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# McNamara Stimulates World Bank

**T**he World Bank is well on the way to achieving one of the main objectives set it by its President, Mr McNamara; it is to double its advances by 1973. The World Bank's annual report, which is now available, shows already for 1968/69 an increase of advances by 65 p.c. to \$ 1,399 mn, for the activities of the whole World Bank Group by 86 p.c. even. In this context it seems worth mentioning that the Federal Republic of Germany contributed the biggest share towards the financing of these operations.

These results of the year 1968/69 have confirmed the view that it is possible for the Bank to pursue a successful policy of expanding its business volume. There are in particular two passages in the report which clearly show that the will to do sound business on a long-term basis exists. Firstly, the World Bank carefully studies every new issue that comes on the market of whatever country in order to make sure of the best conditions for its own transactions. Secondly, it pursues a far-sighted policy in regard to the recruiting and the training of its staff in order to be equal to its task of promoting development and of obtaining the finance it requires for its aid projects on the best possible terms.

The World Bank is well on the way to consolidating in the seventies still further its leading position among the organisations concerned with development. Without reopening once again the discussion on the advantages and disadvantages of multilateral aid, it can be said that it would be unwise to hinder the World Bank in its endeavours to establish itself as the foremost institution in this field. The widely dispersed international participation in the financing of the World Bank's programmes bears witness to the confidence it enjoys. But what is particularly important is that here is an institution which is capable of providing, both quantitatively and qualitatively, development aid of a high order. The example set by the World Bank should be more effective than the usual exhortations in counter-acting the spreading international lassitude in regard to development aid. True, the transactions of the World Bank—not counting IDA and IFC—account for only one tenth of total development aid (about \$ 13,000 mn), but the indirect effect its operations exercise on the other providers of capital for development purposes is incomparably greater than these figures suggest. Incidentally, the Pearson report recommends that the World Bank's share be raised to 20 p.c.

Both World Bank and Pearson, apart from recommending an expansion of aid, would like to see easier credit terms. The 1968/69 result has proved the Bank's ability to effect impressive performances. Apart from slightly increasing the allocations it was able to make to its subsidiaries IDA and IFC, the Bank's hands are tied in the matter of interest charges owing to the fact that it has to work according to banking rules. The result achieved in 1968/69 shows this clearly. For a large proportion of the funds the Bank had to raise could only be obtained at the higher interest rates prevailing in the international markets (on average: 6.46 p.c. in 1968/69 as against 6.17 p.c. in 1967/68 and 5.52 p.c. in 1966/67). Thus the World Bank was obliged to charge its customers 6.5 p.c. It is to be hoped that, as far as the desirability of cheaper credits for development purposes is concerned, the World Bank's appeals will not fall on deaf ears.

The annual report for 1968/69 contains grounds for optimism regarding the future of development policy. If the World Bank is in a position to give a fresh impetus in this direction, the credit is largely due to its new President, Mr McNamara. A list of its investors and the high creditworthiness of its debtors (repayment in 1968/69 totalled \$ 403 mn) clearly show that the Bank is entitled to hope for world-wide support.

*Klaus Bolz*