .83 | 908 .86 | 1074 .82 | 1403 .93 | 1547 .94 | 1749 .94 | 1976 .96 | 2213 .97 | 2457 .98 | 2745 .99 |
| New Zealand ^{c/} | | 14 .23 | 66 .52 | 53 .41 | 53 .39 | 55 .34 | 62 .30 | 65 .30 | 73 .30 | 81 .30 | 90 .30 | 99 .30 | 108 .30 |
| Norway | 11 .16 | 37 .32 | 184 .66 | 218 .70 | 295 .83 | 356 .90 | 429 .93 | 491 .95 | 558 .96 | 631 .97 | 707 .98 | 790 .99 | 882 1.00 |
| Sweden | 38 .19 | 117 .38 | 566 .82 | 608 .82 | 779 .99 | 783 .90 | 956 .94 | 1124 .95 | 1259 .95 | 1400 .95 | 1545 .95 | 1702 .95 | 1872 .95 |
| Switzerland | 12 .09 | 30 .15 | 104 .19 | 112 .19 | 119 .19 | 173 .20 | 205 .21 | 218 .22 | 276 .25 | 318 .26 | 350 .26 | 400 .27 | 455 .28 |
| United Kingdom | 472 .47 | 500 .41 | 910 .39 | 885 .40 | 1120 .46 | 1456 .48 | 2067 .52 | 2453 .52 | 2573 .49 | 2674 .45 | 2765 .42 | 2903 .40 | 3041 .38 |
| United States ^{d/} | 1023 .58 | 3153 .32 | 4161 .27 | 4360 .26 | 4682 .25 | 5664 .27 | 4567 .19 | 4567 .18 | 6250 .22 | 6966 .22 | 7662 .22 | 8416 .22 | 9421 .22 |
| GRAND TOTAL | | | | | | | | | | | | | |
| ODA (\$b. - Nominal Prices) | 6.5 | 7.0 | 13.8 | 13.8 | 15.7 | 20.0 | 22.3 | 24.6 | 28.7 | 32.1 | 35.7 | 39.7 | 44.1 |
| ODA as Percentage of GNP | .49 | .34 | .36 | .33 | .33 | .35 | .34 | .34 | .36 | .36 | .36 | .36 | .36 |
| ODA (\$b. - Const. 1980 Prices) | 10.3 | 18.0 | 21.9 | 20.9 | 22.1 | 24.4 | 24.5 | 24.6 | 26.3 | 27.2 | 28.3 | 29.4 | 30.8 |
| GNP (\$t. - Nominal Prices) | 1.3 | 2.0 | 3.8 | 4.2 | 4.7 | 5.6 | 6.5 | 7.2 | 8.0 | 9.0 | 9.9 | 11.0 | 12.1 |
| Price Deflator ^{e/} | .32 | .39 | .63 | .66 | .71 | .82 | .91 | 1.00 | 1.09 | 1.18 | 1.26 | 1.35 | 1.43 |

^{a/} Historical figures through 1979 are as reported by donors to OECD/DAC. Austria, Denmark, Germany and Netherlands are still reporting on a mixed note deposit/encashment basis. Projections for 1980-85 are based on World Bank estimates of GNP growth, information on budget appropriations for aid, and aid policy statements by governments. They are projections, not predictions, of what will occur unless action not now planned takes place.

^{b/} Finland became a member of DAC in January 1975.

^{c/} New Zealand became a member of DAC in 1973. ODA figures for New Zealand are not available for 1965.

^{d/} In 1949, at the beginning of the Marshall Plan, US Official Development Assistance amounted to 2.79% of GNP.

^{e/} The deflator is the US\$ GNP deflator (1980 = 100) which includes the effects of changes in the exchange rates.

Table 2. FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE: PATTERN FOR DAC DONORS a/
(Calendar Years, US\$ million and % of GNP)

| | 1965-67 Average | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|--------------------------|--------------------|------|------|------|------|------|------|------|------|------|------|------|------|
| Australia | | | | | | | | | | | | | |
| Multilateral | 12 | 22 | 116 | 59 | 51 | 168 | 162 | 173 | 192 | 214 | 249 | 266 | 293 |
| Bilateral | 122 | 190 | 436 | 318 | 349 | 420 | 458 | 517 | 576 | 640 | 694 | 796 | 879 |
| Total | 134 | 212 | 552 | 377 | 400 | 588 | 620 | 690 | 768 | 854 | 943 | 1062 | 1172 |
| Multilateral as % of GNP | .05 | .06 | .12 | .07 | .05 | .16 | .13 | .13 | .13 | .14 | .15 | .15 | .15 |
| Bilateral as % of GNP | .51 | .53 | .47 | .34 | .37 | .38 | .39 | .38 | .37 | .36 | .35 | .36 | .36 |
| Total as % of GNP | .56 | .59 | .59 | .41 | .42 | .54 | .52 | .51 | .50 | .50 | .50 | .51 | .51 |
| Austria | | | | | | | | | | | | | |
| Multilateral | 5 | 7 | 14 | 18 | 31 | 53 | 71 | 70 | 74 | 77 | 88 | 101 | 110 |
| Bilateral | 8 | 4 | 50 | 30 | 87 | 113 | 57 | 104 | 138 | 179 | 206 | 235 | 274 |
| Total | 13 | 11 | 64 | 48 | 118 | 166 | 128 | 174 | 212 | 256 | 294 | 336 | 384 |
| Multilateral as % of GNP | .05 | .04 | .03 | .04 | .06 | .09 | .10 | .09 | .09 | .08 | .08 | .09 | .09 |
| Bilateral as % of GNP | .08 | .03 | .14 | .08 | .18 | .20 | .09 | .14 | .16 | .19 | .20 | .20 | .21 |
| Total as % of GNP | .13 | .07 | .17 | .12 | .24 | .29 | .19 | .23 | .25 | .27 | .28 | .29 | .30 |
| Belgium | | | | | | | | | | | | | |
| Multilateral | 10 | 28 | 126 | 111 | 109 | 226 | 195 | 214 | 218 | 244 | 287 | 304 | 324 |
| Bilateral | 78 | 92 | 252 | 229 | 262 | 310 | 431 | 500 | 596 | 684 | 770 | 901 | 1044 |
| Total | 88 | 120 | 378 | 340 | 371 | 536 | 626 | 714 | 814 | 928 | 1057 | 1205 | 1368 |
| Multilateral as % of GNP | .05 | .11 | .19 | .16 | .13 | .23 | .17 | .18 | .16 | .16 | .17 | .16 | .16 |
| Bilateral as % of GNP | .44 | .35 | .40 | .38 | .33 | .32 | .39 | .41 | .44 | .45 | .46 | .49 | .51 |
| Total as % of GNP | .49 | .46 | .59 | .51 | .46 | .55 | .56 | .59 | .60 | .61 | .63 | .65 | .67 |
| Canada | | | | | | | | | | | | | |
| Multilateral | 35 | 69 | 235 | 234 | 470 | 412 | 475 | 518 | 576 | 639 | 698 | 765 | 838 |
| Bilateral | 125 | 268 | 612 | 529 | 475 | 648 | 558 | 633 | 703 | 781 | 854 | 936 | 1025 |
| Total | 160 | 337 | 847 | 763 | 945 | 1060 | 1033 | 1151 | 1279 | 1420 | 1552 | 1701 | 1863 |
| Multilateral as % of GNP | .06 | .08 | .15 | .12 | .23 | .20 | .22 | .21 | .20 | .20 | .20 | .20 | .20 |
| Bilateral as % of GNP | .22 | .33 | .37 | .27 | .25 | .32 | .25 | .25 | .25 | .25 | .25 | .24 | .24 |
| Total as % of GNP | .28 | .41 | .52 | .39 | .48 | .52 | .47 | .46 | .45 | .45 | .45 | .44 | .44 |
| Denmark | | | | | | | | | | | | | |
| Multilateral | 11 | 22 | 94 | 97 | 111 | 166 | 201 | 220 | 257 | 287 | 318 | 351 | 387 |
| Bilateral | 9 | 37 | 111 | 117 | 147 | 217 | 247 | 268 | 314 | 351 | 389 | 430 | 474 |
| Total | 20 | 59 | 205 | 214 | 258 | 383 | 448 | 488 | 571 | 638 | 707 | 781 | 861 |
| Multilateral as % of GNP | .10 | .14 | .27 | .25 | .26 | .32 | .34 | .30 | .31 | .31 | .32 | .31 | .31 |
| Bilateral as % of GNP | .08 | .24 | .31 | .31 | .34 | .43 | .41 | .37 | .39 | .39 | .38 | .39 | .39 |
| Total as % of GNP | .18 | .38 | .58 | .56 | .60 | .75 | .75 | .67 | .70 | .70 | .70 | .70 | .70 |
| Finland b/ | | | | | | | | | | | | | |
| Multilateral | | 6 | 21 | 22 | 22 | 32 | 48 | 53 | 64 | 72 | 76 | 90 | 96 |
| Bilateral | | 1 | 27 | 29 | 27 | 23 | 42 | 51 | 57 | 69 | 88 | 101 | 127 |
| Total | 3 | 7 | 48 | 51 | 49 | 55 | 90 | 104 | 121 | 141 | 164 | 191 | 223 |
| Multilateral as % of GNP | - | .05 | .08 | .07 | .07 | .10 | .12 | .11 | .12 | .12 | .12 | .13 | .12 |
| Bilateral as % of GNP | - | .01 | .10 | .10 | .09 | .07 | .10 | .11 | .11 | .12 | .14 | .14 | .16 |
| Total as % of GNP | .04 | .06 | .18 | .17 | .16 | .17 | .22 | .22 | .23 | .24 | .26 | .27 | .28 |
| France | | | | | | | | | | | | | |
| Multilateral | 35 | 103 | 304 | 300 | 350 | 354 | 569 | 572 | 666 | 732 | 784 | 941 | 1008 |
| Bilateral | 739 | 868 | 1789 | 1846 | 1917 | 2351 | 2773 | 3264 | 3616 | 4054 | 4585 | 4991 | 5538 |
| Total | 774 | 971 | 2093 | 2146 | 2267 | 2705 | 3342 | 3836 | 4282 | 4786 | 5369 | 5932 | 6546 |
| Multilateral as % of GNP | .04 | .07 | .09 | .09 | .09 | .07 | .10 | .09 | .09 | .09 | .09 | .10 | .09 |
| Bilateral as % of GNP | .68 | .59 | .53 | .53 | .51 | .50 | .49 | .50 | .50 | .50 | .51 | .50 | .51 |
| Total as % of GNP | .72 | .66 | .62 | .62 | .60 | .57 | .59 | .59 | .59 | .59 | .60 | .60 | .60 |
| Germany | | | | | | | | | | | | | |
| Multilateral | 52 | 133 | 528 | 548 | 689 | 786 | 1235 | 1253 | 1341 | 1449 | 1796 | 1913 | 2046 |
| Bilateral | 409 | 466 | 1161 | 1044 | 1028 | 1561 | 2143 | 2328 | 2688 | 3084 | 3304 | 3824 | 4290 |
| Total | 461 | 599 | 1689 | 1592 | 1717 | 2347 | 3378 | 3581 | 4029 | 4533 | 5100 | 5737 | 6336 |
| Multilateral as % of GNP | .04 | .07 | .12 | .12 | .13 | .12 | .16 | .15 | .15 | .14 | .16 | .15 | .15 |
| Bilateral as % of GNP | .34 | .25 | .28 | .24 | .20 | .25 | .28 | .29 | .29 | .30 | .29 | .31 | .31 |
| Total as % of GNP | .38 | .32 | .40 | .36 | .33 | .37 | .44 | .44 | .44 | .44 | .45 | .46 | .46 |
| Italy | | | | | | | | | | | | | |
| Multilateral | 31 | 84 | 123 | 148 | 151 | 353 | 260 | 288 | 346 | 415 | 499 | 545 | 601 |
| Bilateral | 66 | 63 | 59 | 78 | 35 | 22 | 19 | 32 | 39 | 46 | 55 | 60 | 67 |
| Total | 97 | 147 | 182 | 226 | 186 | 375 | 279 | 320 | 385 | 461 | 554 | 605 | 668 |
| Multilateral as % of GNP | .05 | .09 | .07 | .08 | .08 | .13 | .08 | .08 | .09 | .09 | .10 | .10 | .10 |
| Bilateral as % of GNP | .10 | .07 | .04 | .05 | .02 | .01 | .01 | .01 | .01 | .01 | .01 | .01 | .01 |
| Total as % of GNP | .15 | .16 | .11 | .13 | .10 | .14 | .09 | .09 | .10 | .10 | .11 | .11 | .11 |

Table 2. FLOW OF OFFICIAL DEVELOPMENT ASSISTANCE: PATTERN FOR DAC DONORS a/
(Calendar Years, US\$ million and % of GNP)

| | 1965-67 Average | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
|--------------------------|--------------------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| in | | | | | | | | | | | | | |
| Multilateral | 38 | 87 | 297 | 352 | 525 | 684 | 717 | 1068 | 1027 | 1106 | 1474 | 1501 | 1553 |
| Bilateral | 267 | 371 | 851 | 753 | 899 | 1531 | 1921 | 2003 | 2505 | 2955 | 3197 | 3870 | 4624 |
| Total | 305 | 458 | 1148 | 1105 | 1424 | 2215 | 2638 | 3071 | 3532 | 4061 | 4671 | 5371 | 6177 |
| Multilateral as % of GNP | .03 | .04 | .06 | .06 | .08 | .07 | .07 | .09 | .08 | .08 | .09 | .08 | .07 |
| Bilateral as % of GNP | .26 | .19 | .17 | .14 | .13 | .16 | .19 | .18 | .19 | .20 | .19 | .21 | .23 |
| Total as % of GNP | .29 | .23 | .23 | .20 | .21 | .23 | .26 | .27 | .27 | .28 | .28 | .29 | .30 |
| Netherlands | | | | | | | | | | | | | |
| Multilateral | 35 | 41 | 243 | 232 | 264 | 284 | 441 | 464 | 525 | 593 | 664 | 737 | 824 |
| Bilateral | 57 | 155 | 365 | 496 | 644 | 790 | 962 | 1083 | 1224 | 1383 | 1549 | 1720 | 1921 |
| Total | 92 | 196 | 608 | 728 | 908 | 1074 | 1403 | 1547 | 1749 | 1976 | 2213 | 2457 | 2745 |
| Multilateral as % of GNP | .16 | .12 | .30 | .27 | .25 | .21 | .29 | .28 | .28 | .29 | .29 | .29 | .30 |
| Bilateral as % of GNP | .28 | .49 | .45 | .56 | .61 | .61 | .64 | .66 | .66 | .67 | .68 | .69 | .69 |
| Total as % of GNP | .44 | .61 | .75 | .83 | .86 | .82 | .93 | .94 | .94 | .96 | .97 | .98 | .99 |
| New Zealand c/ | | | | | | | | | | | | | |
| Multilateral | | 3 | 16 | 9 | 11 | 10 | 16 | 20 | 18 | 21 | 23 | 25 | 27 |
| Bilateral | | 11 | 50 | 44 | 42 | 45 | 46 | 45 | 55 | 60 | 67 | 74 | 81 |
| Total | 11 | 14 | 66 | 53 | 53 | 55 | 62 | 65 | 73 | 81 | 90 | 99 | 109 |
| Multilateral as % of GNP | | .04 | .13 | .07 | .08 | .06 | .07 | .09 | .07 | .08 | .08 | .08 | .07 |
| Bilateral as % of GNP | | .19 | .39 | .34 | .31 | .28 | .23 | .21 | .23 | .22 | .22 | .22 | .23 |
| Total as % of GNP | .20 | .23 | .52 | .41 | .39 | .34 | .30 | .30 | .30 | .30 | .30 | .30 | .30 |
| Norway | | | | | | | | | | | | | |
| Multilateral | 9 | 22 | 82 | 112 | 130 | 163 | 180 | 196 | 223 | 252 | 283 | 316 | 353 |
| Bilateral | 4 | 15 | 102 | 106 | 165 | 193 | 249 | 295 | 335 | 379 | 424 | 474 | 529 |
| Total | 13 | 37 | 184 | 218 | 295 | 356 | 429 | 491 | 558 | 631 | 707 | 790 | 882 |
| Multilateral as % of GNP | .11 | .19 | .30 | .26 | .37 | .41 | .40 | .38 | .38 | .39 | .39 | .40 | .40 |
| Bilateral as % of GNP | .06 | .13 | .36 | .34 | .46 | .49 | .53 | .57 | .58 | .58 | .59 | .59 | .60 |
| Total as % of GNP | .17 | .32 | .66 | .70 | .83 | .90 | .93 | .95 | .96 | .97 | .98 | .99 | 1.00 |
| Sweden | | | | | | | | | | | | | |
| Multilateral | 29 | 54 | 193 | 207 | 293 | 310 | 337 | 391 | 417 | 453 | 543 | 586 | 644 |
| Bilateral | 22 | 63 | 373 | 401 | 486 | 473 | 619 | 733 | 842 | 947 | 1002 | 1116 | 1228 |
| Total | 51 | 117 | 566 | 608 | 779 | 783 | 956 | 1124 | 1259 | 1400 | 1545 | 1702 | 1872 |
| Multilateral as % of GNP | .13 | .17 | .28 | .28 | .38 | .36 | .33 | .33 | .31 | .31 | .33 | .33 | .33 |
| Bilateral as % of GNP | .10 | .21 | .54 | .54 | .61 | .54 | .61 | .62 | .64 | .64 | .62 | .62 | .62 |
| Total as % of GNP | .23 | .38 | .82 | .82 | .99 | .90 | .94 | .95 | .95 | .95 | .95 | .95 | .95 |
| Switzerland | | | | | | | | | | | | | |
| Multilateral | 4 | 12 | 33 | 45 | 50 | 72 | 98 | 98 | 113 | 126 | 148 | 161 | 186 |
| Bilateral | 8 | 18 | 71 | 67 | 69 | 101 | 107 | 120 | 163 | 192 | 202 | 239 | 259 |
| Total | 12 | 30 | 104 | 112 | 119 | 173 | 205 | 218 | 276 | 318 | 350 | 400 | 445 |
| Multilateral as % of GNP | .02 | .06 | .06 | .07 | .08 | .08 | .10 | .10 | .10 | .10 | .11 | .11 | .11 |
| Bilateral as % of GNP | .06 | .09 | .13 | .12 | .11 | .12 | .11 | .12 | .15 | .16 | .15 | .16 | .17 |
| Total as % of GNP | .08 | .15 | .19 | .19 | .19 | .20 | .21 | .22 | .25 | .26 | .26 | .27 | .28 |
| United Kingdom | | | | | | | | | | | | | |
| Multilateral | 54 | 101 | 344 | 304 | 564 | 602 | 904 | 978 | 979 | 1075 | 1368 | 1457 | 1560 |
| Bilateral | 427 | 399 | 566 | 591 | 556 | 854 | 1163 | 1475 | 1594 | 1599 | 1397 | 1446 | 1481 |
| Total | 481 | 500 | 910 | 895 | 1120 | 1456 | 2067 | 2453 | 2573 | 2674 | 2765 | 2903 | 3041 |
| Multilateral as % of GNP | .05 | .08 | .15 | .14 | .23 | .20 | .23 | .20 | .18 | .18 | .21 | .20 | .20 |
| Bilateral as % of GNP | .40 | .33 | .24 | .26 | .23 | .28 | .29 | .32 | .31 | .27 | .21 | .20 | .18 |
| Total as % of GNP | .45 | .41 | .39 | .40 | .46 | .48 | .52 | .52 | .49 | .45 | .42 | .40 | .38 |
| United States | | | | | | | | | | | | | |
| Multilateral | 114 | 500 | 1220 | 1522 | 1785 | 2190 | 600 | 2028 | 1992 | 2183 | 2393 | 2997 | 3111 |
| Bilateral | 3298 | 2653 | 2941 | 2838 | 2897 | 3474 | 3967 | 2539 | 4258 | 4783 | 5269 | 5419 | 6310 |
| Total | 3412 | 3153 | 4161 | 4360 | 4682 | 5664 | 4567 | 4567 | 6250 | 6966 | 7662 | 8416 | 9421 |
| Multilateral as % of GNP | .01 | .05 | .07 | .09 | .10 | .11 | .02 | .08 | .07 | .07 | .07 | .08 | .07 |
| Bilateral as % of GNP | .44 | .27 | .20 | .17 | .15 | .16 | .17 | .10 | .15 | .15 | .15 | .14 | .15 |
| Total as % of GNP | .45 | .32 | .27 | .26 | .25 | .27 | .19 | .18 | .22 | .22 | .22 | .22 | .22 |
| Total DAC | | | | | | | | | | | | | |
| Multilateral | 474 | 1294 | 3989 | 4320 | 5676 | 5865 | 6509 | 8604 | 9268 | 9918 | 11491 | 13056 | 13964 |
| Bilateral | 5639 | 5674 | 9818 | 9506 | 10085 | 13126 | 15742 | 15990 | 19443 | 22146 | 24052 | 26432 | 30144 |
| Total | 6113 | 6968 | 13807 | 13826 | 15761 | 19091 | 22251 | 24594 | 28711 | 32064 | 35543 | 39488 | 44108 |
| Multilateral as % of GNP | .03 | .06 | .10 | .10 | .12 | .12 | .10 | .12 | .12 | .11 | .12 | .12 | .11 |
| Bilateral as % of GNP | .39 | .28 | .25 | .23 | .21 | .23 | .24 | .22 | .24 | .25 | .24 | .24 | .24 |
| Total as % of GNP | .42 | .34 | .35 | .33 | .33 | .35 | .34 | .34 | .36 | .36 | .36 | .36 | .35 |

a/ Source: Historical figures through 1979 are as reported by donors to OECD/DAC. Figures for 1980-85 are projections by Bank Staff.

b/ Finland became a member of DAC in January 1973.

c/ New Zealand became a member of DAC in 1973.

d/ Breakdown of total ODA not available for Finland and New Zealand.

Table 3. CONCESSIONARY FLOWS TO MULTILATERAL INSTITUTIONS BY DONOR COUNTRY ^{a/}
(Calendar Years; US\$ million)

| | SWITZERLAND | | | | | | | | | | | | |
|--|--------------------|------|------|-------|-------|-------|-------|-------|-------|-------|-------|-------|-------|
| | 1965-67 Average | 1970 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 | 1981 | 1982 | 1983 | 1984 | 1985 |
| <u>CAPITAL SUBSCRIPTION PAYMENTS ^{b/}</u> | | | | | | | | | | | | | |
| IBRD: Past Increases | | | | | | | | | | | | | |
| Selective Increase | | | | | | | | | | | | | |
| General Increase | | | | | | | | | | | | | |
| IDA: Payments For 1-4 | | | | | | | | | | | | | |
| | 5 | | | | | | | | | | | | |
| | 6 | | | | | | | | | | | | |
| | 7 | | | | | | | | | | | | |
| IFC: | | | | | | | | | | | | | |
| Sub-Total Bank Group | | | | | | | | | | | | | |
| IDB: Ordinary Capital | | | | 0.7 | 0.8 | 0.8 | | 1.0 | 0.5 | 0.5 | 0.7 | 0.7 | 0.8 |
| Concessional Capital | | | 3.9 | 4.6 | 4.6 | 4.6 | | 8.0 | 4.0 | 4.0 | 6.0 | 6.0 | 6.0 |
| ADB: Ordinary Capital | 0.3 | 0.5 | -0.1 | -0.1 | 5.8 | 1.1 | 1.1 | 1.2 | 1.2 | 1.7 | 1.7 | 1.8 | 1.8 |
| Concessional Capital |) |) | 2.7 | - | - | 10.1 | 5.0 | 5.6 | 6.3 | 7.3 | 10.3 | 10.3 | 10.3 |
| Other | | | 3.1 | 2.7 | 5.1 | 0.7 | 14.8 | 12.4 | 17.0 | 21.5 | 21.3 | 22.2 | 31.3 |
| TOTAL CAPITAL SUBSCRIPTIONS | 0.3 | 0.5 | 9.6 | 7.9 | 16.3 | 17.3 | 20.9 | 21.0 | 29.0 | 35.0 | 40.0 | 41.0 | 52.0 |
| <u>GRANTS</u> | | | | | | | | | | | | | |
| UN Agencies | 4.2 | 6.5 | 22.0 | 25.4 | 31.0 | 44.1 | 58.9 | 64.0 | 70.0 | 77.0 | 88.0 | 100.0 | 114.0 |
| EEC | | 0.8 | 1.4 | 12.1 | 2.5 | 7.4 | 14.9 | 9.0 | 10.0 | 10.0 | 15.0 | 15.0 | 15.0 |
| Other | | | | | | | | | | | | | |
| TOTAL GRANTS | 4.2 | 7.3 | 23.4 | 37.5 | 33.5 | 51.5 | 73.8 | 73.0 | 80.0 | 87.0 | 103.0 | 115.0 | 129.0 |
| <u>CONCESSIONAL LENDING</u> | | | | | | | | | | | | | |
| TOTAL MULTILATERAL ODA | 4.4 | 11.8 | 33.0 | 45.4 | 49.8 | 72.6 | 98.0 | 98.0 | 113.0 | 126.0 | 148.0 | 161.0 | 186.0 |
| - As % of Total ODA | 33 | 40 | 32 | 40 | 42 | 42 | 48 | 45 | 41 | 40 | 42 | 40 | 41 |
| <u>MEMO ITEM</u> | | | | | | | | | | | | | |
| TOTAL MULTILATERAL ODA (CALL BASIS) | 4.4 | 11.8 | 28.0 | 41.9 | 40.9 | 68.2 | 69.0 | 78.0 | 90.0 | 98.0 | 110.0 | 120.0 | 135.0 |
| TOTAL ODA (CALLS BASIS) | 12.6 | 30.2 | 98.6 | 108.9 | 110.1 | 169.0 | 176.3 | 198.0 | 253.0 | 290.0 | 312.0 | 359.0 | 404.0 |
| - Multilateral as % of Total ODA (Calls Basis) | 35 | 39 | 28 | 39 | 37 | 40 | 38 | 38 | 39 | 38 | 37 | 35 | 35 |
| <u>KEY RATIOS</u> | | | | | | | | | | | | | |
| Bank Group Subscriptions | | | | | | | | | | | | | |
| - As % of Multilateral ODA | | | | | | | | | | | | | |
| - As % of Total ODA | | | | | | | | | | | | | |
| - As % of GNP | | | | | | | | | | | | | |
| IDA | | | | | | | | | | | | | |
| - As % of Multilateral ODA | | | | | | | | | | | | | |
| - As % of Total ODA (As Reported) | | | | | | | | | | | | | |
| - As % of GNP | | | | | | | | | | | | | |
| - As % of Total ODA (Calls Basis) | | | | | | | | | | | | | |
| <u>MEMO ITEMS (Fiscal Years)</u> | | | | | | | | | | | | | |
| IDA Cash/Note Deposits (\$m) | | | | | | | | | | | | | |
| Swfm | | | | | | | | | | | | | |
| Calls (\$m) - 5 | | | | | | | | | | | | | |
| 6 | | | | | | | | | | | | | |
| 7 | | | | | | | | | | | | | |

^{a/} Source: Historical figures through 1978 and preliminary estimates for 1979 are as reported by donors to OECD/DAC. All other figures are projections made by Bank staff after consultation with IDB and ADB staff.

^{b/} Switzerland is not a member of the World Bank Group but has made long-term loans to IDA.

**Table 4: ESTIMATED EFFECT OF IBRD AND IDA OPERATIONS ON SWITZERLAND'S
BALANCE OF PAYMENTS THROUGH FYRO
(US\$ millions; Fiscal Years)**

| | Through 1971 | 1972 | 1973 | 1974 | 1975 | 1976 | 1977 | 1978 | 1979 | 1980 |
|--|-----------------|-------------|------------|-------------|------------|-------------|-------------|-------------|--------------|-------------|
| IBRD EFFECT | | | | | | | | | | |
| Current Account | | | | | | | | | | |
| Procurement of Goods ^{a/} | 323 | 38 | 48 | 47 | 49 | 54 | 49 | 72 | 139 | 139 |
| Interest to Bond Holders ^{b/} | 144 | 13 | 22 | 24 | 38 | 41 | 72 | 106 | 156 | 221 |
| Interest to Loan Holders ^{b/} | 12 | | | | | | 2 | 3 | 3 | 1 |
| Administrative Expenses including Issuance | | | | | | | | | | |
| Costs of Bonds | 9 | 4 | 1 | 5 | | 8 | 10 | 7 | 22 | 14 |
| Less: IBRD Investment Income | 1 | 1 | | 2 | 2 | | | | | 1 |
| Loan Charges | | | | | | | | | | |
| Equals: Balance on Current Account | <u>487</u> | <u>54</u> | <u>71</u> | <u>74</u> | <u>85</u> | <u>103</u> | <u>133</u> | <u>188</u> | <u>320</u> | <u>374</u> |
| Capital Account | | | | | | | | | | |
| Loans Disbursed and Outstanding | | | | | | | | | | |
| Less: 1% Subscription ^{c/} | | | | | | | | | | |
| 9% Subscription ^{c/} | | | | | | | | | | |
| Net IBRD Bond Sales ^{b/} | 261 | 113 | -55 | 147 | -3 | 363 | 379 | 304 | 1359 | 500 |
| Net IBRD Loan Sales ^{b/} | | 1 | 2 | 2 | | 15 | 14 | -2 | -19 | -10 |
| Equals: Balance on Capital Account | <u>-261</u> | <u>-114</u> | <u>53</u> | <u>-149</u> | <u>3</u> | <u>-378</u> | <u>-393</u> | <u>-302</u> | <u>-1340</u> | <u>-450</u> |
| Balance on Current and Long-Term Capital Account | <u>226</u> | <u>-60</u> | <u>124</u> | <u>-75</u> | <u>88</u> | <u>-275</u> | <u>-260</u> | <u>-114</u> | <u>-1020</u> | <u>-116</u> |
| Investments with Maturities Over One Year | | | | | | | | | | |
| Balance on Current and Long-Term Capital Account and Investments | <u>226</u> | <u>-60</u> | <u>124</u> | <u>-75</u> | <u>88</u> | <u>-275</u> | <u>-260</u> | <u>-114</u> | <u>-1020</u> | <u>-116</u> |
| IDA EFFECT | | | | | | | | | | |
| Current Account | | | | | | | | | | |
| Procurement of Goods ^{a/} | 30 | 2 | 5 | 6 | 22 | 18 | 21 | 24 | 32 | 12 |
| Administrative Expenses | | | | | | | | | | |
| Less: IDA Investment Income | | | | | | | | | | |
| Equals: Balance on Current Account | <u>30</u> | <u>2</u> | <u>5</u> | <u>6</u> | <u>22</u> | <u>18</u> | <u>21</u> | <u>24</u> | <u>32</u> | <u>12</u> |
| Capital Account | | | | | | | | | | |
| Proceeds of Loans | 12 | | 23 | 14 | | | | | | |
| Equals: Balance on Capital Account | <u>-12</u> | | <u>-23</u> | <u>-14</u> | | | | | | |
| Balance on Current and Long-Term Capital Account | <u>18</u> | <u>2</u> | <u>-18</u> | <u>-8</u> | <u>22</u> | <u>18</u> | <u>21</u> | <u>24</u> | <u>32</u> | <u>12</u> |
| Investments with Maturities Over One Year | | | | | | | | | | |
| Balance on Current and Long-Term Capital Account and Investments | <u>18</u> | <u>2</u> | <u>-18</u> | <u>-8</u> | <u>22</u> | <u>18</u> | <u>21</u> | <u>24</u> | <u>32</u> | <u>12</u> |
| COMBINED IBRD/IDA EFFECT | | | | | | | | | | |
| Current Account | 517 | 56 | 76 | 80 | 107 | 121 | 154 | 212 | 352 | 386 |
| Capital Account | -273 | -114 | 30 | -163 | 3 | -378 | -393 | -302 | -1340 | -450 |
| Investments | | | | | | | | | | |
| Balance on Current and Long-Term Capital Account and Investments | <u>244</u> | <u>-58</u> | <u>106</u> | <u>-83</u> | <u>110</u> | <u>-257</u> | <u>-239</u> | <u>-90</u> | <u>-988</u> | <u>-104</u> |

^{a/} Includes procurement specifically identified as originating in Switzerland and the same proportion of procurement not identifiable by country of origin.

^{b/} US dollar bonds and loans in other than Swiss francs are included, but transactions with the Bank for International Settlements are excluded.

^{c/} Non-member.

GENERAL NOTE: The amounts shown are in US\$ equivalents, using the exchange rates prevailing at the time the transactions took place; therefore, they will not necessarily agree with those shown in the Bank's financial statements.

TABLE 5: FLOW OF RESOURCES FROM DAC MEMBERS
(Net Disbursements, US\$ millions)

| Ranking | Country | ODA | | | | Total Flows | |
|---------|----------------|--------|------|-------------------|-----------|-------------|-------|
| | | Actual | | Preliminary | Projected | Actual | |
| | | 1973 | 1978 | Estimates 1979 | | 1973 | 1978 |
| 1 | United States | 2655 | 5664 | 4567 | 8416 | 8033 | 16170 |
| 2 | Germany | 1102 | 2347 | 3378 | 5737 | 1807 | 7561 |
| 3 | France | 1461 | 2705 | 3342 | 5932 | 2773 | 7929 |
| 4 | Japan | 1011 | 2215 | 2638 | 5371 | 5844 | 10704 |
| 5 | United Kingdom | 658 | 1456 | 2067 | 2903 | 1528 | 10186 |
| 6 | Netherlands | 322 | 1074 | 1403 | 2457 | 612 | 2692 |
| 7 | Canada | 485 | 1060 | 1033 | 1701 | 1074 | 2193 |
| 8 | Sweden | 275 | 783 | 956 | 1702 | 360 | 1338 |
| 9 | Belgium | 235 | 536 | 626 | 1205 | 507 | 2795 |
| 10 | Australia | 302 | 588 | 620 | 1062 | 370 | 710 |
| 11 | Denmark | 132 | 383 | 448 | 781 | 202 | 633 |
| 12 | Norway | 87 | 356 | 429 | 790 | 95 | 638 |
| 13 | Italy | 192 | 375 | 279 | 605 | 645 | 3213 |
| 14 | Switzerland | 65 | 173 | 205 | 400 | 299 | 3727 |
| 15 | Austria | 40 | 166 | 128 | 336 | 145 | 501 |
| 16 | Finland | 28 | 55 | 90 | 191 | 27 | 134 |
| 17 | New Zealand | 29 | 55 | 62 | 99 | 36 | 84 |

a/ Ranking is by ODA Flows in 1979

Source: Historical figures through 1979 are as reported by donors to OECD/DAC; 1984 figures are Bank Staff projections.

TABLE 6: COMPARATIVE AID PERFORMANCE OF DAC MEMBER COUNTRIES
(% of GNP)

| Ranking | Country | ODA | | | | Total Flows | |
|---------|----------------|--------|------|-------------------|-----------|-------------|--------------------|
| | | Actual | | Preliminary | Projected | Actual | |
| | | 1973 | 1978 | Estimates 1979 | 1984 | 1973 | 1978 |
| 1 | Sweden | 0.56 | 0.90 | 0.94 | 0.95 | 0.73 | 1.53 |
| 2 | Netherlands | 0.54 | 0.82 | 0.93 | 0.98 | 1.03 | 2.06 |
| 3 | Norway | 0.43 | 0.90 | 0.93 | 0.99 | 0.48 | 1.60 |
| 4 | Denmark | 0.48 | 0.75 | 0.75 | 0.70 | 0.74 | 1.24 |
| 5 | France | 0.57 | 0.57 | 0.59 | 0.60 | 1.09 | 1.68 |
| 6 | Belgium | 0.51 | 0.55 | 0.56 | 0.65 | 1.11 | 2.85 |
| 7 | Australia | 0.47 | 0.54 | 0.52 | 0.51 | 0.57 | 0.66 |
| 7 | United Kingdom | 0.37 | 0.48 | 0.52 | 0.40 | 0.86 | 3.27 ^{b/} |
| 9 | Canada | 0.39 | 0.52 | 0.47 | 0.44 | 0.90 | 1.09 |
| 10 | Germany | 0.32 | 0.37 | 0.44 | 0.46 | 0.52 | 1.18 |
| 11 | New Zealand | 0.27 | 0.34 | 0.30 | 0.30 | 0.33 | 0.52 |
| 12 | Japan | 0.25 | 0.23 | 0.26 | 0.29 | 1.44 | 1.10 |
| 13 | Finland | 0.16 | 0.17 | 0.22 | 0.27 | 0.16 | 0.40 |
| 14 | Switzerland | 0.16 | 0.20 | 0.21 | 0.27 | 0.72 | 4.23 ^{b/} |
| 15 | Austria | 0.15 | 0.29 | 0.19 | 0.29 | 0.53 | 0.86 |
| 15 | United States | 0.20 | 0.27 | 0.19 | 0.22 | 0.62 | 0.76 ^{c/} |
| 17 | Italy | 0.14 | 0.14 | 0.09 | 0.11 | 0.47 | 1.23 |

^{a/} Ranking is by ODA/GNP ratio in 1979.

^{b/} Swiss and U.K. figures include all commercial bank flows originating in these countries; i.e., loans by a British subsidiary of an American commercial bank are included in British commercial bank loans.

^{c/} Including flows from U.S. affiliates in off-shore banking centers and other DAC countries, the U.S. total flow was 0.93% of GNP in 1978.

Source: Historical figures through 1979 are as reported by donors to OECD/DAC; 1984 figures are Bank Staff projections.

TABLE 7: CONCESSIONALITY OF ODA COMMITMENTS

| <u>Ranking a/</u> | <u>Country</u> | <u>Overall Grant Element of the ODA Program</u> | | | <u>Grants as a % of Total ODA Commitments</u> | | |
|-------------------|----------------|---|-------------|-------------|---|-------------|-------------|
| | | <u>1977</u> | <u>1978</u> | <u>1979</u> | <u>1977</u> | <u>1978</u> | <u>1979</u> |
| 1 | Australia | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 2 | New Zealand | 99.8 | 100.0 | n.a. | 99.7 | 100.0 | 100.0 |
| 3 | Norway | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 | 100.0 |
| 4 | Sweden | 99.8 | 100.0 | 100.0 | 98.1 | 99.3 | 99.6 |
| 5 | Finland | 97.0 | 99.0 | 96.7 | 89.9 | 96.8 | 91.0 |
| 6 | Italy | 97.7 | 98.0 | 100.0 | 94.2 | 96.8 | 99.6 |
| 7 | Belgium | 98.3 | 98.6 | 98.0 | 90.9 | 92.2 | 89.4 |
| 8 | Canada | 97.5 | 96.6 | 97.1 | 76.7 | 78.0 | 83.2 |
| 9 | Denmark | 97.3 | 95.3 | 96.7 | 85.5 | 73.9 | 77.0 |
| 10 | Netherlands | 91.1 | 93.3 | 92.4 | 77.3 | 82.4 | 80.6 |
| 11 | United Kingdom | 96.8 | 93.2 | 95.8 | 94.6 | 86.6 | 89.5 |
| 12 | Switzerland | 97.5 | 93.1 | 95.8 | 93.8 | 89.3 | 87.9 |
| 13 | France | 93.0 | 92.3 | 93.0 | 85.2 | 87.7 | n.a. |
| 14 | United States | 88.9 | 89.4 | 91.6 | 67.8 | 68.5 | 75.1 |
| 15 | Germany | 85.6 | 87.4 | 84.2 | 58.9 | 58.0 | 58.0 |
| 16 | Japan | 70.2 | 75.0 | 77.7 | 37.7 | 48.1 | 50.0 |
| 17 | Austria | 67.5 | 65.8 | 80.0 | 53.1 | 48.8 | 78.6 |

a/ Ranking is by overall grant element in 1978.

TABLE 8: NET ODA FLOWS TO MULTILATERAL AGENCIES, 1979

| <u>Ranking</u> ^{a/} | <u>Country</u> | <u>Net Multilateral ODA</u> | | <u>IDA as a % of Total Net Multilateral Flows</u> | <u>Multilateral Aid as a % of Total DAC Multilateral</u> |
|------------------------------|----------------|-----------------------------|-------------------------------|---|--|
| | | <u>\$ Million</u> | <u>% of Total Net ODA</u> | | |
| 1 | Italy | 260.5 | 93.3 | 14.8 | 4.0 |
| 2 | Austria | 70.6 | 55.2 | 59.6 | 1.1 |
| 3 | Finland | 48.0 | 53.6 | 28.5 | 0.7 |
| 4 | Switzerland | 98.0 | 47.7 | - | 1.5 |
| 5 | Canada | 475.2 | 46.0 | 33.7 | 7.3 |
| 6 | Denmark | 201.1 | 44.9 | 15.9 | 3.1 |
| 7 | United Kingdom | 904.0 | 43.7 | 53.0 | 13.9 |
| 8 | Norway | 179.9 | 42.0 | 17.6 | 2.8 |
| 9 | Germany | 1235.0 | 36.6 | 29.6 | 19.0 |
| 10 | Sweden | 337.2 | 35.3 | 28.6 | 5.2 |
| 11 | Netherlands | 441.5 | 31.5 | 29.9 | 6.8 |
| 12 | Belgium | 194.5 | 30.0 | 26.7 | 3.0 |
| 13 | Japan | 716.3 | 27.2 | 47.4 | 11.0 |
| 14 | Australia | 161.6 | 26.1 | 33.0 | 2.5 |
| 15 | New Zealand | 15.9 | 25.8 | - | 0.2 |
| 16 | France | 568.9 | 17.0 | 28.4 | 8.7 |
| 17 | United States | 600.0 | 13.1 | - | 9.2 |
| | Total DAC | 6508.2 | 29.2 | 30.7 | 100.0 |
| | | ===== | ===== | ===== | ===== |

^{a/} Ranking is by percentage of net ODA multilateral flows in total net ODA flows for 1979.

Source: OECD/DAC

Table 9. DISTRIBUTION OF ODA FROM OECD COUNTRIES IN 1979 BY DEVELOPING COUNTRY INCOME GROUP a/
(Amounts in millions of dollars)

| | <u>b/</u> To Low-Income Countries | | | To Middle and High-Income Countries | | | Total ODA | |
|----------------|--------------------------------------|-------------------------|-------------------|-------------------------------------|-------------------------|-------------------|-----------|-------------------|
| | Amount | Percent of Total ODA | Percent of GNP | Amount | Percent of Total ODA | Percent of GNP | Amount | Percent of GNP |
| Australia | 170 | 27 | .14 | 450 | 73 | .38 | 620 | .52 |
| Austria | 46 | 36 | .07 | 82 | 64 | .12 | 128 | .19 |
| Belgium | 467 | 75 | .42 | 159 | 25 | .14 | 626 | .56 |
| Canada | 547 | 53 | .25 | 486 | 47 | .22 | 1033 | .47 |
| Denmark | 295 | 66 | .50 | 153 | 34 | .25 | 448 | .75 |
| Finland | 47 | 53 | .12 | 42 | 47 | .10 | 89 | .22 |
| France | 935 | 28 | .17 | 2407 | 72 | .42 | 3342 | .59 |
| Germany | 1605 | 48 | .21 | 1773 | 52 | .23 | 3378 | .44 |
| Italy | 173 | 62 | .04 | 106 | 38 | .05 | 279 | .09 |
| Japan | 1315 | 50 | .13 | 1323 | 50 | .13 | 2638 | .26 |
| Netherlands | 861 | 61 | .57 | 542 | 39 | .36 | 1403 | .93 |
| New Zealand | 8 | 13 | .04 | 54 | 87 | .26 | 62 | .30 |
| Norway | 293 | 68 | .63 | 136 | 32 | .30 | 429 | .93 |
| Sweden | 634 | 66 | .62 | 322 | 34 | .32 | 956 | .94 |
| Switzerland | 100 | 49 | .10 | 105 | 51 | .11 | 205 | .21 |
| United Kingdom | 1379 | 67 | .35 | 688 | 33 | .17 | 2067 | .52 |
| United States | 1088 | 24 | .05 | 3479 | 76 | .14 | 4567 | .19 |
| Total | 9963 | 45 | .15 | 12307 | 55 | .19 | 22270 | .34 |

a/ Estimates.

b/ Includes bilateral ODA contributions and allocable shares of contributions to
to multilateral development assistance institutions.

FAD
9/30/80

IDA PROJECT WORK

International Development Association
FOR OFFICIAL USE ONLY

717/1/2

IDA/RPL/79-6
February 15, 1979

IDA PROJECT WORK

A paper prepared for the information of the Deputies.

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

IDA PROJECT WORK

TABLE OF CONTENTS

| | <u>Page</u> |
|--|-------------|
| Introduction | 1 |
| I. Country and Sector Perspective | 1 |
| II. IDA Work Methods and Project Standards | 2 |
| III. Evaluation of IDA Project Experience | 8 |
| IV. Illustrations of IDA Project Work | 11 |
| Conclusion | 16 |

This document has a restricted distribution and may be used by recipients only in the performance of their official duties. Its contents may not otherwise be disclosed without World Bank authorization.

IDA PROJECT WORK

Introduction

1. Since 1960, when IDA began operations, to the present it has made development credits of over \$12 billion in support of some 900 projects in the poorest countries of the world. These projects have covered a wide range of activities, including developing agriculture, improving education, increasing electric power output, expanding industry, creating better urban facilities, promoting family planning, extending telecommunications networks, modernizing transportation systems, improving water supply and sewerage systems, and establishing medical care. In developing these projects, IDA has made a deliberate effort over the years to assure that the benefits reach the lowest income groups within the poorest countries where life is truly at the margin of subsistence. At the same time, it has assured a good economic rate of return on the investment to sustain further development and tried to incorporate methods that will enable the poorest segments of the population to continue to participate effectively in the development process.

2. This paper outlines how IDA as an institution works with a borrowing country to formulate a long-term development strategy suitable for that country given the limited resources available to it. The paper also discusses the standards and procedures IDA uses to generate and execute economically sound projects within this framework which also improve the lives of the very poor; and explains how IDA systematically monitors and evaluates projects and uses the lessons of experience to further improve the quality of assistance it provides. A final section illustrates IDA's project work in the poorest countries.

I. Country and Sector Perspective

3. The projects for which IDA gives financial assistance constitute the main vehicle by which the Association transfers financial and technical resources to the poorest countries of the world. IDA's role in the project cycle is performed largely by its projects staff who now total about 1,100 drawn from almost 100 nationalities. Projects staff comprise almost three-quarters of all operational staff and nearly half of all professional staff. Though there are substantial groups of economists, financial analysts, and engineers, an extraordinary variety of other specialized disciplines -- agronomists, sociologists, demographers, nutritionists, etc. -- is also represented among the staff. These professionals undertake extensive economic

and sector analysis within each borrowing country, which provides the framework for formulating an appropriate long-term development strategy for the country's economy and its major sectors, including policy and institutional changes. Within this basic framework it is possible to identify projects which fit into and support a coherent development strategy. The economic and sector work programs for potential IDA borrowers -- which generally cover a five-year period -- are carefully reviewed to ensure that priority areas relevant to both a country's own development problems and to the operational concerns of IDA are considered. During the last five years (FY75-FY79) IDA has sent an average of 25 economic and sector missions each year to the countries that are its major borrowers. In addition to missions from headquarters, the Bank has also established a number of field missions, including substantial missions in East and West Africa, India and Indonesia which assist countries in identification and preparation of projects.

4. In preparing a development program in a given country or sector and in selecting the most appropriate projects, IDA has over the years increasingly been coordinating its efforts with local experts. Also, sector analyses are often carried out through one of the Bank's cooperative programs with specialized U.N. agencies, or through studies financed by the UNDP, bilateral aid agencies, or specific provisions for studies by consultants in earlier projects. The experience and knowledge gained from these various sources, combined with its own operational work and research significantly helps IDA improve its understanding of the entire development process, particularly the complex interrelationships that exist among various sectors.

5. For instance, in recent years, special efforts have been directed towards the improvement of small farmer productivity, development of non-farm rural employment opportunities, and the expansion of rural infrastructure. Better knowledge of local conditions and the interrelationship of various factors affecting development such as health, nutrition, education and training, and their implications for particular groups of the population (such as young people and women) have led to more appropriate design of projects. Similarly, special studies have been undertaken to identify appropriate forms of assistance for small-scale enterprises and labor-intensive activities in urban areas.

II. IDA Work Methods and Project Standards

6. The lending terms of IDA credits are, of course, much more concessional than for Bank loans, but aside from lending terms the procedures applying to IDA projects are identical to those used for Bank projects -- the same stringent standards in assessing the soundness of projects are applied. The decision as to whether a project will receive Bank or IDA

financing terms is decided on country eligibility grounds,^{1/} not in relation to project characteristics. The selection and preparation of projects, the tests of economic and financial viability, the eligible uses for loan proceeds, procurement standards, and the close supervision of projects during execution are all exactly the same as for Bank financed projects. Moreover, IDA though legally a separate and distinct entity, has the same management and staff as the Bank. Its policies are set, and its operations controlled,^{2/} by the same Board of Executive Directors who report to the same Board of Governors.

7. The cycle of a typical IDA project usually consists of six sequential stages: identification, preparation, appraisal, negotiation and approval, supervision and ex-post evaluation. The table below shows the approximate time spent at each stage and shows that IDA typically is involved with a project for approximately 11 years from inception to complete fruition.

The Project Cycle

| | <u>Time Elapsed</u> <u>(years)</u> | <u>Staff Input</u> <u>(staff years)</u> |
|-------------------------|---------------------------------------|--|
| Identification | 0.5 | 0.2 |
| Preparation | 1.5 | 0.6 |
| Appraisal | 0.7 | 1.4 |
| Negotiation and Board | 0.3 | 0.3 |
| Supervision and Ex-post | <u>8.0</u> | <u>2.0</u> |
| Evaluation | | |
| TOTAL | <u>11.0</u> | <u>4.5</u> |

8. Priority and suitability of projects are normally established through various tests of project acceptability. First the proposed project must fall in a sector of high economic and social priority for development as interpreted by the government's development plans and agreed by the Association. Thereafter, it must be established whether a project has sound

1/ Eligibility for IDA financing is determined by country-specific criteria. Factors taken into consideration include: (1) a country's relative poverty; (2) its lack of creditworthiness for conventional lending; and (3) its ability to use IDA resources effectively.

2/ Every IDA project must be approved by IDA's Board of Directors, based upon staff documentation assessing the project's feasibility, its expected developmental impact, and the required institutional and financial arrangements needed to ensure efficient implementation at a cost commensurate with the project's expected benefits.

technical and economic prospects. In this process, greater stress is being placed on local capabilities in generating projects: As national and sectoral planning units have become better established and staffed in IDA countries, more and more project ideas are being conceived and developed into substantive proposals by the borrowing countries themselves. IDA continues, however, to take an active role in providing technical and financial assistance. To help the borrowing country, IDA may provide special loans for technical assistance or detailed engineering, make financial advances from a recently established Project Preparation Facility, reimburse the borrower under the proposed credit for preparatory work done earlier, or include funds for this purpose in a loan for another project in the sector. Cooperative programs between the Bank and FAO, WHO, and UNIDO are also important sources of preparatory support, as are the UNDP and bilateral aid programs.

9. The variety of experience that is brought to bear on projects in IDA countries helps to ensure that the wide ranging aspects of project design are carefully studied before a financing commitment is made. Project preparation and appraisal are, however, more than simply a process of satisfying particular requirements for approval of a lending operation. Project preparation involves careful consideration of the full range of technical, institutional, economic, and financial conditions necessary to achieve the project's objectives. It covers the procedures necessary to: (a) establish unequivocally the feasibility of the proposed technical design and operations of the project; (b) prove the proposed project to be the best economic solution; (c) in some cases, satisfy financial accounting and economic rate of return requirements; and (d) conclude definite arrangements for management and implementation of the project. The ultimate goal is to ensure that the benefits of IDA investments are as high as IDA and borrower ability in project design can achieve.

10. For example, a resettlement project might require studies and field visits to locate arable land, transportation corridors, and to determine the number of people living in the area proposed for resettlement. This would then be followed by more detailed investigation of soils and water resources, determination of the appropriate cropping pattern on the basis of available resources and research knowledge, selection of the technical package necessary for increasing crop yields, and economic and sociological studies of the people being settled. Such studies would determine appropriate systems of land tenure, extension services, marketing systems, project management, and other institutional arrangements. Government policies relating to the cost of inputs and the price to be paid for farm products would be studied, as well as levels and methods of cost recovery and their impact on the financial position of the beneficiaries and the government.

11. A critical element of preparation is identifying and comparing the technical and institutional alternatives for achieving the project's objectives. Most developing countries are characterized by abundant and low-cost labor and scarce capital. IDA is therefore not looking for the most advanced technological solutions but for those which are most appropriate to the

country's resource endowment and stage of development. Though IDA has financed advanced telecommunications equipment and the most modern container port facilities, it nevertheless considers such questions as whether oxen are more economical than tractors for crop cultivation; slum upgrading or sites and services more suitable than conventional housing as minimal accommodations for the urban poor; or public standpipes more appropriate than house connections for water supply. Preparation thus requires feasibility studies which identify and prepare preliminary designs of technical and institutional alternatives and compare their respective costs and benefits, and then go on to a more detailed investigation of the more promising alternatives until the most satisfactory solution is finally worked out.

12. All this takes time, and IDA is sometimes criticized for the length of time required to make a loan. But for the countries concerned each project constitutes a major investment with a long economic life, representing the application of very scarce resources, and the time spent in arriving at the best technical solution, in setting up the proper organization, in anticipating and dealing in advance with marketing and other problems, usually pays for itself several times over.

13. As a result of both the increased emphasis IDA has put on project preparation and the increased capacity of borrowing countries to help in project preparation, IDA has been successful in building up its operations in the poorest countries.

Number of Operations in the Poorest Countries^{1/}

| | <u>IDA 1</u> <u>65-68</u> | <u>IDA 2</u> <u>69-71</u> | <u>IDA 3</u> <u>72-74</u> | <u>IDA 4</u> <u>75-77</u> | <u>IDA 5</u> <u>78-80</u> |
|----------------------|------------------------------|------------------------------|------------------------------|------------------------------|------------------------------|
| Number of Operations | 30 | 50 | 98 | 125 | 179 |
| % of Total IDA | 37% | 39% | 46% | 60% | 57% |

^{1/} 35 primarily agricultural countries receiving IDA credits with a median per capita income of \$160 (in 1976\$). For detail on countries included in this group see, 'IDA Lending and Prospects for the Poorest Countries' (IDA/RPL/78-4 dated November 8, 1978).

14. As a project takes shape, and studies near completion, it is scheduled for appraisal. Involving at least one major mission to the field, a comprehensive review of the technical, economic and financial aspects of a project is made by the staff before presenting a lending proposal to IDA's Board of Directors. Appraisal also includes proposed procurement procedures

to ensure compliance with the Bank's standards.^{1/} Eventually, supervision of this particular aspect of project implementation may, in any one project, involve the scrutiny of anywhere from a few to several hundred individual contracts.^{2/}

15. Throughout the whole project cycle, projects staff assess project costs and benefits so as to measure the contribution of the project to the development objectives of the country. This assessment is the basic criterion for project selection and appraisal; in the end, the achievement of benefits determines project failure or success. If possible, projects are also subjected to a detailed economic analysis of their costs and benefits to the country. The result of the analysis is usually expressed as an economic rate of return. Over the years, the methodology of economic appraisal has been continually refined. "Shadow" prices are used routinely when true economic values of costs or benefits are not reflected in market prices as a result of various distortions, such as trade restrictions, taxes, or subsidies. "Shadow" price adjustments are made most frequently in the exchange rate and labor costs used in calculating benefits. The distribution of a project's benefits and its fiscal impact are considered carefully, and the use of "social" prices to give proper weight in the cost-benefit analysis to the government's objectives (improved income distribution and increased public savings, for instance), is under consideration. Since estimates of future costs and benefits are subject to substantial margins of error, an analysis is made where appropriate of the sensitivity of the rate of return to variations in some of the key assumptions.

16. The creation of sound and viable institutions is as important to the success of the project as the completion of project facilities. IDA staff, therefore, are devoting increasing attention to organization, management, staffing, policies and procedures, and those government policies that establish the environment in which project implementing agencies operate. Attention to institution building is particularly needed in rural development projects, in which new technical packages are introduced to increase the use of productive resources, in which objectives aimed at achieving equity among income groups are set, and in which success in introducing new approaches depends on effective incentive and delivery systems. As yet, there are no ready-made solutions for putting together institutional arrangements that can effectively and economically deliver goods and services to large numbers of people. Thus, in some cases, particularly in agriculture and urban development, IDA has first financed pilot projects to build institutions and experience before moving on to larger, second generation projects.

^{1/} A detailed description of the procurement procedures is contained in "Guidelines for Procurement Under World Bank Loans and IDA Credits" (March 1977).

^{2/} In addition to the guidelines on procurement, the use of IDA resources is governed by certain methods of disbursement which are described in detail in "Guidelines for Withdrawal of Proceeds of World Bank Loans and IDA Credits" (October 1974).

This has allowed IDA to effectively, and within the administrative capacity of the borrowing countries, increase the scale of projects.

17. Another important aspect of project analysis to which IDA gives considerable attention is the financial appraisal. Financial appraisal is designed to ensure, for example, that enough money is available to cover the costs of implementing the project. IDA credits do not normally cover all project costs. A typical IDA credit finances a project's foreign exchange costs and the borrower is expected to meet some, or all, of the local costs. IDA has financed, however, and within prudent limits, local currency expenditures when the particular circumstances (particularly in countries with insufficient resources for capital investment) warranted doing so. IDA projects have increasingly attracted co-financing from such agencies as the European Development Fund, the several Arab funds, the regional development banks, and bilateral aid agencies. The varying role that IDA plays in co-financing depends on factors such as the wishes of the borrower, the capacity and experience of the co-lender, and the type and the source of co-financing. In some cases, co-lenders are actively sought to help finance a fully prepared and appraised project (in such cases, IDA takes full administrative responsibility for negotiation and supervision); in other cases, IDA's initiative and responsibility are much less.^{1/}

18. Financial appraisals of revenue-earning entities that may be sub-borrowers of IDA are built around the concept of financial viability. Financial statements are closely reviewed, accounting systems are checked, and, if needed, new and improved procedures are introduced through technical assistance components built into IDA credits. Commitments contained in project agreements between executing agencies and IDA usually include safeguards to ensure the continuing financial integrity of sub-borrowers. The financial standards that are applied are designed to help in maintaining financial discipline among sub-borrowers even though IDA lending terms to governments are "soft". In many cases, the question of what constitutes an "adequate" level of service charge is highlighted in appraisal reports and negotiated with the borrowers, leading to agreements on adjustments of such charges. Account must, of course, be taken of the ability of beneficiaries (such as farmers who make use of irrigation systems and households that benefit from water supply projects) to pay for these services. Nonetheless, it is IDA's policy to attempt to strike a balance between this factor and the need to use scarce resources efficiently and to generate additional funds to replicate the project so that larger numbers of beneficiaries may ultimately be reached.

^{1/} A review of the Bank's activities in co-financing with more detailed description of the various types of arrangements, is given in the booklet, "Co-financing: Review of World Bank Activities" (December 1976).

19. There are numerous other aspects of project design that cannot readily be quantified. These "unquantifiable" factors are frequently of prime importance to the eventual success of those projects that are aimed at relieving some of the more intractable developmental problems. By including nutrition, health and training components in "new-style" integrated projects, IDA hopes to reinforce the development benefits reaching the poor. IDA has, for instance, increasingly been able to influence governments' policies in the health sector through its integrated development projects, and as a result of its broad contacts with national health authorities. Similarly, IDA has focused attention on the role of women and young people in the development process.

20. Periodic supervision by staff of projects under implementation is also an important source of gaining project experience. This has also proven to be one of the most effective ways in which IDA can provide technical assistance to its member countries. Increasingly, supervision has come to be recognized by executing agencies and governments as a useful vehicle for the exchange of experience and an exercise in collective problem solving -- not merely a bureaucratic requirement. IDA consistently attempts to act as the partner of the borrower, sharing its interest in the success of projects. Therefore, problems and their solution are treated as matters of joint concern and IDA staff attempt to establish and maintain a frank and close operational relationship with borrower staff. This helps to ensure the latter do not hesitate to reveal existing or potential difficulties. IDA staff routinely share with the borrower their experience with similar projects in other countries and thus supervision activities frequently include a good deal of informal technical assistance to borrowers and in this way contribute importantly to institution building aspects of projects. Methods have been developed to enhance the effectiveness of supervision work, including a greater reliance on field office staff to deal with urgent problems that arise. An annual review is made of the entire supervision process to identify major issues in implementation; as a result of the review, recommendations for changes in IDA's policies and procedures are often made. Supervision activity, which is closely monitored to ensure appropriate and efficient utilization of staff resources, thus reflects IDA's continuing concern with a project's progress once a commitment for financial assistance has been made.

III. Evaluation of IDA Project Experience

21. Evaluation of project experience through systematic, independent professional reviews is both a management tool to properly assess the impact of development assistance, and a valuable procedure for dissemination of lessons learned both within the Bank and within borrowing countries. Some eight years ago, a system of ex-post evaluation of Bank and IDA projects was inaugurated. Since then, this system has been steadily expanded and improved upon. Evaluation of projects at the end of the disbursement period, comparing

actual experience with previously expected results has become an essential element of IDA procedures. Ex-post evaluation reports have contributed significantly to improvement of on-going projects and provided valuable insights into the major constraints to development. To enhance the effectiveness of the evaluation process, IDA seeks active participation by project management or agencies in the borrowing country. To ensure that the evaluation process is functioning properly and that an independent assessment is made of IDA operations, a separate operations evaluation department, working since 1974 solely under the responsibility of the Director General, Operations Evaluation, conducts independent reviews, on a selective basis, and reports annually to the Board of Executive Directors.^{1/}

22. The latest two "Annual Reviews of Project Performance Audit Results" published by the World Bank cover the reviews of some 180 projects financed by the Bank and/or IDA. These reviews illustrate the diverse and complex micro-problems of development; their findings underline the need for adequate understanding of the local conditions in which the Bank and IDA operate. As the two reviews pointed out, inflation and exchange rate movements had a strong impact on cost performance of many of the reviewed projects; many projects were changed during implementation and took longer to complete than had been planned. However, the great majority of the projects reviewed (roughly 90% of investments) clearly remained worthwhile with expected economic returns similar to, or substantially better than, estimated at appraisal.

23. The two project performance reviews pointed to the need for further improvement in project preparation, and more effective supervision, training and institution building, areas in which the Bank has been increasing its efforts. There is growing evidence of better results with newer projects in which borrowers play a larger role at all stages of the project cycle and better use is made of expatriate personnel under the borrowers' responsibility for project management. As the last review pointed out, there remains a need for the Bank and IDA to carefully evaluate the possibilities of pilot projects, especially where new borrowers or new style projects are involved.

24. IDA has been particularly concerned with the evaluation of its operations in areas where new ground has been broken, such as in integrated rural development projects and urban poverty programs. At the same time, experience from earlier projects in the more traditional sectors, on which more detailed information over a longer period of time is now available,

^{1/} A detailed description of the system of operations evaluation and its standards and procedures is given in the booklet, "Operations Evaluation, Standards and Procedures", June 1976. Two Annual Reviews of Project Performance Audit Results have been published in February 1978 and November 1978 respectively.

is being used to make appropriate adjustments in procedure and approach. In its more recent operations IDA has, for instance, placed greater emphasis on thorough analysis of sector conditions, and based on this, on reaching agreement with governments about broad sectoral policies before proceeding with detailed project design. Greater importance is now being attached to assessment of socio-economic factors than in earlier operations. IDA has learned that failure to take into account the often complex nature of local behavioral patterns can result in wasted efforts of bringing otherwise well-designed new technologies to effective use by the target population.

25. Experience has also indicated that greater emphasis is needed in promoting the growth of institutions which can effectively administer development projects and programs in key sectors.^{1/} Inclusion of training components in an increasing number of projects, technical assistance for establishing planning units and greater emphasis on policy dialogue with member governments are among the efforts to improve this situation. IDA's country economic and sector work is used in addition to specific project operations to assist in this institution building effort.

26. Another problem area to which considerable attention is being given, both during the course of supervision and ex-post evaluation, is the monitoring and analysis of delays in project implementation. There are no uniform standards that can be applied in judging whether a project, or particular elements of a project, should have been completed faster than was actually the case. Most measurement is done against earlier expectations which might have been unrealistic. It is thus essentially a question of ensuring that project preparation and appraisal take into account all the circumstances that might affect project implementation. Identification of these circumstances along with the experience gained in prior projects in various countries and sectors have resulted in better prepared projects executed on a more timely basis.

27. Retrospective analysis of project experience has already contributed much to a better understanding not only of the various factors influencing physical completion of IDA financed projects, but also of the complex inter-relationship of ecologic and socio-economic conditions, technological innovations and institutional and policy requirements needed to achieve optimum developmental objectives. The process of learning from

^{1/} Recognizing the importance of continuous expansion of the ability of developing countries to plan and administer development projects in a variety of sectors, the Economic Development Institute of the Bank Group has increasingly supported training courses overseas, while reducing the time of its own teaching staff involved. These courses cover a wide spectrum of subjects from agro-industrial project management to development policy analysis and decision making. In 1978, such courses were, for instance, given in Tanzania for government officials in Eastern and Southern Africa, in Kenya and in India.

experience is, of course, a continuous one: for instance, differing management and organizational approaches and technical packages continue to be tested in rural development. So far experience has shown that, by and large, farmers seem to have responded quickly and properly to new pricing and marketing policies while the degree of acceptance of new technical packages depended very much on their suitability for local ecological and socio-economic conditions. Proper sizing of projects and early involvement of the local population in project preparation and design are being given more attention. In cases where available technology is not fully appropriate for conditions of a particular project, a new or more satisfactory technology is developed or adapted to local conditions, thus several recent rural development projects are providing for adaptive research components or other new technology-generating components.

IV. Illustrations of IDA Project Work

28. Because IDA funds are allocated to the very poorest countries where the majority of the people live in rural areas, IDA lending has increasingly been devoted to agricultural and rural development. In fiscal 1978, more than half of IDA's funds were committed to projects in this sector. Projects in this sector take many forms. Some provide basic infrastructure. Others are designed to expand production of a single subsistence commodity. Others, comprehensive multisectoral projects, are designed to bring a range of non-agricultural benefits including improved education, health services, housing, drinkable water, rural electricity, roads, and family planning services, to name a few -- to a target group of poor farmers. In the last two fiscal years, IDA has similarly extended its poverty-oriented assistance to the cities through the funding of integrated urban development projects. Though an increasing amount of resources is being channeled into these comprehensive "new-style" projects, IDA has continued its traditional style of lending that makes maximum use of a country's resources, be it land, labor, or other natural resources. The descriptions of projects that follow show the range of activities assisted with IDA funds.

29. Basic food sufficiency projects are generally designed to expand the production of staple food crops and to increase livestock production. In all instances, the objective is to generate additional cash income for farmers through the sale of their products and provide food for their families. For example, a \$4.2 million credit for Senegal has helped the farmers in the eastern part of the country, where the potential for crop production is low, to increase livestock production through animal health and husbandry improvements. The Kuwait Fund for Arab Economic Development and the Arab Bank for Economic Development in Africa are also contributing to this project. Arid, drought-prone Somalia has been aided by a \$10 million IDA credit for a livestock development project which provided for markets to be built, water supplies developed, feed lots established, veterinary

centers constructed, and technical assistance to be supplied. In India, an initial credit for a dairy development project was approved in 1974. Three more have been extended since then, totaling \$224.1 million, to replicate the first project in other states. The main objective of these projects is to increase milk production through a cooperative development program -- a form most appropriate to Indian conditions. Village cattle owners are being organized into dairy co-ops, which in turn are being grouped into milk producers' unions. Members are provided with a package of services, including veterinary assistance and training, quality animal breeding, and concentrate feed. The co-ops have developed facilities for milk collection, processing, and marketing, enabling small farmers to benefit and to receive a cash income for the first time in their lives. The increased revenue from milk sales is being used to augment or initiate other village services -- education, health, family planning and minor public works. Additionally, the increased milk production has provided a significant nutritional benefit to a large number of consumers, particularly children.

30. Lesotho is setting up a Basic Agricultural Services Program with a \$6 million IDA credit that seeks to boost output of five major crops -- corn, sorghum, beans, peas, and wheat -- in six areas, covering 75% of the country's arable land, and affecting two-thirds of the population. About 20% of Togo's population is also expected to benefit from a similar crop expansion project made possible through a \$14 million IDA credit. IDA has also given credits for development of seeds industries such as one in Pakistan. This project will help finance the first phase of development of the industry, including research, variety release, seed multiplication, processing, certification, storage and marketing. It will cover cotton, wheat, rice, maize, pulses, oilseeds and fodder production. The main benefits of the project will be the higher crop yields to be obtained by the users of the improved seed produced by the project. Crop production has also been expanded in numerous countries through IDA assistance for projects that have provided irrigation facilities for what was formerly non-arable land. For instance, a project in Sri Lanka developed a method of pumping water from existing canals to irrigate 2,600 hectares of upland in the island's northern dry zone. As a result, small farmers added 0.8 hectare of cultivable land to their present 1.2 hectare plots, significantly increasing their ability to produce high value crops.

31. To help countries retain sufficient food for domestic consumption and to earn foreign exchange by exporting products in excess of domestic requirements, IDA has helped finance storage, processing, and marketing facilities. Through a National Maize Project, Tanzania hopes to become self-sufficient in its staple grain by 1982, and thus achieve annual import savings of about \$10 million. The \$18 million IDA credit will provide seed, fertilizers, insecticides, herbicides, and essential storage and transport facilities to farm families. A \$24 million credit to Ethiopia will provide the Agricultural Marketing Corporation with incremental storage facilities for produce and farm inputs, equipment, and trading capital.

Technical assistance will help the regulatory Ethiopian Grain Agency establish an orderly grain marketing and input distribution system, improve crop forecasting, and create buffer stocks by means of a grain reserve to stabilize prices.

32. Recognizing that many small farmers needed basic education and training in order to improve their productivity, IDA has broadened its lending to include projects which encourage simple changes in farm technology through research, extension services and training facilities. A series of such projects have been successfully undertaken in India. The objective has been to improve upon basic agricultural practices and to introduce new ones through regular visits to farmers by village extension workers. This new training system was first tried through IDA assisted projects in the states of Rajasthan and Madhya Pradesh, where it has already resulted in dramatic production increases. In Madhya Pradesh, for instance, wheat yields in 1975 increased to an average of two tons per hectare compared to the best previous yield of 1.3 tons in 1972. In Rajasthan, the new practices brought wheat yields to 2.3 tons per hectare. Where the practices were not followed, yields were about 1.5 tons.

33. Availability of credit is often a key element in the modernization of agriculture. Not only can it remove a financial constraint, but it may accelerate the adoption of new technologies. Thus, credit facilities have become an integral part of the process of commercialization of the rural economy. Accordingly, IDA lending for agricultural credit has expanded considerably in recent years, providing a means by which farmers can obtain capital to finance "on-farm" investment. Some credits have been for specific purposes such as an \$8.2 million credit to Senegal to enable farmers to purchase animal-drawn equipment needed to increase production of food crops and groundnuts, but in most instances, credits have gone to agricultural development banks with the aim of establishing a permanent credit distribution system within the country. For example, three credits have been given to the Agricultural Development Bank of Afghanistan, which makes subloans for farm mechanization, well drilling, seed and fertilizer, marketing cooperatives, etc.

34. Through its years of experience with agricultural projects, IDA staff learned that in some cases production was enhanced with a "package" of services being made available to the farmer. Thus, IDA began designing integrated agricultural development projects. One is currently under way in the coastal area of the Yemen Arab Republic. An irrigation system has been developed to control seasonal flooding. High-yielding seeds and improved agricultural techniques have been introduced through research and extension services, financing has been provided for farm inputs and improvements, extension agents are being trained, and access roads built. It is estimated that as a result of this comprehensive project, agricultural output for the area will eventually be more than doubled. Another project in the southern region of Sudan comprises the major part of a program to

rehabilitate agriculture, which came virtually to a halt during almost ten years of civil strife from 1963 to 1972. The project will improve animal production, develop forestry and help reestablish cotton and coffee production. A center for nutrition research and the nucleus of a small farmer dairy industry will be established. This will lay the foundation for major future agricultural development in the region. Similarly, a recent \$13 million credit to Cameroon is designed to modernize the entire farming system of the western highlands region.

35. A growing concern for the overall social and economic well-being of the world's poorest, and a recognition that integrated projects generally produce the greatest development benefits, has given rise to so-called "new style" rural development projects in IDA lending. The objectives of "new style" rural development projects extend beyond any particular sector. They encompass a mix of activities, including efforts to raise agricultural output, create employment, improve health and education, expand transportation and communication, and improve housing, i.e., all aspects of rural poverty. A project which illustrates this approach is intended to provide basic services and improve the quality of rural life in two of the poorest and least developed areas of Rwanda. About 150,000 people now live in these districts, large parts of which are infested with tsetse flies. The project will assist these farmers through a wide range of services, including inter alia, veterinary services for cattle and small stock, assistance with fisheries and also bee-keeping. Tsetse flies will be eradicated, road networks will be developed to facilitate access to the area, and water facilities will be developed to serve both people and cattle. Schools and health centers will be improved as part of an effort to improve now meager social services. These efforts are designed to build on, expand, and improve existing services, and will involve participation by local farmers in planning development, building facilities and in managing them. The Arab Bank for Economic Development in Africa, and Belgium will also provide assistance for this project. A \$9.5 million credit has been extended to Togo for a similar project, which will help improve and diversify crop production in both upland and lowland areas of the country's coastal region.

36. In the last couple of years, IDA has also begun to focus on improving the lives of the very poor living in massively populated cities, particularly in Asia, through extensive urban development programs. India has received credits for such projects in Calcutta and Madras which will provide low-cost sites and services, improvement of slum areas, generation of jobs in small-scale and cottage industries, health facilities, immunizations, nutrition, health and family planning education. The projects also include rehabilitation and expansion of water supply and sewerage systems, road and traffic improvements, and technical assistance.

37. A \$6 million IDA credit to El Salvador is helping to finance the construction of about 7,000 dwellings for low-income families, including the extension of electricity, water, sewerage, education, and community facilities. The project is intended as a model for the country. A private organization is acting as executing agency for the project and is providing additional financial resources. The involvement of the private sector demonstrates its potential role in such ventures, and in easing the burden on Government resources. Some 120,000 poor people in Cairo, and Alexandria are expected to experience improved living conditions and an increase in employment opportunities through comprehensive upgrading of four settlements, housing sites and services, a small business assistance and manpower training program, improvements in solid waste collection and disposal, urgent repairs to water supply and sewerage systems, and technical assistance, included in an IDA financed project.

38. IDA has found that one of the most important ways of benefiting the great mass of urban and rural non-farm population is by creating employment opportunities. In this light, it has given considerable attention to financing industrial enterprises -- often small and medium scale because they typically provide more jobs per unit of investment than larger ones; but large-scale enterprises have also received funding because of their contribution to development and frequent ability to export. IDA lending to development finance companies (DFCs) has been a major mechanism for assisting medium-scale enterprises. Support is also provided for artisans and cottage industries. For instance, with a recent \$4 million credit to Upper Volta, credit and technical assistance will be provided to artisans and small- and medium-scale enterprises through three local financial institutions. Similar credits have been extended to Niger, Cameroon, and Bangladesh.

39. Another area of significant IDA lending for industry has been for the establishment and modernization of fertilizer plants. India, Afghanistan, Bangladesh, Egypt and Indonesia have greatly expanded their capacity to produce fertilizer through IDA credits, with increased food production, foreign exchange savings, and employment resulting.

40. Availability of electrical power to support industry, and to assist in irrigation pumping in rural areas is a necessity, so power projects have continued to be a part of IDA's lending program in most countries. Likewise, access to markets and to remote rural areas requires a transportation system. Transportation projects comprised a major portion of infrastructure lending in IDA's earlier years, and are an integral part of the current rural development projects and of some urban projects. The labor-intensive construction involved in these projects also generates considerable employment for urban and rural non-farm workers. Similarly, educational needs are incorporated in integrated projects.

41. IDA also provides assistance for numerous other types of projects which are supportive in a variety of ways to the overall development of a borrowing country. In some cases, it is to take advantage of and develop the countries' natural resources. In Nepal, a hydroelectric project will provide the energy equivalent of about 65,000 tons of oil a year, generating import savings of approximately \$8 million. A project is under way in Burma to expand tin and tungsten production, and mining enterprises in Bolivia have been able to expand through an IDA credit. Credits have been given to assist the fishing industries of several countries, and in others, forestry projects have developed and maintained plantations, generating exports and employment.

42. In other cases, IDA takes into consideration special groups of people in its project design. For instance, the irrigation project in Sri Lanka, previously mentioned, contains an experimental component to employ and settle 200 unemployed youths in clearing jungle upland. Most agricultural training projects give special attention to training young people in agriculture extension work, and also construction work. Some projects give particular attention to improving the status of women. Improved farm technology sometimes brings the greatest benefit to the farm women because the tasks simplified are the ones women perform. The persons responsible for the cultivation of subsistence crops and domestic livestock are women in many rural societies, notably in African countries and India. A fisheries project in Malawi provides for fish smoking kilns which women will be trained to run, providing them with a source of income. In some projects which provide for financial credit, special attention is given to applications from women, many of whom have never been allowed a line of credit before. Special attention has been given to nomads in other projects. An \$8 million IDA credit to Somalia, where seventy-five percent of the country's population is nomadic, is financing seven nomadic training centers throughout the country.

Conclusion

43. These examples of IDA project work illustrate how IDA has built up its operations in the poorest countries. The projects used as illustrations show that as the level of operations has expanded, the nature and content of projects has at the same time broadened to reflect new appraisal and evaluation techniques, the changing perceptions of development strategy and the need to mobilize the maximum support and involvement of the recipient countries themselves. While the effects of recent projects can only be measured in years to come, the growing number of completed projects that were initiated in earlier years are showing results that, in the great majority of cases, yielded significant economic benefits. The increased emphasis IDA has placed on project preparation and institution building, as well as the growing capacity of the poorest countries to prepare and implement projects themselves, give a sound basis for expecting that the volume of high quality operations can continue to expand. A growing volume of resources in real terms will enable IDA to continue to identify and carry out projects that make a major contribution to economic and social advance in the poorest countries.

PROCUREMENT

