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Outlook for Aid

THE World Bank and its two affiliates — the International Development Association and the International Finance Corporation provide something like one eighth of total official international development assistance. but their annual meetings provide the occasion for a general dialogue on aid and allied problems between the donor countries (excluding the Soviet group and China, of course) and the beneficiaries. The former, very rightly, permit themselves some modest self-congratulation and, equally rightly, lecture the aid-receivers on the need to husband their own resources more effectively. Also, inevitably though less rightly, they extol the virtues of private enterprise and bid the governments of the developing countries to make every effort for its encouragement. The developing countries, in their turn, are grateful for the assistance they receive, but air their many problems; fluctuating or declining export earnings, widening balance of payments deficits and insufficient aid to cover them, leading to their inability to plan for satisfactory rates of growth.

The complaints should be if anything more insistent this year, though not against the World Bank and its affiliates themselves. The year ended June 1965 was the most active in the history of the World Bank group, with total loans, credits and other commitments amounting to \$1.358 million or over a fifth higher than in the previous year. Almost the entire increase was on account of the World Bank whose commitments exceeded \$1,000 million for the first time — being \$1,023 million against \$810 million last year. The comparatively small increase of \$26 million in the IDA's assistance, however, is a warning that the organisation is once again approaching the limit of its resources.

The distribution of assistance will no doubt cause some dissatisfaction; African countries in particular are not likely to regard the Bank's munificence to our country, Nigeria, as having made up the neglect of their continent against which they had angrily complained at Tokyo last September. The developing countries as a group may justifiably question the generosity to Japan and Italy who between them got slightly less than one-fourth of all World Bank assistance last year. Japan got three loans totalling \$125 million and was thus the second largest beneficiary after India, and Italy was only just behind with \$100 million. Neither is a 'developing' country and both have strong enough payments positions to have accepted the obligations of Article VIII of the IMF Agreement and rendered their currencies freely convertible. Technically there is nothing to prevent the Bank from financing whom it pleases, yet it needs to be asked why it chose to allocate so considerable a chunk of its resources last year to two countries which, relatively speaking, can very well take care of themselves — and this at a time when, according to the Bank's own reckoning, international development assistance is running well below what the genuine developing countries need and what they can profitably use.

However, it is not these errors of omission and commission — if they can be so described — which should most claim the attention of the aid givers and receivers assembled this week at Washington. What should be the fact that the proportion of the developed countries' national product which is devoted to international assistance seems to be actually diminishing, instead of increasing. As the World Bank's annual report notes, the major industrial countries recorded very satisfactory rates of growth in 1964. The United States, enjoying the fourth year of continuous prosperity, increased its total output by as much as 5 per cent: in the UK output rose by over 5.5 per cent — the highest rate on record in the post-war period; in Europe the long-sustained expansion continued without interruption and aggregate output rose by more than 5 per cent; and Japan achieved a growth rate of 10 per cent demonstrating that the expansionary forces of the last decade still retain much of their momentum. Against this picture of rapid growth of their resources, financial assistance from the developed countries after a substantial rise in the latter part of 1950's has increased very little over the last four years. Official bilateral assistance from the developed

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