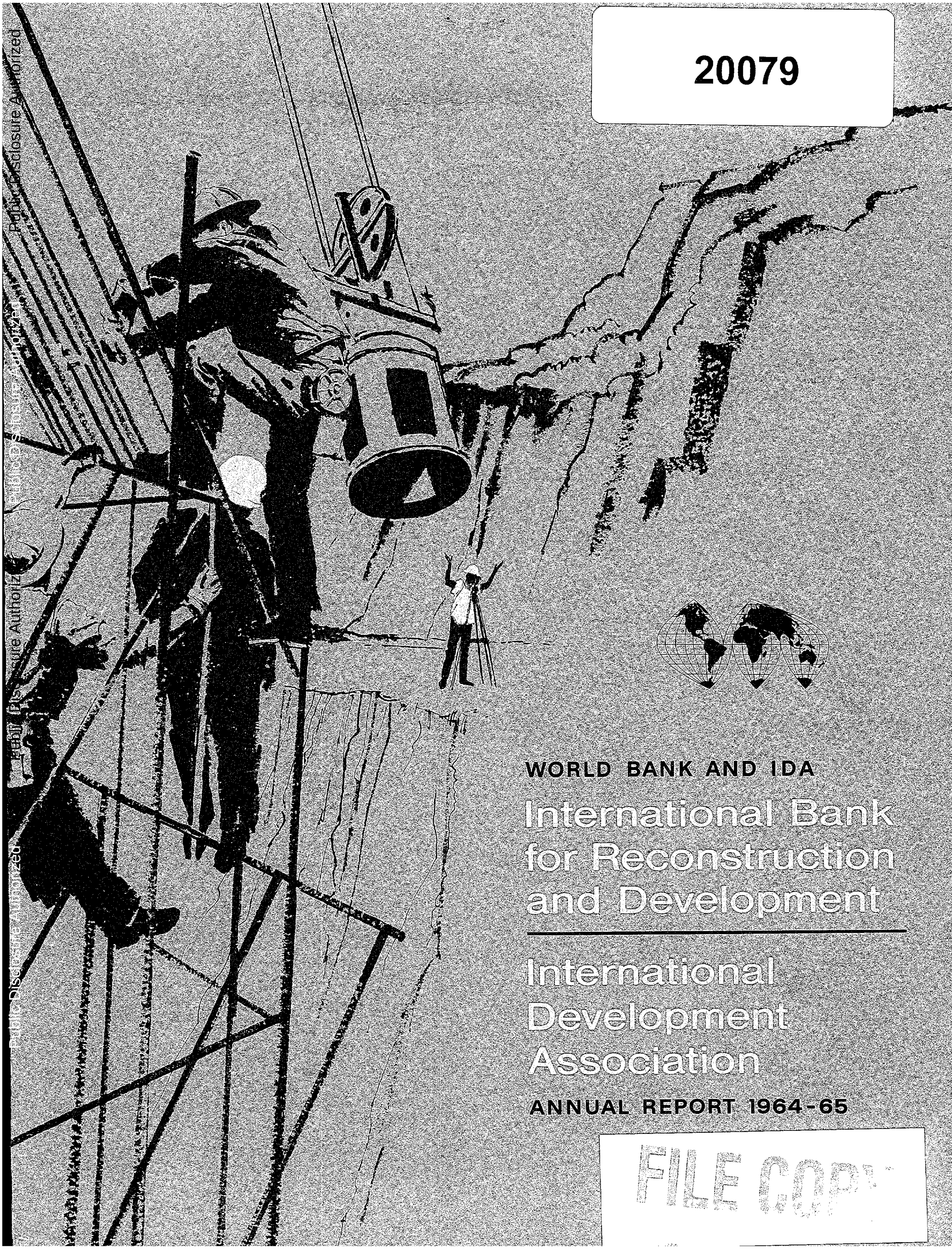


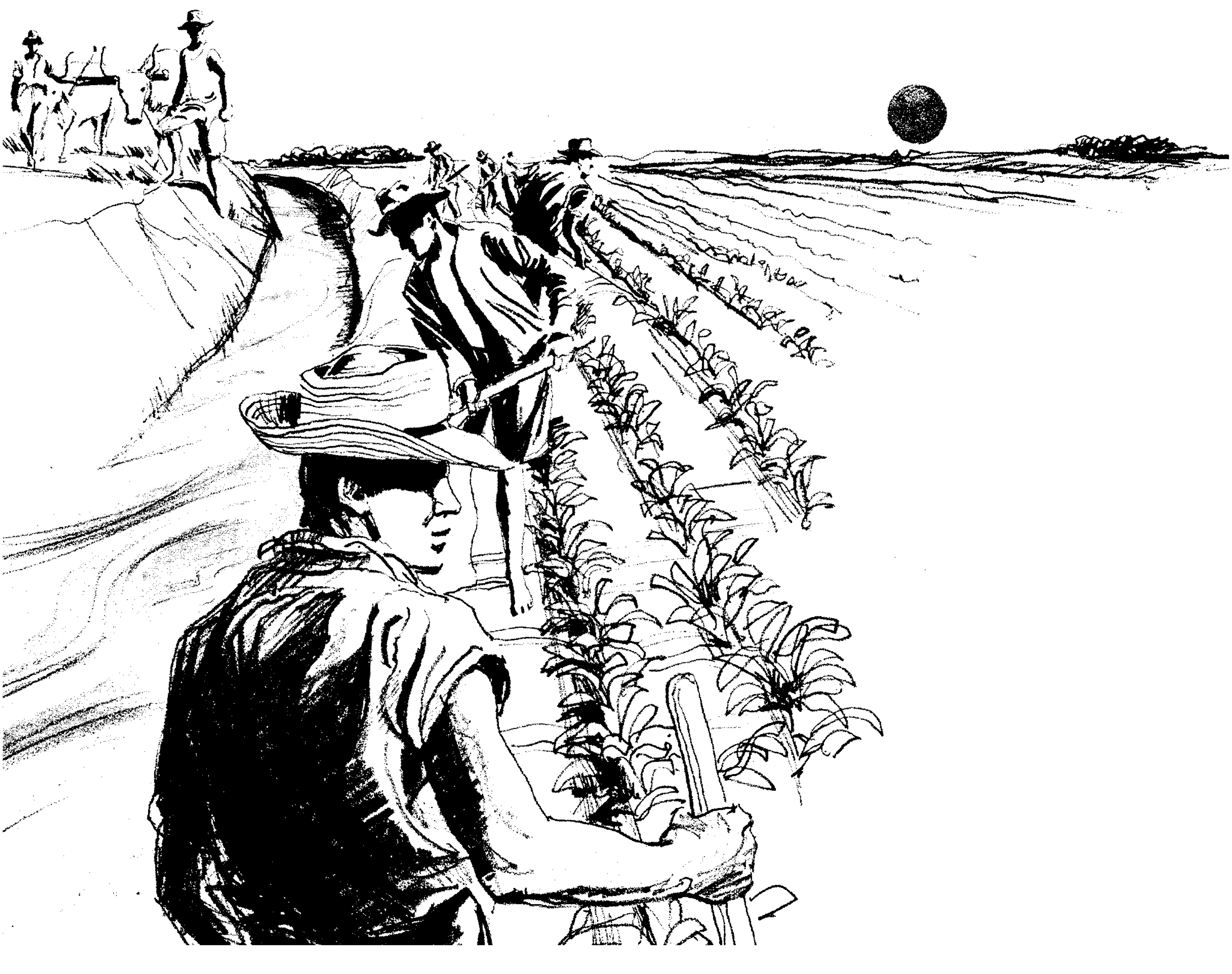
WORLD BANK AND IDA

International Bank for Reconstruction and Development

International Development Association

ANNUAL REPORT 1964-65

WORLD BANK AND IDA ANNUAL REPORT 1964-65



Contents—Annual Report 1964-65

International Bank for Reconstruction and Development

International Development Association

September 27, 1965

My dear Mr. Chairman:

In accordance with Section 10 of the By-Laws of the International Bank for Reconstruction and Development and Section 2 of the By-Laws of the International Development Association, I have been authorized by the Executive Directors of the Bank and the Association to submit to the Boards of Governors this Annual Report for the fiscal year July 1, 1964 to June 30, 1965.

The first section of the Report surveys the various activities of the Bank and the Association in the fiscal year, and is followed by the customary Appendices, including the financial statements as of June 30, 1965, and the Administrative Budgets for the fiscal year ending June 30, 1966. A second section of the Report surveys recent trends in the world economy and discusses current problems of development finance. The Report concludes with an Annex giving a country-by-country summary of Bank and IDA lending and technical assistance.

Sincerely yours,

George D. Woods
President

Chairman
Boards of Governors
International Bank for Reconstruction and Development, and
International Development Association

Financial Highlights

(Expressed in millions of United States Dollars)

BANK

	Fiscal Years 1964	1965
LOANS OF THE YEAR	$ 810	$ 1,023
SALES OF PARTS OF BANK LOANS	173	106
REPAYMENTS OF LOANS TO BANK	117	137
GROSS INCOME	252	267
NET INCOME	97	137*
TOTAL OF SUPPLEMENTAL RESERVE	558	606
TOTAL OF SPECIAL RESERVE	288	289
TOTAL RESERVES	846	895
BORROWINGS (GROSS)	105	598
NET CHANGE IN FUNDED DEBT	(–) 27	232
SUBSCRIBED CAPITAL	21,186	21,669

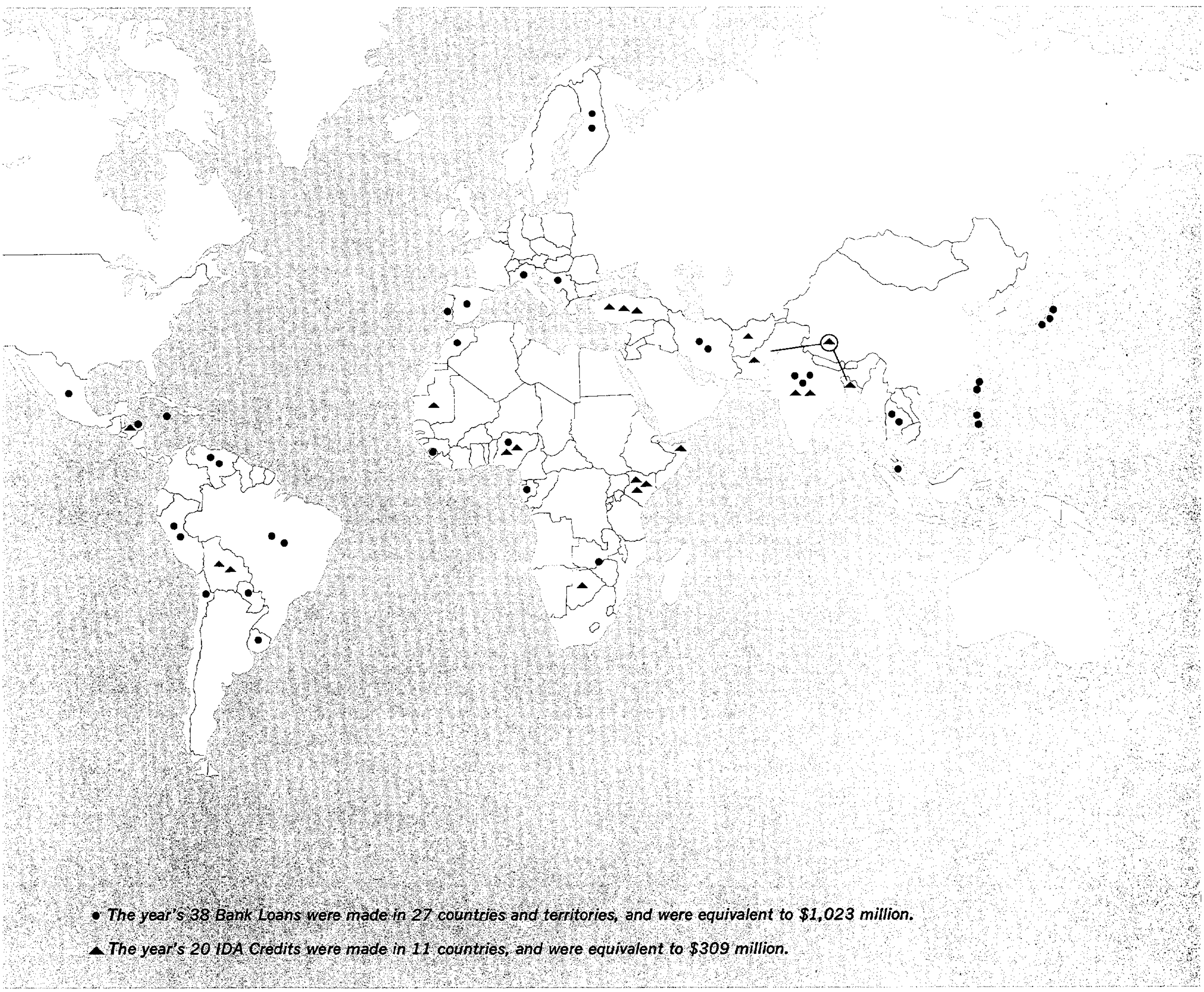
IDA

	1964	1965
CREDITS OF THE YEAR	283	309
USABLE RESOURCES	1,450	1,600

*Includes $35 million which in previous years would have been allocated to the Special Reserve.

PART ONE

The Year's Activities



● The year's 38 Bank Loans were made in 27 countries and territories, and were equivalent to $1,023 million.

▲ The year's 20 IDA Credits were made in 11 countries, and were equivalent to $309 million.

THE FISCAL YEAR ending June 30, 1965, was the most active in the history of the World Bank and its two affiliates, the International Development Association (IDA) and the International Finance Corporation (IFC). Loans, credits and other commitments amounted to $1.36 billion. The Bank itself lent more than $1 billion for the first time in a single year; IDA's cumulative financing rose well above $1 billion; and IFC investments and other commitments were at a higher level than before.

The Bank continued to grow in financial strength. Net income totaled $137 million, and reserves stood at $895 million. Bank bonds were issued in North American and European markets; the funded debt increased to $2,724 million. IDA's cumulative resources increased to $1,600 million. The increase included a $50 million allocation from the Bank's net income for 1963/64, as decided by the Board of Governors at its Annual Meeting in September 1964. At June 30, 1965, IDA had committed all but $514 million of its available funds.

While the great preponderance of Bank and IDA lending continued to be for basic public utilities, operations in support of agriculture and education by both the Bank and IDA expanded, pursuant to policies announced during the previous year. The total of educational financing more than doubled, while cumulative lending for agricultural projects increased by about $167 million.

Greater emphasis was given to industrial development. By the close of the fiscal year, member governments had nearly completed action on a proposal to increase IFC's financial resources by authorizing the Bank to lend to the Corporation. Within the World Bank group, IFC acquired added responsibilities during the year: it now acts for the whole group in the technical and financial appraisal, preparation and supervision of industrial and mining projects. The Corporation's activities in this respect are comparable with its activities since 1962 in the field of development finance companies.

Technical assistance activities were intensified. Funds allocated for feasibility studies of individual development projects and studies of sector development programs exceeded the total spent for these purposes during the previous four years combined.

The Executive Directors of the Bank completed work on an international Convention on the Settlement of Investment Disputes between States and Nationals of Other States and submitted the Convention to governments.

Increasing attention was paid to the international economic and financial environment in which the World Bank group operates, discussed in Part Two of this Report. Work continued on the studies undertaken by the Bank at the request of the United Nations Conference on Trade and Development. One of them, relating to the so-called "Horowitz Plan," was completed and forwarded to the United Nations.

The Commitments entered into by the World Bank group during the year were composed as follows: The Bank made 38 loans in 27 countries amounting to $1,023 million; IDA extended 20 credits to 11 countries totaling $309 million; and IFC made commitments (described in detail in IFC's own Annual Report) of $26 million to 15 enterprises in 11 countries.

Over the years, two-thirds of all Bank and IDA financing has been for basic projects for the generation and transmission of power and for transportation, in roughly equal amounts. During the year 1964/65, however, transportation gained a sizable lead with loans and credits in 19 countries totaling $522 million, bringing the cumulative total for such projects as railways, roads, waterways, ports and pipelines to $3,415 million. The power sector accounted for loans and credits of $360 million to 13 countries and a cumulative total of $3,127 million. Other sectors benefiting from Bank and IDA financing during the year, in order of magnitude of lending, were industry $194 million, agriculture $167 million, telecommunications $33 million, education $29.5 million and water supply $27 million.

In addition to increasing the volume of their financing, all three institutions extended the geographical scope of their operations, raising to 86 the number of countries and territories in which one or more have made loans, credits, investments or other commitments. The Bank made its first loans in Jamaica and Sierra Leone, and made its first loan to Gabon since that country became independent in 1960. It also resumed lending operations in Brazil, making loan commitments there for the first time since 1959. IDA became the first of the three institutions to finance development projects in Afghanistan, Bechuanaland, Bolivia and Somalia, and it extended credits for the first time to Kenya, Mauritania and Nigeria. IFC made investments in enterprises in three countries where it had not operated before: Ethiopia, the Ivory Coast and Uganda.

For the first time, a member of the World Bank group engaged in joint financing of development projects with the European Development Fund (FED) of the European Economic Community; IDA and FED joined in financing road projects in Mauritania and in Somalia.

Bank Loans and IDA Credits 1964/65 by Area

(Expressed in millions of U.S. Dollars)

	Bank Loans		IDA Credits		Total	
	Number	Amount	Number	Amount	Number	Amount
AFRICA						
Bechuanaland	—	$ —	1	$ 3.60	1	$ 3.60
Gabon	1	12.00	—	—	1	12.00
Kenya	—	—	3	10.30	3	10.30
Mauritania	—	—	1	6.70	1	6.70
Morocco	1	17.50	—	—	1	17.50
Nigeria	1	82.00	2	35.50	3	117.50
Sierra Leone	1	3.80	—	—	1	3.80
Somalia	—	—	1	6.20	1	6.20
Zambia & Rhodesia	1	7.70	—	—	1	7.70
	5	$ 123.00	8	$ 62.30	13	$ 185.30
ASIA AND MIDDLE EAST						
Afghanistan	—	$ —	1	$ 3.50	1	$ 3.50
China	2	35.00	—	—	2	35.00
India	3	134.00	2	95.00	5	229.00
Iran	2	40.50	—	—	2	40.50
Japan	3	125.00	—	—	3	125.00
Malaysia	1	6.80	—	—	1	6.80
Pakistan	—	—	3	90.79	3	90.79
Philippines	2	26.20	—	—	2	26.20
Thailand	2	28.00	—	—	2	28.00
	15	$ 395.50	6	$189.29	21	$ 584.79
EUROPE						
Finland	2	$ 42.50	—	$ —	2	$ 42.50
Italy	1	100.00	—	—	1	100.00
Portugal	1	15.00	—	—	1	15.00
Spain	1	65.00	—	—	1	65.00
Turkey	—	—	3	39.00	3	39.00
Yugoslavia	1	70.00	—	—	1	70.00
	6	$ 292.50	3	$ 39.00	9	$ 331.50
WESTERN HEMISPHERE						
Bolivia	—	$ —	2	$ 15.00	2	$ 15.00
Brazil	2	79.50	—	—	2	79.50
Chile	1	4.40	—	—	1	4.40
Honduras	1	6.00	1	3.50	2	9.50
Jamaica	1	5.50	—	—	1	5.50
Mexico	1	32.00	—	—	1	32.00
Paraguay	1	2.20	—	—	1	2.20
Peru	2	26.00	—	—	2	26.00
Uruguay	1	12.70	—	—	1	12.70
Venezuela	2	44.00	—	—	2	44.00
	12	$ 212.30	3	$ 18.50	15	$ 230.80
TOTAL	38	$1,023.30	20	$309.09	58	$1,332.39

FINANCING FOR AGRICULTURE

Agriculture already had been the object of $549 million in Bank loans and $133 million in IDA credits through fiscal year 1963/64, and in addition had been the beneficiary—sometimes the principal beneficiary—of many transportation and power projects. However, the agricultural sector in many developing countries has continued to lag seriously, yielding less food and fiber than it should to keep pace with the growth of population and to meet the rising needs of domestic industry. After careful study, the Bank decided to seek more effective solutions to this many-faceted problem by giving stronger support to projects which involve a comprehensive approach to agricultural development.

Consequently, in the agricultural field the Bank and IDA not only continue their traditional support of large construction projects such as flood control and irrigation schemes, but are also becoming increasingly engaged with broad land development programs comprising many inter-dependent measures in the fields of training and extension work, farm credit, crop storage, livestock production, transportation and land settlement. Action to implement the policy was intensified during the year.

For example, the Bank lent $17.5 million to Morocco to help carry out the Sidi Slimane project, a pilot program to introduce modern intensive farming on 217,000 acres and point the way to similar developments in other parts of the country. The six-year program, initiated by the Government in 1962, encompasses the construction and improvement of irrigation works and drainage facilities, improvement of farm-to-market roads, consolidation and improvement of farms, provision of equipment to permit the gradual adoption of modern methods, the completion of 11 Agricultural Service Centers to provide a wide range of equipment, supplies and technical assistance, and the establishment and stocking of 13 dairy centers to form a nucleus for the expansion and improvement of meat and milk production. Associated with the project but not assisted by the Bank are a sugar mill, already in operation, a dairy plant, a cotton gin, a citrus packing plant and a fruit juice and preserves plant, all to be built by 1966.

Other examples of an integrated approach to agricultural development are: a loan of $12.7 million to Uruguay for the second stage of a comprehensive and highly successful project to increase and modernize livestock production; a loan of $11 million to Peru for the third stage of an irrigation project combining land development, farm credit and many forms of technical assistance, which will serve as a model for other parts of the country; a $15 million loan to Peru for an agricultural credit institution with national coverage; and an IDA credit of $2.8 million for the second stage of a project which promises to expand tea production and raise the standard of living of African smallholders in Kenya.

In October 1964, the Governing Council of the Food and Agriculture Organization of the United Nations (FAO) ratified an agreement with the Bank which, it is hoped, may increase considerably the number of agricultural projects proposed for Bank and IDA financing. Under their agreement, FAO and the Bank are cooperating in the identification and preparation of projects to the point where they can be considered for financing by the Bank or IDA. During the year, 57 missions examined agricultural projects in 34 countries, and in April 1965, the Bank made a $8.5 million loan to Iran for the construction of feeder roads to connect six productive agricultural areas with main highways; this was the first Bank or IDA financing to result from studies undertaken as part of the joint program with FAO.

FAO also will participate in the inspection of projects and in appropriate cases may provide technical assistance for their execution. While appraisal of projects remains the exclusive responsibility of the Bank, FAO staff members will increasingly form part of Bank appraisal missions.

In order to gather basic information relevant to agricultural planning in Africa, a mission organized by the Bank continued a long-range study of experiences with the development of agriculture on that continent. The study will be published in the first half of 1966, and is expected to provide useful guidance to the Bank and others working in this field. Two new permanent Bank missions in Africa (see page 15) also will include agricultural projects among their concerns.

FINANCING FOR EDUCATION

The World Bank group has been involved on a minor scale in educational financing since 1962, when IDA extended a credit of $5 million to assist in the enlargement of Tunisia's secondary school system. By June 30, 1964, the Association had approved additional credits of $17.6 million for educational projects in Pakistan and Tanzania. In the spring of 1964, however, the Bank adopted a policy of providing more active assistance to member governments in strengthening their ability to train people in the varied skills required for economic development.

Accordingly, the Bank concluded an agreement with the United Nations Educational, Scientific and Cultural Organization (Unesco) similar to the one concluded with FAO, and during the year 1964/65 Bank and Unesco experts examined educational projects in 17 countries. The cumulative volume of educational financing more than doubled as new projects came forward.

The Bank itself made its first loan for education, one of $6 million to help construct and equip buildings at the College of Agriculture of the University of the Philippines, as part of a comprehensive program to increase agricultural production and raise living standards.

IDA's largest educational credit, of $20 million, was extended to Nigeria in March 1965 to assist in financing a large number of projects involving the construction, expansion and equipping of secondary, technical and teacher-

In Venezuela the Bank is helping to build roads through the highlands. Bank loans are also aiding expressways around Caracas and Valencia and electric power development in the east.

training schools, all badly needed to overcome a shortage of trained manpower in industry, agriculture and government. IDA also approved a credit of $3.5 million to Afghanistan to help finance the construction and equipment of seven vocational schools at the secondary level. By June 30, 1965, total educational financing by the Bank and IDA amounted to more than $52 million.

FINANCING FOR INDUSTRY

Since 1962, IFC has acted for the World Bank group in considering proposals for organizing or strengthening industrial development finance companies, predominantly private institutions which provide both financial and technical assistance for the expansion of existing industrial enterprises and the establishment of new ones. During the fiscal year under review, IFC was assigned responsibility for overseeing all industrial projects to be financed by the Bank, the Association or the Corporation.

By June 30, 1965, action was nearly completed by governments to amend the Articles of Agreement of both the Bank and the Corporation, allowing the Bank to lend to IFC up to four times the Corporation's capital and surplus without governmental guarantees. The amendments will add about $400 million to IFC's potential resources for lending to private industry in the developing member countries, further enhancing the Corporation's role as the group's instrument for industrial development.

A large part of the World Bank group's financing for industry during the fiscal year was in support of industrial development finance companies, which have become a highly successful mechanism for the development of private industrial enterprises, especially of small and medium size. Beginning in 1950, the Bank group has assisted 19 finance companies in 17 countries with commitments totaling $383 million. With these and other resources, the companies have provided in the neighborhood of $1,000 million for the development of industry. In addition, some have helped to develop the capital market for industrial securities by entering into standby or underwriting arrangements in support of new industrial issues.

During 1964/65, the Bank lent $50 million to the Industrial Credit and Investment Corporation of India, $15 million to the China Development Corporation and $14 million to the Industrialization Fund of Finland; IDA extended two credits totaling $15 million to the Industrial Development Bank of Turkey; in the Ivory Coast, IFC subscribed some $200,000 of the capital of the new Banque Ivoirienne de Développement Industriel, and in Spain it doubled its share subscription to the Banco del Desarrollo Económico Español to a total of about $585,000.

Near the close of the fiscal year, the Bank made a loan of $100 million to the Cassa per il Mezzogiorno (the Southern Italy Development Fund) to assist the development of industry in Southern Italy. The funds will be re-lent by the Cassa to three special credit institutes which lend to in-

Bank Loans and IDA Credits 1964/65 by Purpose

(Expressed in millions of U.S. Dollars)

	BANK	IDA	TOTAL
TRANSPORTATION			
Bechuanaland—Roads	$ —	$ 3.60	$ 3.60
China—Railways	20.00	—	20.00
Finland—Roads	28.50	—	28.50
Gabon—Roads	12.00	—	12.00
Honduras—Roads	6.00	3.50	9.50
India—Railways	—	62.00	62.00
Iran—Roads	40.50	—	40.50
Jamaica—Roads	5.50	—	5.50
Japan—Roads	100.00	—	100.00
Kenya—Roads	—	7.50	7.50
Mauritania—Roads	—	6.70	6.70
Mexico—Roads	32.00	—	32.00
Nigeria—Roads	—	15.50	15.50
Pakistan—Inland Water Transport	—	5.25	5.25
Paraguay—Roads	2.20	—	2.20
Somalia—Roads	—	6.20	6.20
Spain—Railways	65.00	—	65.00
Venezuela—Roads	30.00	—	30.00
Yugoslavia—Railways	70.00	—	70.00
	$ 411.70	$110.25	$ 521.95
ELECTRIC POWER			
Bolivia	$ —	$ 15.00	$ 15.00
Brazil	79.50	—	79.50
Chile	4.40	—	4.40
India	84.00	—	84.00
Japan	25.00	—	25.00
Nigeria	82.00	—	82.00
Portugal	15.00	—	15.00
Sierra Leone	3.80	—	3.80
Thailand	6.00	—	6.00
Turkey	—	24.00	24.00
Venezuela	14.00	—	14.00
Zambia and Rhodesia	7.70	—	7.70
	$ 321.40	$ 39.00	$ 360.40
AGRICULTURE			
Kenya—Tea production	$ —	$ 2.80	$ 2.80
Morocco—Irrigation & land settlement	17.50	—	17.50
Pakistan—Indus Basin Development	—	58.54	58.54
Pakistan—Agricultural credit	—	27.00	27.00
Peru—Irrigation and land settlement	11.00	—	11.00
Peru—Agricultural credit	15.00	—	15.00
Thailand—Irrigation	22.00	—	22.00
Uruguay—Cattle production	12.70	—	12.70
	$ 78.20	$ 88.34	$ 166.54
EDUCATION			
Afghanistan	$ —	$ 3.50	$ 3.50
Nigeria	—	20.00	20.00
Philippines	6.00	—	6.00
	$ 6.00	$ 23.50	$ 29.50
INDUSTRY			
China—Development Finance Company	$ 15.00	$ —	$ 15.00
Finland—Development Finance Company	14.00	—	14.00
India—Development Finance Company	50.00	—	50.00
Italy—Industrial development	100.00	—	100.00
Turkey—Development Finance Company	—	15.00	15.00
	$ 179.00	$ 15.00	$ 194.00
WATER SUPPLY			
Malaysia—Singapore water system	$ 6.80	$ —	$ 6.80
Philippines—Manila water system	20.20	—	20.20
	$ 27.00	$ —	$ 27.00
TELECOMMUNICATIONS			
India	$ —	$ 33.00	$ 33.00
TOTAL	$1,023.30	$309.09	$1,332.39

dustrial enterprises on the southern mainland and in Sicily and Sardinia. This was the Bank's eighth loan to the Cassa, raising the total to $398 million.

STAFF STUDIES

The Bank's effectiveness as a lender for development depends in large measure upon its knowledge of the borrowing countries—their resources of land, materials and manpower; their development plans and programs, together with the details of organization for their execution; their past performance and future prospects in the light of all relevant information. In the regular conduct of operations, the Bank has produced studies for its own purposes on the economic position and prospects of some 95 countries and territories.

Such studies must be kept up-to-date to assist the Bank in its consideration of proposals for financing and in providing assistance to members as new problems arise in carrying out their plans. For this purpose, special missions are sometimes organized, as in the case of Chile in 1961, Colombia in 1962 and Mexico in 1963, to undertake a thorough review of progress and of plans for further investment.

During the fiscal year 1964/65 this type of activity was expanded. Program review missions were organized to conduct comprehensive studies in Argentina, Brazil, Ceylon, Nigeria, Paraguay, Peru, Turkey and Venezuela. They involved the services of more than 60 specialists in the principal economic sectors, as well as experts in development economics and institutions. Their studies, which will not be made public, help to establish a perspective for long-term financing by the Bank and IDA and, in some cases, by other lending agencies as well. For example, in the light of the report of the mission to Brazil, consideration was being given to new loan requests, to the country's future needs for external capital and to the most effective means of providing outside assistance.

For at least a decade, the Bank has been increasingly concerned with the rising burden which the service of external debt is placing on the balance of payments of the underdeveloped countries (see page 57). During the year, The Johns Hopkins Press published for the Bank a study, "Economic Growth and External Debt," by Dragoslav Avramovic and other members of the staff. The study showed, among other things, that in the period 1955-62, the public and publicly guaranteed debt of a representative sample of developing countries more than doubled, and that amortization and interest payments on this debt more than trebled. This study was an outgrowth of staff work undertaken in response to requests from the Development Assistance Committee (DAC) of the Organization for Economic Cooperation and Development (OECD) and the Secretariat of the United Nations Conference on Trade and Development (UNCTAD).

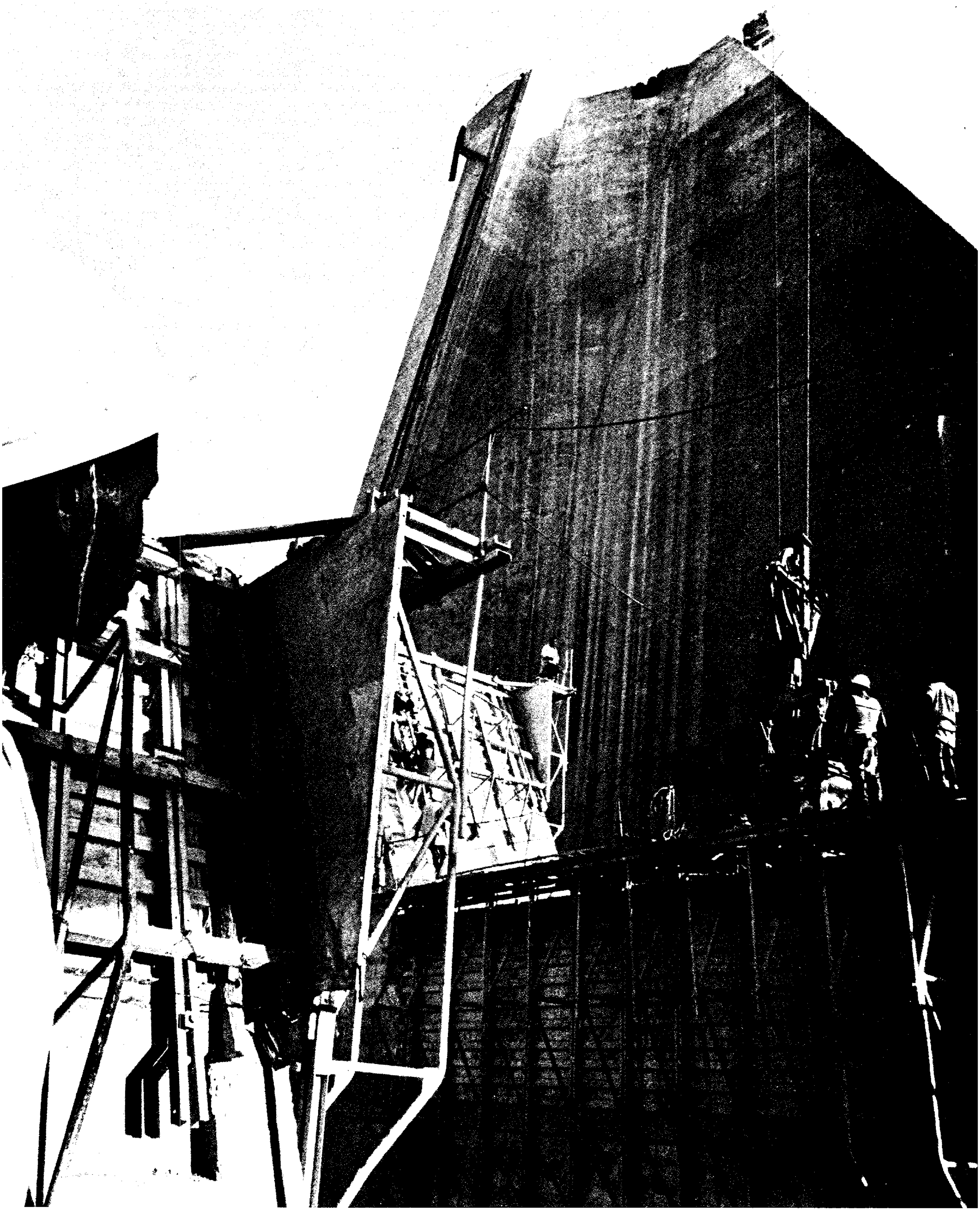
Work continued on a number of staff studies the Bank was requested to conduct as a result of the deliberations of UNCTAD. One of these was completed and forwarded to the United Nations in February 1965; it dealt with the "Horowitz Proposal," which was advanced by the Governor of the Bank of Israel as a means of increasing the volume of development funds available for lending on a multilateral basis at low interest and for a long term. Under the proposal, funds would be borrowed in the private capital markets by IDA or some other international agency, primarily in the industrialized countries with surpluses in their balance of payments, and re-lent to the developing countries on concessionary terms. The plan contemplates a system of guarantees by the industrialized countries in support of such borrowings and the establishment of an "interest equalization fund" to which they would contribute amounts required to subsidize the difference between the borrowing and lending rates of interest. The Bank study analyzed the technical problems involved and stated the principal issues for consideration by governments.

Of the other studies going forward, one concerns a proposal by the United Kingdom and Sweden for a system of supplementary financing to help mitigate adverse effects on development plans of long-term and unpredictable fluctuations in commodity prices. The Bank is also examining the implications for development of the use of suppliers' credits and the possibilities for the establishment of a system of multilateral investment insurance.

TERMS OF LENDING

In its own operations, the Bank continued to adjust its lending terms, within limits consistent with sound practice, to fit the financial and debt service situation of its less developed members. Relatively longer maturities and grace periods were fixed in some cases, where this appeared appropriate in view of the useful life of the project, the time required to bring it into productive use, or the debt situation of the borrowing country. For example, the Bank's educational loan to the Philippines was for 30 years with a 10-year grace period; an $82 million loan for the big Kainji Dam in Nigeria was for 35 years, with a 5-year period of grace; two other power loans were for terms of 26 years, while four loans for power, six for transportation, one for agriculture and one for a water supply project were made repayable in 25 years.

During the year, the Bank considered whether it was justified in continuing to make loans to more developed countries, able to cover the bulk of their requirements for external capital from market sources, at the same interest rate as it charged to its less developed members. As a result of this consideration, the Bank decided that it would charge such countries rates of interest roughly comparable to those they pay when borrowing in the market. These rates would be up to one per cent higher than the Bank's standard interest rate, which remained at 5½% during the year. Pursuant to this policy, a 25-year loan of



A $19.5 million Bank loan and a $13 million IDA credit are helping to finance the construction of the Roseires Dam across the Blue Nile in the Sudan. Water stored by this dam will make it possible to bring a further 900,000 acres of land under cultivation.

$75 million for an expressway in Japan carried an interest charge of 6½%, while 6¼% was charged on a 15-year $100 million loan for industrial projects in Italy.

Within the World Bank group, however, it is IDA which makes the most important contribution toward mitigating the debt-service burden. All IDA's credits have been for 50 years, repayable in easy stages after 10 years of grace and with no interest except for a service charge of ¾ of 1%; but the need of the underdeveloped countries for financing on such terms continued to outrun the resources available to IDA.

COORDINATION OF AID

The amount of international financial assistance available to the underdeveloped countries is limited, and the need for better use and coordination of external aid continues to be urgent. The Bank took its first major initiative to assist in the coordination of aid in 1958, when a critical shortage of foreign exchange threatened to undermine the development program of India. A group consisting of the Bank and the capital-exporting countries most directly concerned was organized to surmount the crisis by mobilizing an adequate flow of external assistance. In 1960, a similar consortium was organized by the Bank for aid to Pakistan. These consortia have met annually since their inception. Both have served as vehicles for objective comments on the economic performance and capital requirements of the recipient countries, and have served to coordinate external aid and improve the terms on which it is given. The Bank is also a member of consortia on Greece and Turkey administered by the Organization for Economic Cooperation and Development.

For certain other developing countries, the Bank has undertaken to organize consultative groups of interested capital-exporting countries. These groups do not engage in annual aid pledges but in other respects they are intended to serve the same purposes as the consortia. Since 1962, consultative groups have been organized for Colombia, Nigeria, the Sudan and Tunisia, in each case at the request of the aid-receiving government. In addition, the Bank is a participant in a consultative group for Ecuador recently organized by the Inter-American Development Bank.

During the fiscal year, the Bank carried out an intensive review of the work of the groups it has organized, canvassing informally the views of major capital-exporting countries as well as of the developing countries for which consultative groups have been formed. Its conclusion was that there continues to be a pressing need for effective arrangements to coordinate aid, and that the organization and administration of consultative groups is an appropriate and important function for the Bank to assume. At the same time, it was recognized that each consultative group requires a high degree of staff support in the maintenance of liaison and the preparation and exchange of information concerning the recipient country's economic position, performance, problems and capital requirements.

As a result of its study, the Bank is working to enhance the effectiveness of existing consultative groups. It is also, within staff limitations, preparing to organize new ones, in cases where the establishment of such a group is desired both by the developing country and the principal capital-exporting countries concerned, and where it is likely that the economic performance of the developing country would be improved thereby.

SETTLEMENT OF INVESTMENT DISPUTES

One obstacle to economic growth has been uncertainty on the part of private investors whether investments made in many of the less developed countries would be secure against other than normal business risks. As a step toward overcoming this difficulty and encouraging a freer flow of private capital to the developing countries, the Executive Directors of the Bank completed work during the year on the text of a Convention on the Settlement of Investment Disputes between States and Nationals of Other States. Drafting the text had occupied the Bank's legal staff for several years; and the advice of legal experts from 86 member countries had been obtained in four regional meetings. The final text was prepared by the Executive Directors with the assistance of a Legal Committee consisting of representatives of 61 governments. The Convention was sent to member governments in March 1965, for their consideration with a view to signature and ratification, acceptance or approval.

The Convention provides for the establishment of an International Centre for Settlement of Investment Disputes as an autonomous institution under the auspices of the Bank. The Centre will make available facilities for conciliation and arbitration, to which contracting states and investors who are nationals of other contracting states will have access on a voluntary basis under rules laid down in the Convention.

The Convention will enter into force 30 days after it has been signed and ratified, accepted or approved by 20 governments. By the end of June 1965, the Convention had been signed by the Ivory Coast, Jamaica, Tunisia and the United Kingdom; the governments of Nigeria and Pakistan had notified the Bank that their signatures would be added shortly, and they signed the Convention in July.

The Bank's Finances

INCOME, LOANS AND REPAYMENTS of loans all set new records. The funded debt increased for the first time in three years as the Bank returned to the capital markets of Canada, Germany, Switzerland and the United States with public borrowings equivalent to $300 million.

Combined net income and loan commissions totaled $138 million, compared with the previous high of $131 million in the fiscal year 1963/64. Loan commissions amounted to less than $1 million, as compared to $33 million a year before. The reduction was due to the discontinuance of the practice of treating a part of loan charges, amounting to 1% per annum on outstanding loans, as commission and allocating the proceeds to the Special Reserve. The discontinuance took effect July 1, 1964, and affected all but a few old loans totaling about $87 million on that date. The 1% commission accrued on those loans raised the Special Reserve to about $289 million at June 30, 1965.

Gross income for the year was $267 million, including commissions, $15 million more than the previous record of combined gross income and commissions. Bond and note interest and issuance expenses were $107 million, an increase of $5 million. Administrative costs rose by $3.2 million to $17.8 million. Expenditures for services to member countries totaled $4.5 million; these funds were spent for economic surveys, project and sector studies, training programs for officials of the less developed countries and other technical and advisory services.

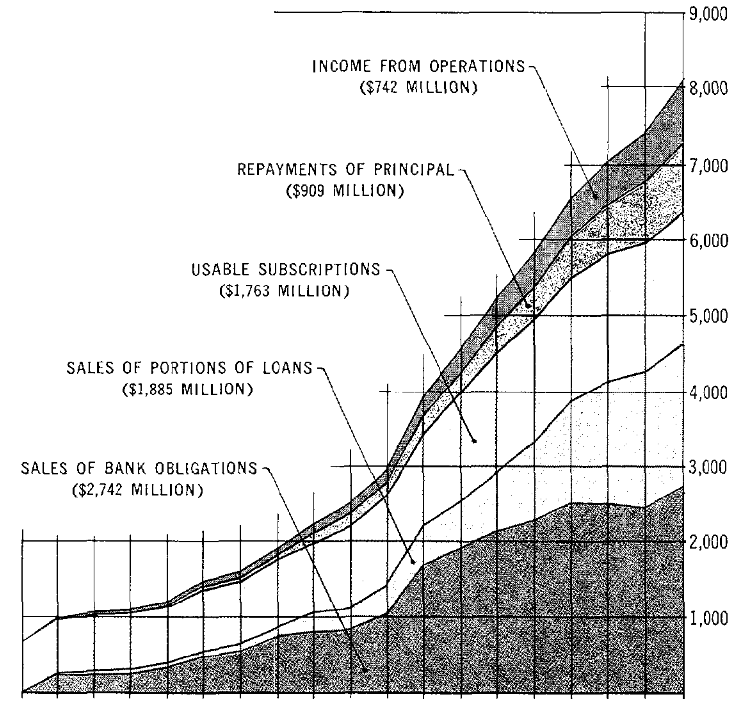
Loans held by the Bank on June 30, 1965, including those not yet effective and net of exchange adjustments, totaled $5,967 million, an increase of $775 million. Disbursements amounted to $606 million, compared with $559 million in the previous fiscal year.

Borrowers repaid $137 million to the Bank and $163 million to investors holding maturities of Bank loans; the total of $300 million was $33 million above the figure for the year before. This brought cumulative repayments to $1,886 million, including $909 million to the Bank and $977 million to purchasers of its loans, while the cumulative total of loan sales reached $1,885 million by June 30, 1965.

At the same time, sales of loan maturities declined for the third successive fiscal year under the combined impact of rising yields on other securities in Europe, the Bank's policy of not offering in the United States market portions of loans to countries whose securities are subject to the United States "Interest Equalization Tax" and the voluntary program to reduce United States private commitments in the industrialized countries. Sales for the year totaled $106 million, a reduction of $67 million from the year before; sales from portfolio accounted for $76 million and the balance of $30 million represented participations by investors who agreed to take up parts of loans at the time loan agreements were signed.

SOURCES OF FUNDS FOR LENDING

Cumulative Amounts in Millions of U. S. Dollars

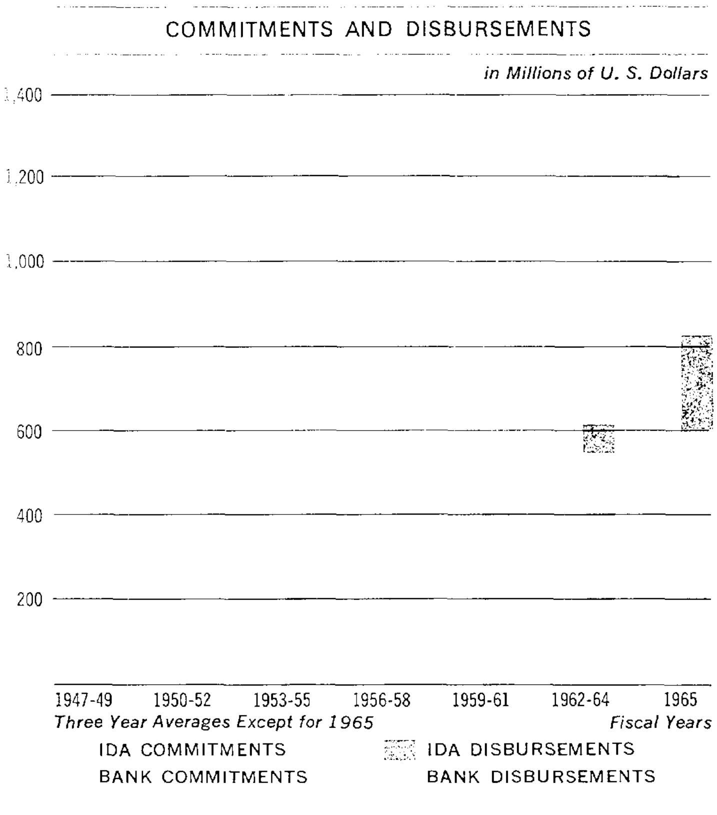


Fiscal Years

THE BANK'S FUNDED DEBT INCREASED during the year by about $232 million; by June 30, 1965, the total of bonds and notes outstanding was $2,724 million. The increase reflected the Bank's most active borrowing operations in several years: in public offerings, the Bank borrowed Can$ 25 million (US$ 23.1 million), DM 250 million (US$ 62.5 million), Sw F 60 million (about US$ 14 million) and US$ 200 million, of which $17.9 million were sold under delayed delivery arrangements, for a total of $299.6 million of new bonds. The Canadian issue was the first in 10 years and the German issue the first since 1959, while the Swiss and United States issues were the first in three years.

Maturing bonds and notes totaling $298 million were refunded during the year. Two issues of 3½% Notes held by the Deutsche Bundesbank, denominated in U.S. dollars and Deutsche Mark and totaling $198 million equivalent, were exchanged for an equal amount of new Notes, approximately half of which mature in 1968/69 and bear interest at 4⅛%, while the remainder carry interest of 4¼% and become due in 1969/70. Another issue of $100 million of 3¾% Two-Year Bonds fell due on October 1, 1964, and was refunded through the placement at par of an equal amount of 4¼% Bonds with governmental institutions in 26 countries outside the United States.

Two maturities were paid off during the year; they consisted of Sw F 33.3 million (US$ 7.8 million) of a 3⅜% loan made to the Bank by the Swiss Government in 1957, and Can$ 11.5 million (US$ 10.6 million) of 3¼% Bonds issued in 1955. In addition, net sinking and purchase fund operations retired the equivalent of $31 million in Bank obligations.



Interest rates on the new issues sold outside the United States were considerably higher than in the past. The United States issue of Twenty-Five Year 4½% Bonds, which was offered through an underwriting syndicate of 183 commercial banks and investment banking and dealer houses headed by Morgan Stanley & Co. and The First Boston Corporation, was offered to the public at 100⅜ to yield 4.475% to maturity. The Canadian issue of 5¼% Twenty-Five Year Bonds was offered at 99½ to yield about 5.28%; it was underwritten and sold by a group of Canadian investment banking and dealer houses led by the Dominion Securities Corporation Limited, A. E. Ames & Co. Limited and Wood, Gundy & Company Limited. The German issue of Twenty-Year Bonds at 5½%, the highest rate ever paid by the Bank, was offered to the public at par by a syndicate of some 70 German banking houses with the Deutsche Bank as principal manager and the Dresdner Bank as co-manager. The Swiss issue, which was sold by a group of leading Swiss banking institutions headed by the Union Bank of Switzerland, the Swiss Bank Corporation and the Swiss Credit Bank, consisted of 4¾% Eighteen-Year Bonds offered at par.

UNDER A DECISION approved by the Board of Governors at its Annual Meeting in September 1964, $50 million of the Bank's net income for the fiscal year 1963/64 was set aside for transfer to IDA in the form of a grant, after $47 million of that year's net income had been allocated to the Supplemental Reserve. After the close of the 1964/65 fiscal year, the Executive Directors allocated $62 million to the Supplemental Reserve from net income for 1964/65, raising that Reserve to $668 million, and recommended to the Board of Governors that the balance of $75 million of that year's net income be transferred to IDA as a grant.

IDA's Finances

THE RESOURCES AVAILABLE to IDA for commitment in development credits have been in two principal forms: initial subscriptions of members and supplementary contributions. The initial subscriptions of 18 high income member countries of IDA (called Part I countries) are payable in gold or freely convertible currency; 10% of the subscriptions of the remaining 76 member countries (called Part II countries) also is payable in gold or freely convertible currency, while the balance is payable in the currencies of the members and may be used by IDA only with their consent. Through fiscal year 1964/65, usable subscriptions by both categories of members totaled $780 million. The total included the first local currency subscriptions to be released by Part II countries for use by IDA, totaling $4.6 million. Ireland, Israel and Jordan made all of their subscriptions available in convertible form over a period of five years; Panama paid a part of the local currency portion of its subscription in dollars; and Mexico released pesos for procurement of items purchased in that country under an IDA credit.

The Articles of Agreement provide for a periodic review of the adequacy of the Association's resources. In 1962, the Board of Governors requested the Executive Directors to make such a review, and they prepared a report which recommended that IDA's resources be replenished through supplementary contributions by Part I members. The recommendation was approved. Accordingly, agreed payments totaling $753 million, including the initial subscriptions of Belgium and Luxembourg, are being made in three annual installments beginning in November 1965. These funds are intended to cover IDA's requirements for new commitment authority until at least June 30, 1966.

The cumulative total of IDA's available funds includes about $75 million from a number of other sources: the World Bank grant of $50 million from net income for 1963/64; $18 million in four special supplementary contributions by Sweden; and $6.7 million of net income since the start of operations, including about $2.6 million in fiscal year 1964/65.

The total of freely usable funds available to IDA from the start of its operations amounted to $1,600 million at June 30, 1965 (see table). By the same date, IDA had extended 77 credits totaling $1,086 million, net of cancellations, including $309 million during the fiscal year under review;

Usable Funds Available to IDA, 1960-65

(Millions of U.S. Dollars Equivalent)

Subscriptions		$ 780
Part I Countries (100% of subscriptions)	$751	
Part II Countries (10% of subscriptions)	24	
Part II Countries (Releases in Convertible Form of All or Part of their Local Currency Subscriptions)	5	
Supplementary Contributions		763
Part I Countries (Agreed Contributions to First Replenishment)	745	
Sweden (Four Special Supplementary Contributions in Addition to Replenishment)	18	
World Bank Transfer		50
Cumulative Net Income		7
TOTAL		$1,600

and negotiations already were well advanced looking toward the commitment of a large portion of the funds still available, which totaled $514 million. As the fiscal year ended, it was expected that nearly all the resources available would be committed by the summer of 1966.

After the close of the fiscal year, the Executive Directors of the Bank recommended to the Board of Governors that $75 million from net income for 1964/65 be transferred to IDA in the form of a second grant.

Actual disbursements by IDA reached a cumulative total of $415 million, including $222 million disbursed in the fiscal year ended June 30, 1965.

Technical Assistance

LENDING OPERATIONS of the Bank and IDA and the usual conduct of their relationships with member governments and borrowers include in normal course many varieties of technical assistance—advice in the preparation of projects, counsel on the size and composition of development investments, recruitment of experts for particular development tasks, and many others. Some types of technical assistance have been singled out for particular emphasis and specific staff and budget support; but much, and perhaps most, technical assistance is rendered without special recognition, as part of normal operational activity. During the year just past, more resources of staff and funds were devoted to technical assistance than ever before; but this increased activity was only partly reflected in the expenditure of $4.5 million, in itself a record figure, recorded under the Bank's budget item, "Services to Member Countries."

In eastern and western Africa, where the problems of development are particularly complex, the Bank has established permanent regional missions, primarily to assist the governments in those areas to identify and prepare specific projects for presentation to the Bank or IDA. These missions have their offices in Nairobi and Abidjan, respectively. Initially, they are concentrating their efforts on agriculture and transportation, but eventually may give their attention to projects in other sectors as well. Members of the missions will be available to advise governments, both on general policy issues in connection with projects and on the solution of practical problems that arise in their preparation. They will not normally be involved in the appraisal or supervision of projects or in the administration of existing loans.

In addition to its other duties, the mission in Abidjan will work in close association with the new African Development Bank (ADB). During the year the Bank has kept in touch with the ADB in order to offer whatever assistance may be appropriate. It is hoped that arrangements will in due course be worked out for studying and financing possible projects of common interest, as well as for coordinating the activities of the two institutions more generally.

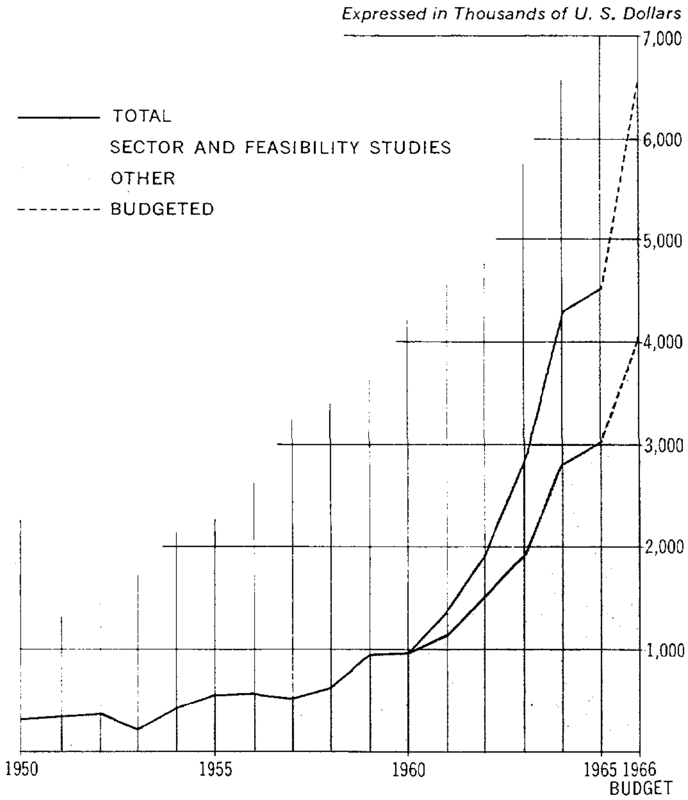
As in the past, the Bank stands ready to assist member governments, at their request, in the formulation of general programs of development which can serve as a framework for investment and other measures conducive to economic growth. For this purpose, the Bank has conducted comprehensive economic surveys in 25 countries; the most recent was carried out in Morocco by a mission which was completing its report at the end of the fiscal year. The reports of similar missions to Kuwait and to Papua and New Guinea were completed during the year and were published for the Bank by The Johns Hopkins Press.

Bank assistance in bringing development projects and programs to the point of readiness for financing also was expanded. More funds were allocated for this purpose during the fiscal year 1964/65 than had been spent during the previous four years combined. The following table summarizes the year's allocations:

Country	*Object of Study*	*Estimated Bank Share of Total Cost (US $)*
Afghanistan	Kunduz-Khanabad River Basin Development	$ 350,000
Cameroon	Cocoa Rehabilitation	120,500
Cameroon	Road Improvement	200,000
Iran	Port Reorganization	39,000
Jamaica	Kingston Expressway Proposal	200,000
Malaysia	Land Development Scheme	507,000
Nepal	Transport Development	114,000
Nigeria	Road Program, Eastern Region	375,000
Pakistan	River Ports and Waterways Development	950,000
Peru	Road Transport Development	300,000
Somalia	Mogadiscio Port Improvement	375,000
Sudan	Review of Gezira Scheme	400,000
	TOTAL	$3,930,500

The total cost of these studies will approximate $5.4 million, of which the equivalent of about $1.5 million will be provided by the domestic authorities concerned.

EXPENDITURES FOR SERVICES
TO MEMBER COUNTRIES



During the year the Bank concluded its assistance to the Ecuadorean Institute of Electrification in the preparation of a national electrification plan. The study of coal transport problems in India, a general transport survey in Zambia and a study to improve school building designs in Tunisia were completed.

A Bank team headed by Dr. Pieter Lieftinck and assisted by a number of consultants completed the first part of a study of the water and power resources of West Pakistan, financed by the Indus Basin Development Fund which is administered by the Bank. This phase of the study concerned the technical feasibility, construction cost, and economic return of a dam on the Indus River at Tarbela. The second part of the study, which is a broad examination of the development potential of the water and power resources of West Pakistan, was still in progress.

Besides conducting project and sector studies on its own account, the Bank also acts as the Executing Agency for many similar studies financed by the United Nations Special Fund. During the year, field work was organized on four such projects: feasibility studies in connection with the development of irrigation and power facilities in the Yaque del Norte and Yaque del Sur River basins in the Dominican Republic, a transport survey in Surinam and a study of telecommunications needs in Pakistan. Studies of port and railway development possibilities in Costa Rica and of the potential of coal deposits in Colombia's Cauca Valley were completed, as was field work on a study of iron ore transport facilities in Gabon. The scope of surveys of power development for South Central Brazil and of mineral resources in Surinam was extended. Field work was completed and reports were being prepared on port studies in Thailand. The Bank agreed to act as Executing Agency for four more Special Fund projects: studies of highway development in Western Nigeria and Somalia, of transport requirements in southern Cameroon and the Central African Republic, and of highways and ports on the southern Atlantic coast of Nicaragua.

In other technical assistance activities of the year, a Bank mission completed a comprehensive survey of the capital market in Chile and recommended measures for the mobilization of private savings through financial institutions and for improving the operation of the stock market. A report on the securities market in Pakistan, prepared by a consultant engaged by the Bank, was submitted to the Government and was supplemented by further advisory assistance in the preparation of a stock exchange law. A survey of the securities market was conducted in Peru, and a five-man mission, including experts from the Bank and the International Monetary Fund, completed a study of budgetary and fiscal policies in Portugal.

Members of the Bank staff were seconded during the year as planning or development advisers in Colombia, Jamaica, Libya, East Pakistan and the Sudan; similar assignments were completed in Kuwait and Malaysia. The Bank also provided short-term economic advisers to the Governments of Nigeria, Sierra Leone and Zambia and to the National Development Council in Argentina. In addition to the permanent missions in western and eastern Africa, already mentioned, resident members of the Bank's staff provided assistance in the preparation or execution of agricultural or transportation projects in Chile, Colombia and the Philippines; others served in the Philippines as advisers on statistics and industry.

The Bank also agreed to allocate $830,000 over three years to help continue the services of a group of advisers organized by Harvard University who have been assisting the Planning Commission of Pakistan and the East and West Pakistan Planning Departments. Previously, financial support for these advisers was provided by the Ford Foundation and the United States Agency for International Development.

THE BANK'S ECONOMIC DEVELOPMENT INSTITUTE, a staff college for senior government officials who deal with economic and financial problems of development, began its tenth year. During 1964/65, the Institute conducted general courses on economic development in English and French, project evaluation courses in English and Spanish, and an industrial project evaluation course in English.

In addition, the Institute offered a special project evaluation course in Jaipur, India, for participants from four Asian countries. Through the end of June 1965, 460 officials of 91 countries had participated in EDI courses, including 143 during the fiscal year 1964/65.

MEMBERSHIP AND ADMINISTRATION

FOR THE FIRST TIME in four years, there were no changes in membership of the World Bank. Eight countries increased their capital subscriptions: Costa Rica from $8 million to $10.7 million, Dominican Republic from $8 million to $13.3 million, Honduras from $6 million to $8 million, Italy from $360 million to $666 million, Malaysia from $50 million to $133.3 million, Panama from $400,000 to $9 million, Sudan from $20 million to $60 million and United Arab Republic from $106.6 million to $142.1 million. At the close of the fiscal year, subscribed capital of the Bank was $21,669.4 million.

Belgium became the 94th member of IDA.

AT THE END OF THE FISCAL YEAR, the staff serving the World Bank and IDA numbered 1,094 employees from 65 countries.

The President designated certain senior officers to serve as the President's Council, each taking cognizance over particular sectors of activity and over the departments and offices responsible for them. The members of the Council are J. Burke Knapp, Geoffrey M. Wilson and Simon Aldewereld, Vice Presidents; A. Broches, General Counsel; Richard H. Demuth, Director of the Development Services Department; and Irving S. Friedman, The Economic Advisor to the President.

Mr. Aldewereld, who was appointed a Vice President during the year, will continue to serve as Director of the Projects Department (formerly the Technical Operations Department).

Mr. Irving S. Friedman was appointed to a newly created post as The Economic Adviser to the President. He had been Director of the Exchange Restrictions Department of the International Monetary Fund since 1950. Mr. Andrew M. Kamarck was appointed Director of the Economics Department; he had been Economic Adviser to the Africa Department. Mr. Dragoslav Avramovic was promoted from Assistant Director of the Economics Department to be Director of Special Economic Studies.

Mr. Abdel G. El Emary became Director of the Africa Department, succeeding Mr. Pierre L. Moussa, who resigned to become President of the Fédération Francaise des Sociétés d'Assurances. Mr. El Emary previously had been Director of the Department of Investments, Africa, Asia and Middle East, of the International Finance Corporation.

Mr. Michael L. Lejeune, who had been Assistant Director of the Far East Department, was appointed Director of Administration, succeeding the late Mr. William F. Howell.

Mr. Alexander Stevenson, who had been Assistant Director of the South Asia Department, became Director, succeeding Mr. Escott Reid. Mr. Reid became a consultant in the Office of the President, prior to taking up a university post in Canada in July 1965.

The first group of appointees under the Junior Professional Recruitment Program completed 18 months of rotational assignments, and were confirmed in permanent appointments to the staff. This group numbered 11; two additional groups totaling 20 are still in training; a fourth group of 20 has been appointed and will arrive in Washington in October 1965. The Program brings outstanding young university graduates into the Bank for intensive in-service training, working in at least two departments and, in most cases, taking part in one or more field missions to member countries. Upon successful completion of their training, they are assigned to regular staff positions. The recruits have averaged 27 years of age at the time of their appointment and they have come from 27 countries on 6 continents.

The countries represented in the program and the number of junior professionals from each are: Argentina 1, Austria 2, Belgium 2, China 1, Colombia 1, Cuba 1, France 5, Germany 7, Ghana 1, Greece 1, India 2, Iran 1, Israel 1, Italy 2, Japan 1, Norway 2, Pakistan 1, Philippines 2, Spain 1, Sweden 1, Switzerland 3, Thailand 1, Togo 1, Turkey 1, United Kingdom 4, United States 4, Yugoslavia 1.

Bank Loans and IDA Credit

CUMULATIVE TOTAL, JUNE 30, 1965

(Millions of U.S. Dollars, initial commitments net of cancellations and refundings)

Purpose	*Total Bank and IDA*
Grand Total	$9,857.3
ELECTRIC POWER	$3,127.4
TRANSPORTATION	$3,414.9
Railroads	1,458.1
Roads	1,458.8
Shipping	12.0
Ports and Waterways	350.1
Airlines and Airports	56.9
Pipelines	79.0
TELECOMMUNICATIONS	$ 121.2
AGRICULTURE, FORESTRY AND FISHING	$ 844.3
Farm Mechanization	150.2
Irrigation and Flood Control	558.8
Land Clearance, Farm Improvement, etc.	55.3
Crop Processing and Storage	7.4
Livestock Improvement	53.5
Forestry and Fishing	19.1
INDUSTRY	$1,500.1
Iron and Steel	380.1
Paper and Pulp	132.2
Fertilizer and Other Chemicals	82.0
General Industries	331.7
Mining	203.5
Development Finance Companies	370.6
WATER SUPPLY	$ 95.5
EDUCATION PROJECTS	$ 52.1
GENERAL DEVELOPMENT	$ 205.0
POST-WAR RECONSTRUCTION	$ 496.8

NOTE: Detail may not add to totals because of rounding. Detailed Statements of Bank Loans and IDA Credits are available on request.

Classified by Purpose and Area

Bank Loans by Area						IDA Credits by Area				
Total	*Africa*	*Asia and Middle East*	*Australasia*	*Europe*	*Western Hemisphere*	*Total*	*Africa*	*Asia and Middle East*	*Europe*	*Western Hemisphere*
$8,771.8	$1,103.6	$3,011.5	$ 457.3	$1,991.4	$2,207.9	$1,085.5	$ 116.7	$ 802.6	$ 65.7	$ 100.5
$3,030.7	$ 405.6	$ 682.3	$ 161.8	$ 546.6	$1,234.4	$ 96.7	$ —	$ 56.0	$ 25.7	$ 15.0
$2,950.8	$ 443.2	$1,345.4	$ 139.4	$ 334.9	$ 687.9	$ 464.1	$ 71.3	$ 313.9	$ —	$ 78.9
1,279.6	274.0	620.4	37.3	172.4	175.5	178.5	—	178.5	—	—
1,200.6	86.6	483.0	50.9	96.5	483.6	258.2	71.3	108.0	—	78.9
12.0	—	—	—	12.0	—	—	—	—	—	—
322.7	32.6	207.4	7.1	46.9	28.7	27.4	—	27.4	—	—
56.9	—	5.6	44.1	7.2	—	—	—	—	—	—
79.0	50.0	29.0	—	—	—	—	—	—	—	—
$ 46.2	$ 4.4	$ —	$ —	$ 0.2	$ 41.6	$ 75.0	$ —	$ 75.0	$ —	$ —
$ 624.7	$ 69.9	$ 208.3	$ 103.4	$ 87.8	$ 155.3	$ 219.6	$ 15.8	$ 180.2	$ 20.0	$ 3.6
123.2	—	—	89.4	2.0	31.8	27.0	—	27.0	—	—
374.1	45.5	185.9	6.0	73.3	63.4	184.7	13.0	151.7	20.0	—
51.0	23.2	13.6	6.0	2.2	6.1	4.3	2.8	1.5	—	—
7.4	0.3	—	—	4.2	2.8	—	—	—	—	—
49.9	0.9	1.0	—	—	48.0	3.6	—	—	—	3.6
19.1	—	7.8	2.0	6.2	3.1	—	—	—	—	—
$1,378.6	$ 140.5	$ 667.6	$ 52.7	$ 431.2	$ 86.6	$ 121.5	$ —	$ 101.5	$ 20.0	$ —
380.1	—	314.0	13.4	22.7	30.0	—	—	—	—	—
132.2	—	4.2	1.1	106.9	20.0	—	—	—	—	—
82.0	—	25.0	0.3	56.8	—	—	—	—	—	—
235.2	20.5	5.2	23.8	170.9	14.8	96.5	—	96.5	—	—
203.5	101.0	54.5	14.2	11.9	21.8	—	—	—	—	—
345.6	19.0	264.7	—	61.9	—	25.0	—	5.0	20.0	—
$ 33.0	$ —	$ 27.0	$ —	$ 3.9	$ 2.1	$ 62.5	$ —	$ 59.5	$ —	$ 3.0
$ 6.0	$ —	$ 6.0	$ —	$ —	$ —	$ 46.1	$ 29.6	$ 16.5	$ —	$ —
$ 205.0	$ 40.0	$ 75.0	$ —	$ 90.0	$ —	$ —	$ —	$ —	$ —	$ —
$ 496.8	$ —	$ —	$ —	$ 496.8	$ —	$ —	$ —	$ —	$ —	$ —

Bank Appendices

Picking tea at Ragati in Kenya. Tea is one of the country's main export commodities. Two Bank loans and three IDA credits to Kenya are helping the development of agriculture and the improvement of roads in the tea-growing areas.

Balance Sheet

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

ASSETS

Due from Banks and Other Depositories			
Member currencies,			
including $9,490,128 United States dollars			
Unrestricted	$ 18,503,132		
Subject to restrictions—NOTE B	139,962,721	$ 158,465,853	
Non-member currency (Swiss francs)		1,841,007	$ 160,306,860
Investments			
Government obligations (At cost or amortized cost)			
Face amount $743,185,350 including $530,123,000			
United States Government obligations		$ 737,032,734	
Time deposits, including $500,000,000 United States dollars		547,473,684	
Accrued interest		20,173,828	1,304,680,246
Receivable on Account of Subscribed Capital (See Appendix C)			
Member currencies, other than United States dollars—NOTE B			
Non-negotiable, non-interest-bearing, demand notes		$ 323,113,530	
Amounts required to maintain value of currency holdings		1,650,408	324,763,938
Effective Loans Held by Bank (See Appendix D)—NOTE C			
(Including undisbursed balance of $1,662,573,606)			5,480,681,755
Accrued Charges on Loans—NOTE C			57,934,324
Receivable from Purchasers on Account of Effective Loans Agreed to be Sold			
(Including undisbursed balance of $29,241,937)			42,467,789
Unamortized Bond Issuance Costs			16,685,883
Land and Buildings		$ 22,489,575	
Less—Reserve for depreciation		1,927,726	20,561,849
Other Assets			1,803,814
Special Reserve Fund Assets—NOTE D			
Due from Banks—member currency—United States		$ 164	
Investment securities—United States Government obligations			
($289,202,000 face amount; at cost or amortized cost)		288,678,718	
Accrued loan commissions—NOTE C		292,634	288,971,516
Staff Retirement Plan Assets			
(Segregated and held in trust)			22,354,595
Total Assets			$7,721,212,569

(Continued)

Balance Sheet *(Continued)*

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

LIABILITIES, RESERVES AND CAPITAL

Liabilities		
Accrued interest on borrowings		$ 38,243,551
Accounts payable and other liabilities		5,199,346
Due to International Development Association		39,600,000
Undisbursed balance of effective loans (See Appendix D)		
Held by Bank	$ 1,662,573,606	
Agreed to be sold	29,241,937	1,691,815,543
Funded debt (See Appendix E)		
(Of this amount $186,307,388 is due within one year)		2,723,989,353
Reserves for Losses		
Special reserve—NOTE D	$ 288,971,516	
Supplemental reserve against losses on loans and guarantees—NOTE E	605,570,854	894,542,370
Staff Retirement Plan Reserve		22,354,595
Capital		
Capital stock (See Appendix C)—NOTE F		
Authorized 220,000 shares of $100,000 par value each		
Subscribed 216,694 shares	$21,669,400,000	
Less—Uncalled portion of subscriptions—NOTE G	19,501,410,000	2,167,990,000
Payment on account of pending subscriptions		563,560
Net income—NOTE E		
From July 1, 1964 to June 30, 1965		136,914,251
Contingent Liability—LOANS SOLD UNDER GUARANTEE—NOTE H $4,195,000		
Total Liabilities, Reserves and Capital		$7,721,212,569

Comparative Statement of Income and Expenses

FOR THE FISCAL YEARS ENDED JUNE 30, 1964 AND JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

	July 1 to June 30	
	1963-1964	*1964-1965*
Income		
Income from investments	$ 62,255,005	$ 61,394,497
Income from loans:		
Interest	145,499,497	198,282,681
Commitment charges	10,177,747	5,761,229
Commissions—NOTE D	33,176,093	852,062
Service charges	65,478	87,511
Other income	1,146,786	1,242,453
Gross Income	$252,320,606	$267,620,433
Deduct—Amount equivalent to commissions appropriated to Special Reserve—NOTE D	33,176,093	852,062
Gross Income Less Reserve Deduction	$219,144,513	$266,768,371
Expenses		
Administrative expenses:		
Personal services	$ 8,169,350	$ 9,460,526
Contributions to staff benefits	1,307,724	1,455,842
Fees and compensation	514,382	1,156,906
Representation	164,063	162,486
Travel	1,841,405	2,906,195
Supplies and material	135,203	146,296
Office occupancy	967,115	1,010,163
Communication services	519,341	585,122
Furniture and equipment	547,062	388,324
Books and library services	177,612	186,027
Printing	162,964	260,579
Insurance	77,851	65,205
Other expenses	7,249	22,914
Total Administrative Expenses	$ 14,591,321	$ 17,806,585
Services to member countries	4,304,571	4,516,721
Interest on borrowings	100,712,616	105,456,176
Bond issuance and other financial expenses	1,860,149	1,914,106
Discount on sale of loans	220,005	160,532
Gross Expenses	$121,688,662	$129,854,120
Net Income—NOTE E	$ 97,455,851	$136,914,251

Statement of Subscriptions to Capital Stock and Voting Power

JUNE 30, 1965

Expressed in United States Currency (in thousands)—See Notes to Financial Statements, Appendix F

Member	Subscriptions: Shares	Subscriptions: Percent of total	Subscriptions: Amount (Note F)	Amounts Paid in: In United States dollars	Amounts Paid in: In currency of member other than United States dollars (Note B)	Amounts Paid in: In non-negotiable, non-interest-bearing, demand notes (Note B)	Subject to call to meet obligations of Bank (Note G)	Voting Power: Number of votes	Voting Power: Percent of total
Afghanistan	300	.14	$ 30,000	$ 300	$ 1,200	$ 1,500	$ 27,000	550	.23
Algeria	800	.37	80,000	800	72	7,128	72,000	1,050	.43
Argentina	3,733	1.72	373,300	3,733	27,000	6,597	335,970	3,983	1.64
Australia	5,330	2.46	533,000	5,330	47,970	—	479,700	5,580	2.30
Austria	1,000	.46	100,000	1,000	9,000	—	90,000	1,250	.52
Belgium	4,500	2.08	450,000	4,500	40,500	—	405,000	4,750	1.96
Bolivia	210	.10	21,000	210	13	1,877	18,900	460	.19
Brazil	3,733	1.72	373,300	3,733	33,597	—	335,970	3,983	1.64
Burma	400	.18	40,000	400	1,207	2,393	36,000	650	.27
Burundi (2)	150	.07	15,000	150	9	764	13,500	400	.17
Cameroon	200	.09	20,000	200	18	1,782	18,000	450	.19
Canada	7,500	3.46	750,000	7,500	67,500	—	675,000	7,750	3.20
Central African Republic	100	.05	10,000	100	9	891	9,000	350	.14
Ceylon (1)	600	.28	60,000	600	1,135	4,265	54,000	850	.35
Chad	100	.05	10,000	100	9	891	9,000	350	.14
Chile	933	.43	93,300	933	8,397	—	83,970	1,183	.49
China	7,500	3.46	750,000	7,500	2,028	65,472	675,000	7,750	3.20
Colombia	933	.43	93,300	5,973	3,357	—	83,970	1,183	.49
Congo (Brazzaville)	100	.05	10,000	100	9	891	9,000	350	.14
Congo, Dem. Rep. of	600	.28	60,000	600	5,400	—	54,000	850	.35
Costa Rica	107	.05	10,700	467	603	—	9,630	357	.15
Cyprus	150	.07	15,000	150	14	1,336	13,500	400	.17
Dahomey	100	.05	10,000	100	9	891	9,000	350	.14
Denmark	1,733	.80	173,300	1,733	15,597	—	155,970	1,983	.82
Dominican Republic	133	.06	13,300	133	483	714	11,970	383	.16
Ecuador	171	.08	17,100	1,323	387	—	15,390	421	.17
El Salvador	107	.05	10,700	287	783	—	9,630	357	.15
Ethiopia	100	.05	10,000	1,000	—	—	9,000	350	.14
Finland (1)	760	.35	76,000	760	6,840	—	68,400	1,010	.42
France	10,500	4.84	1,050,000	10,500	94,500	—	945,000	10,750	4.44
Gabon	100	.05	10,000	100	17	883	9,000	350	.14
Germany	10,500	4.84	1,050,000	10,500	94,500	—	945,000	10,750	4.44
Ghana (1)	467	.21	46,700	467	2,702	1,501	42,030	717	.30
Greece	500	.23	50,000	500	4,500	—	45,000	750	.31
Guatemala (1)	80	.04	8,000	440	360	—	7,200	330	.13
Guinea	200	.09	20,000	200	1,800	—	18,000	450	.19
Haiti	150	.07	15,000	150	35	1,315	13,500	400	.17
Honduras	80	.04	8,000	620	—	180	7,200	330	.13
Iceland	150	.07	15,000	564	17	919	13,500	400	.17
India	8,000	3.69	800,000	8,000	23,717	48,283	720,000	8,250	3.41
Indonesia	2,200	1.01	220,000	2,200	198	19,602	198,000	2,450	1.01
Iran (1)	900	.42	90,000	900	6,048	2,052	81,000	1,150	.47
Iraq (1)	150	.07	15,000	150	1,350	—	13,500	400	.17
Ireland	600	.28	60,000	600	5,400	—	54,000	850	.35
Israel	666	.31	66,600	666	2,997	2,997	59,940	916	.38
Italy	6,660	3.07	666,000	6,660	59,940	—	599,400	6,910	2.85
Ivory Coast	200	.09	20,000	200	180	1,620	18,000	450	.19
Jamaica	267	.12	26,700	267	24	2,379	24,030	517	.21
Japan	6,660	3.07	666,000	6,660	59,940	—	599,400	6,910	2.85
Jordan (1)	150	.07	15,000	150	42	1,308	13,500	400	.17
Kenya	333	.15	33,300	333	30	2,967	29,970	583	.24
Korea	250	.12	25,000	250	2,250	—	22,500	500	.21
Kuwait	667	.31	66,700	667	6,003	—	60,030	917	.38
Laos	100	.05	10,000	100	900	—	9,000	350	.14
Lebanon	90	.04	9,000	900	—	—	8,100	340	.14

(Continued)

Statement of Subscriptions to Capital Stock and Voting Power *(Continued)*

JUNE 30, 1965

Expressed in United States Currency (in thousands)—See Notes to Financial Statements, Appendix F

Member	Subscriptions: Shares	Subscriptions: Percent of total	Subscriptions: Amount (Note F)	Amounts Paid in: In United States dollars	Amounts Paid in: In currency of member other than United States dollars (Note B)	Amounts Paid in: In non-negotiable, non-interest-bearing, demand notes (Note B)	Subject to call to meet obligations of Bank (Note G)	Voting Power: Number of votes	Voting Power: Percent of total
Liberia	150	.07	$ 15,000	$ 150	$ 14	$ 1,336	$ 13,500	400	.17
Libya	200	.09	20,000	1,400	29	571	18,000	450	.19
Luxembourg	200	.09	20,000	200	1,800	—	18,000	450	.19
Malagasy Republic	200	.09	20,000	200	22	1,778	18,000	450	.19
Malaysia	1,333	.61	133,300	1,333	4,500	7,497	119,970	1,583	.65
Mali	173	.08	17,300	173	1,557	—	15,570	423	.17
Mauritania	100	.05	10,000	100	9	891	9,000	350	.14
Mexico	1,733	.80	173,300	1,733	15,597	—	155,970	1,983	.82
Morocco	700	.32	70,000	700	75	6,225	63,000	950	.39
Nepal	100	.05	10,000	100	9	891	9,000	350	.14
Netherlands	5,500	2.54	550,000	5,500	49,500	—	495,000	5,750	2.37
New Zealand	1,667	.77	166,700	1,667	150	14,853	150,030	1,917	.79
Nicaragua	60	.03	6,000	150	450	—	5,400	310	.13
Niger	100	.05	10,000	100	9	891	9,000	350	.14
Nigeria	667	.31	66,700	667	102	5,901	60,030	917	.38
Norway	1,333	.61	133,300	1,333	11,997	—	119,970	1,583	.65
Pakistan	2,000	.92	200,000	2,000	2,049	15,951	180,000	2,250	.93
Panama	90	.04	9,000	126	—	774	8,100	340	.14
Paraguay	60	.03	6,000	60	540	—	5,400	310	.13
Peru	350	.16	35,000	3,500	—	—	31,500	600	.25
Philippines	1,000	.46	100,000	3,700	6,300	—	90,000	1,250	.52
Portugal	800	.37	80,000	800	72	7,128	72,000	1,050	.43
Rwanda	150	.07	15,000	150	—	1,350	13,500	400	.17
Saudi Arabia (1)	733	.34	73,300	733	22	6,575	65,970	983	.40
Senegal	333	.15	33,300	333	30	2,967	29,970	583	.24
Sierra Leone	150	.07	15,000	150	14	1,336	13,500	400	.17
Somalia	150	.07	15,000	150	14	1,336	13,500	400	.17
South Africa	2,000	.92	200,000	2,000	18,000	—	180,000	2,250	.93
Spain	2,000	.92	200,000	2,000	10,980	7,020	180,000	2,250	.93
Sudan	600	.28	60,000	600	1,800	3,600	54,000	850	.35
Sweden	2,000	.92	200,000	2,000	18,000	—	180,000	2,250	.93
Syrian Arab Republic (1)	333	.15	33,300	333	44	2,953	29,970	583	.24
Tanzania	333	.15	33,300	333	30	2,967	29,970	583	.24
Thailand (1)	600	.28	60,000	3,455	123	2,422	54,000	850	.35
Togo	150	.07	15,000	150	14	1,336	13,500	400	.17
Trinidad and Tobago	267	.12	26,700	267	24	2,379	24,030	517	.21
Tunisia	300	.14	30,000	300	74	2,626	27,000	550	.23
Turkey	1,150	.53	115,000	1,150	271	10,079	103,500	1,400	.58
Uganda	333	.15	33,300	333	30	2,967	29,970	583	.24
United Arab Republic	1,421	.66	142,100	1,421	107	12,682	127,890	1,671	.69
United Kingdom	26,000	12.00	2,600,000	26,000	234,000	—	2,340,000	26,250	10.84
United States	63,500	29.30	6,350,000	635,000	—	—	5,715,000	63,750	26.32
Upper Volta	100	.05	10,000	100	9	891	9,000	350	.14
Uruguay (1) (2)	105	.05	10,500	588	438	—	8,400	355	.15
Venezuela	1,400	.65	140,000	2,471	1,986	9,543	126,000	1,650	.68
Viet-Nam	300	.14	30,000	300	2,700	—	27,000	550	.23
Yugoslavia	1,067	.49	106,700	2,167	8,503	—	96,030	1,317	.54
Totals	216,694	100.00	$21,669,400	$810,635	$1,032,590	$323,114	$19,501,410	242,194	100.00

(1) Additional subscriptions in the amount of $277,500,000 are in process of completion.
(2) Amounts aggregating the equivalent of $1,650,408 receivable as a result of revaluation of these currencies are not included in the "Amounts Paid in" columns.

Summary Statement of Loans

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

	Effective loans held by Bank			
Members in whose territories loans have been made(1)	Disbursed portion	Undisbursed portion(2)	Total(3)	Loans not yet effective(4)
Algeria	$ 19,950,000	$ —	$ 19,950,000	$ —
Argentina	104,391,484	37,083,516	141,475,000	—
Australia	176,676,891	17,612,288	194,289,179	—
Austria	58,664,208	—	58,664,208	—
Belgium	39,639,655	—	39,639,655	—
Brazil	177,889,950	764,236	178,654,186	79,500,000
Burma	23,551,551	1,673,016	25,224,567	—
Ceylon	27,630,824	4,527,146	32,157,970	—
Chile	62,312,615	46,550,385	108,863,000	—
China	3,880,902	36,019,098	39,900,000	—
Colombia	207,248,661	108,569,339	315,818,000	—
Costa Rica	21,540,811	18,428,365	39,969,176	—
Cyprus	5,391,374	13,874,826	19,266,200	—
Denmark	37,805,169	6,700,381	44,505,550	—
Ecuador	33,874,435	6,893,732	40,768,167	—
El Salvador	23,649,962	10,454,747	34,104,709	—
Ethiopia	22,807,872	20,155,128	42,963,000	—
Finland	87,136,378	30,744,846	117,881,224	14,000,000
France	45,334,507	—	45,334,507	—
Gabon	2,079,113	9,805,887	11,885,000	—
Ghana	33,639,841	13,260,159	46,900,000	—
Guatemala	8,027,000	—	8,027,000	—
Haiti	1,373,637	—	1,373,637	—
Honduras	13,904,657	53,343	13,958,000	6,000,000
Iceland	4,521,981	241,132	4,763,113	—
India	525,565,916	82,474,088	608,040,004	134,000,000
Iran	97,327,117	19,144,059	116,471,176	40,500,000
Israel	47,374,565	22,752,435	70,127,000	—
Italy	131,480,820	—	131,480,820	100,000,000
Jamaica	—	5,218,000	5,218,000	—
Japan	414,384,805	151,768,589	566,153,394	75,000,000
Lebanon	21,281,181	1,725,810	23,006,991	—
Liberia	183,901	3,066,099	3,250,000	—
Malaysia	35,331,689	53,716,311	89,048,000	—
Mexico	295,678,345	89,327,962	385,006,307	—
Morocco	7,131,197	24,933,803	32,065,000	—
New Zealand	18,816,478	14,762,990	33,579,468	—
Nicaragua	19,610,088	3,413,279	23,023,367	—
Nigeria	17,473,880	103,786,120	121,260,000	—
Norway	75,016,669	21,590,429	96,607,098	—
Pakistan	140,408,798	152,530,785	292,939,583	—
Panama	7,132,085	3,275,915	10,408,000	—
Paraguay	—	—	—	2,200,000
Peru	73,477,613	17,811,086	91,288,699	26,000,000
Philippines	48,615,910	49,458,390	98,074,300	—
Portugal	8,367,031	17,657,720	26,024,751	—
Sierra Leone	2,252,966	1,307,034	3,560,000	—
South Africa	43,587,588	—	43,587,588	—
Spain	—	95,166,412	95,166,412	—
Sudan	56,104,489	9,461,511	65,566,000	—
Thailand	91,783,725	65,511,647	157,295,372	—
Tunisia	—	6,580,000	6,580,000	—
Turkey	32,937,223	—	32,937,223	—
United Arab Republic	45,220,080	—	45,220,080	—
United Kingdom	99,268,703	25,225,569	124,494,272	—
Uruguay	48,384,524	17,522,476	65,907,000	12,700,000
Venezuela	48,280,337	116,696,663	164,977,000	—
Yugoslavia	133,707,147	103,276,854	236,984,001	—
Totals	$3,829,108,348	$1,662,573,606	$5,491,681,954	$ 489,900,000
LESS: Exchange adjustments	11,000,199		11,000,199	
	$3,818,108,149		$5,480,681,755	

(Continued)

Summary Statement of Loans *(Continued)*

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

SUMMARY OF CURRENCIES REPAYABLE ON EFFECTIVE LOANS HELD BY BANK

Currency	Amount
Argentine pesos	$ 1,049,583
Australian pounds	60,853,960
Austrian schillings	12,793,021
Belgian francs	67,935,156
Burmese kyats	1,196,013
Canadian dollars	118,777,953
Ceylon rupees	540,000
Danish kroner	17,038,006
Deutsche mark	521,211,358
Finnish markkas	6,909,536
French francs	132,675,236
Ghana pounds	3,136,938
Indian rupees	29,863,993
Iranian rials	8,010,195
Iraqi dinars	1,620,277
Irish pounds	6,401,885
Israel pounds	3,299,803
Italian lire	37,878,283
Japanese yen	60,925,890
Kuwaiti dinars	6,216,755
Luxembourg francs	2,338,466
Malayan dollars	5,429,512
Mexican pesos	20,653,372
Netherlands guilders	88,989,288
Norwegian kroner	15,287,443
Pakistan rupees	174,552
Pounds sterling	239,978,705
South African rand	25,358,815
Spanish pesetas	11,597,383
Sudanese pounds	2,234,863
Swedish kronor	21,077,302
Swiss francs	198,619,391
New Taiwan dollars	1,296,911
United States dollars	2,093,364,674
Venezuelan bolivares	2,589,371
Yugoslav dinars	1,784,459
Disbursed portion of effective loans held by Bank	$3,829,108,348
LESS: Exchange adjustments	11,000,199
	$3,818,108,149
ADD: Undisbursed portion of effective loans held by Bank	1,662,573,606
Effective loans held by Bank	$5,480,681,755

(¹) Loans are made (a) to the member or (b) to a political subdivision or a public or a private enterprise in the territories of the member with the member's guarantee.

(²) This does not include $29,241,937 of effective loans which the Bank has agreed to sell. Of the undisbursed balance, the Bank has entered into irrevocable commitments to disburse $19,597,363.

(³) Original principal amount of loans signed $8,954,627,893

(³) Original principal amount of loans signed		$8,954,627,893
DEDUCT:		
(a) Cancellations, terminations and refundings	$ 182,804,956	
(b) Principal repayments to the Bank	909,256,727	
(c) Loans sold or agreed to be sold of which $29,241,937 has not yet been disbursed	1,880,984,256	
(d) Loans not yet effective	489,900,000	3,462,945,939
		$5,491,681,954
LESS: Exchange adjustments		11,000,199
Effective loans held by Bank		$5,480,681,755

(⁴) Agreements providing for these loans have been signed, but the loans do not become effective and disbursements thereunder do not start until the borrowers and guarantors, if any, take certain action and furnish certain documents to the Bank. The Bank has agreed to sell $3,770,000 of loans not yet effective and thus the total of both effective and non-effective loans sold or agreed to be sold is the equivalent of $1,884,754,256.

Funded Debt of the Bank

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

Payable in / *Issue and maturity*	*Principal outstanding*	*Annual sinking fund requirement*(1)	
United States Dollars			
3¾% Notes of 1961, due 1965-67 (4)	$ 110,000,000	None*	
4% Two Year Bonds of 1963, due 1965	100,000,000	None*	
4¼% Two Year Bonds of 1964, due 1966	100,000,000	None*	
4% Notes of 1962, due 1967	5,000,000	None*	
4½% Twelve Year Bonds of 1960, due 1968-72	120,000,000	None*	
3¾% Ten Year Bonds of 1958, due 1968	150,000,000	None*	
4⅛% Notes of 1964, due 1968-69	60,000,000	None*	
3½% Fifteen Year Bonds of 1954, due 1969	63,215,000	1966	$3,215,000
		1967-68	$5,000,000
4¼% Notes of 1965, due 1970	38,000,000	None*	
3½% Nineteen Year Bonds of 1952, due 1971	42,109,000	1965	$ 109,000
		1966	$2,000,000
		1967-70	$2,500,000
3% Twenty-Five Year Bonds of 1947, due 1972	120,326,000	1966	$3,326,000
		1967	$4,500,000
		1968-72	$7,500,000
4½% Fifteen Year Bonds of 1958, due 1973	88,100,000	1966	$3,100,000
		1967-73	$5,000,000
3⅜% Twenty-Three Year Bonds of 1952, due 1975	37,780,000	1966	$ 780,000
		1967-74	$1,500,000
3% Twenty-Five Year Bonds of 1951, due 1976	43,661,000	1966	$ 661,000
		1967-75	$2,000,000
4½% Twenty Year Bonds of 1957, due 1977 (2)	85,176,000	1967-76	$5,000,000
4½% Fifteen Year Bonds of 1962, due 1977	5,000,000	1973-77	$1,000,000
4¼% Twenty-One Year Bonds of 1957, due 1978	100,000,000	1967-71	$4,000,000
		1972-77	$5,000,000
4¼% Twenty-One Year Bonds of 1958, due 1979	150,000,000	1968-77	$7,000,000
		1978	$5,000,000
4¾% Twenty-Three Year Bonds of 1957, due 1980 (2)	70,601,000	1968-79	$3,000,000
		1980	$1,500,000
3¼% Thirty Year Bonds of 1951, due 1981	100,000,000	1966-67	$2,000,000
		1968-73	$3,000,000
		1974-80	$4,000,000
4½% Twenty Year Bonds of 1962, due 1982	100,000,000	1972-81	$5,000,000
5% Twenty-Five Year Bonds of 1960, due 1985	125,000,000	1970-79	$3,750,000
		1980-84	$5,000,000
4½% Twenty-Five Year Bonds of 1965, due 1990 (3)	182,100,000	1975-79	$6,000,000
		1980-89	$7,000,000
Sub-Total	$1,996,068,000 (4)		
Belgian Francs			
5% Ten Year Bonds of 1959, due 1969 (BF500,000,000)	$ 10,000,000	None	
Sub-Total	$ 10,000,000		
Canadian Dollars			
3½% Fifteen Year Bonds of 1954, due 1969 (Can$18,920,000)	$ 17,501,018	1966	Can$420,000
		1967-68	Can$900,000
5¼% Twenty-Five Year Bonds of 1965, due 1990 (Can$25,000,000)	23,125,023	1978-89	Can$500,000
Sub-Total	$ 40,626,041		
Deutsche Mark			
3¾% Notes of 1961, due 1965-67 (DM200,000,000) (4)	$ 50,000,000	None*	
4½% Bonds of 1960, due 1968-72 (DM500,000,000)	125,000,000	None*	
4⅛% Notes of 1964, due 1968-69 (DM160,000,000)	40,000,000	None*	
4¼% Notes of 1965, due 1969-70 (DM240,000,000)	60,000,000	None*	
5% Bonds of 1959, due 1974 (DM180,000,000)	45,000,000	1966-74	DM20,000,000
5½% Bonds of 1965, due 1985 (DM250,000,000) (2)	62,500,000	1971-84	DM17,000,000
		1985	DM12,000,000
	$ 382,500,000		
Less: bonds purchased (2)	62,500		
Sub-Total	$ 382,437,500 (4)		

(Continued)

Funded Debt of the Bank *(Continued)*

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

Payable in / *Issue and maturity*	*Principal outstanding*	*Annual sinking fund requirement*(1)	
Italian Lire			
5% Bonds of 1961, due 1976 (Lit.15,000,000,000)	$ 24,000,000	None	
Sub-Total	$ 24,000,000		
Netherlands Guilders			
3½% Fifteen Year Bonds of 1954, due 1969 (f.15,652,000)	$ 4,323,757	1966 1967-69	f.3,652,000 f.4,000,000
3½% Twenty Year Bonds of 1955, due 1975 (f.26,532,000)	7,329,281	1966 1967-74 1975	f.2,372,000 f.2,640,000 f.3,040,000
4½% Twenty Year Bonds of 1961, due 1981 (f.50,000,000)	13,812,155	1972-81	f.5,000,000
4½% Twenty Year Bonds of 1962, due 1982 (f.40,000,000)	11,049,724	1973-82	f.4,000,000
Sub-Total	$ 36,514,917		
Pounds Sterling			
3½% Twenty Year Stock of 1951, due 1971 (£3,233,721)	$ 9,054,419	1966 1967-71	£149,779 £166,700
3½% Twenty Year Stock of 1954, due 1974 (£3,844,787)	10,765,403	1965 1966-74	£ 25,618 £166,700
5% Twenty-Three Year Stock of 1959, due 1982 (£9,637,212)	26,984,194	1966 1967-82	£237,009 £278,000
Sub-Total	$ 46,804,016		
Swiss Francs			
3¾% Loan of 1961, due 1966-68 (Sw F 100,000,000)	$ 23,269,343	None	
4% Loan of 1961, due 1967 (Sw F 33,333,333)	7,756,448	None	
3½% Fifteen Year Bonds of 1953, due 1968 (Sw F 50,000,000)	11,634,671	None	
3½% Fifteen Year Bonds of 1953 (Nov. Issue), due 1968 (Sw F 50,000,000)	11,634,671	None	
3½% Eighteen Year Bonds of 1954, due 1972 (Sw F 50,000,000)	11,634,671	None	
4½% Twelve Year Bonds of 1960, due 1972 (Sw F 60,000,000)	13,961,606	None	
4% Eleven Year Bonds of 1962, due 1973 (Sw F 100,000,000)	23,269,342	None	
4% Fifteen Year Bonds of 1959, due 1974 (Sw F 100,000,000)	23,269,343	None	
4% Fifteen Year Bonds of 1960, due 1975 (Sw F 60,000,000)	13,961,606	None	
3½% Twenty Year Bonds of 1955, due 1976 (Sw F 42,615,000)	9,916,230	1966 1967-74 1975-76	Sw F 615,000 Sw F 4,000,000 Sw F 5,000,000
4% Eighteen Year Bonds of 1961, due 1979 (Sw F 100,000,000)	23,269,343	1971-78 1979	Sw F 11,000,000 Sw F 12,000,000
4¾% Eighteen Year Bonds of 1965, due 1983 (Sw F 60,000,000)	13,961,605	None	
Sub-Total	$ 187,538,879		
Gross Total	$2,723,989,353		

(1) Each issue, except those indicated with an asterisk, is subject to redemption prior to maturity at the option of the Bank at the prices and upon the conditions stated in the respective bonds. The amounts shown as annual sinking fund requirements are the principal amounts of bonds to be purchased or redeemed to meet each year's requirement, except that in the cases of the 3½% Twenty Year Stock of 1951 and of 1954 and the 5% Twenty-Three Year Stock of 1959 the amount shown is the amount of funds to be provided annually for purchase or redemption. The amounts are shown after deduction of sinking fund requirements met as of the date of this statement.

The following table shows the aggregate principal amount of the maturities and sinking fund requirements each year for the five years following the date of this statement:

Period	*Amount*
July 1, 1965 to June 30, 1966	$ 186,307,388
July 1, 1966 to June 30, 1967	200,821,956
July 1, 1967 to June 30, 1968	267,944,120
July 1, 1968 to June 30, 1969	282,693,805
July 1, 1969 to June 30, 1970	178,976,948
Total	$1,116,744,217

(2) In the cases of the 4½% Twenty Year Bonds of 1957 and the 4¾% Twenty-Three Year Bonds of 1957 the Bank will, as purchase funds, use its best efforts to purchase bonds of these issues in the open market or by acceptance of tenders at prices up to and including 100% of the principal amount plus accrued interest. The purchase funds will be at the annual rate of $5,000,000 through 1966 in the case of the 4½% Twenty Year Bonds of 1957 and at the annual rate of $3,750,000 through 1967 in the case of the 4¾% Twenty-Three Year Bonds of 1957. The purchase funds are cumulative on a month-to-month basis only within each calendar year. In the case of the 5½% Deutsche Mark Bonds of 1965 the Bank intends to support the market for these bonds whenever it may appear appropriate from time to time.

(3) The Bank has entered into agreements to sell additional bonds in the principal amount of $17,900,000 of the 4½% Twenty-Five Year Bonds of 1965, due 1990. Delivery of such bonds was made against payment therefor on July 1, 1965.

(4) The Bank has arranged to refinance at maturity notes totaling $44 million and DM 80 million (U.S. equivalent $20 million) which mature on August 1, 1965 and February 1, 1966 and to borrow an additional amount equivalent to $5.5 million by issuing new notes totaling $34.75 million and DM 139 million (U.S. equivalent $34.75 million) with maturities on February 1, 1968 and February 1, 1971. Of these amounts, notes for $18.75 million and DM 75 million (U.S. equivalent $18.75 million) are to be issued on August 1, 1965 with an interest rate of 4¼%.

Notes to Financial Statements

JUNE 30, 1965

NOTE A

Amounts in currencies other than United States dollars have been translated into United States dollars:

(i) In the cases of 66 members, at the par values as specified in the "Schedule of Par Values", published by the International Monetary Fund;

(ii) In the cases of the remaining 36 members [Algeria, Argentina, Bolivia, Brazil, Cameroon, Central African Republic, Chad, Chile, China, Colombia, Congo (Brazzaville), Democratic Republic of Congo, Dahomey, Gabon, Guinea, Indonesia, Ivory Coast, Kenya, Korea, Laos, Malagasy Republic, Mali, Mauritania, Nepal, Niger, Paraguay, Peru, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, Uganda, Upper Volta, Viet-Nam and Yugoslavia], at the rates used by such members in making payments of capital subscriptions to the Bank; and

(iii) In the case of Swiss francs, non-member currency, at the rate of 4.2975 francs to 1 United States dollar.

See also Notes B and C.

No representation is made that any currency held by the Bank is convertible into any other currency at any rate or rates.

NOTE B

These currencies of the several members, and the notes issued by them in substitution for any part of such currencies as permitted under the provisions of Article V, Section 12, are derived from the portion of the subscriptions to the capital stock of the Bank which is payable in the currencies of the respective members (such portion being hereinafter called restricted currency). Such restricted currencies may be loaned by the Bank, and funds received by the Bank on account of principal of loans made by the Bank out of such restricted currencies may be exchanged for other currencies or reloaned, only with the approval in each case of the member whose restricted currency is involved; provided, however, that, if necessary, after the Bank's subscribed capital is entirely called, such restricted currencies may, without restriction by the members whose currencies are offered, be used or exchanged for the currencies required to meet contractual payments of interest, other charges or amortization on the Bank's own borrowings or to meet the Bank's liabilities with respect to contractual payments on loans guaranteed by it.

Under Article II, Section 9, each member is required, if the par value of its currency is reduced or if the foreign exchange value of its currency depreciates to a significant extent in its territories, to maintain the value of the Bank's holdings of its restricted currency, including the principal amount of any notes substituted therefor, and the Bank is required, if the par value of a member's currency is increased, to return to the member the increase in the value of such restricted currency held by the Bank. To the extent such restricted currencies are out on loan, the Bank and the members are obligated to make such payments only when such restricted currencies are recovered by the Bank.

The equivalent of $1,650,408 is due from 2 members in order to maintain the value of their restricted currencies as required under Article II, Section 9.

Some members have converted part or all of the Bank's holdings of their restricted currency into United States dollars to be used and reused as United States dollars in the Bank's operations, subject to the right of the Bank or the member to reverse the transactions at any time, with immediate effect as to dollars then held by the Bank, and, as to dollars loaned, upon repayment of the loans. Such dollars while held by the Bank or on loan are not subject to the provisions of Article II, Section 9. Such dollars held by the Bank or repayable on loans are shown in these financial statements under "United States dollars" and, where relevant, as "unrestricted".

NOTE C

The principal disbursed and outstanding on loans and the accruals for interest, commitment charge, service charge and loan commission are receivable in United States dollars and other currencies (for which the dollar equivalent is shown) as follows:

(Continued)

Notes to Financial Statements *(Continued)*

JUNE 30, 1965

	Receivable in U.S. dollars	Receivable in Other currency	Total
Principal Outstanding	$2,093,364,674	$1,724,743,475	$3,818,108,149
Accrued Interest, Commitment and Service Charges	32,505,029	25,429,295	57,934,324
Accrued Loan Commissions	284,328	8,306	292,634
Total	$2,126,154,031	$1,750,181,076	$3,876,335,107

The dollar equivalent shown as principal outstanding includes an amount which in accordance with Article II, Section 9, will be receivable from members to maintain the value of their currencies, and is net of an amount, equal to the increase in the value of their currencies, which in accordance with Article II, Section 9, will be payable by the Bank to members, when such currencies are recovered by the Bank.

NOTE D

Amounts of commissions set aside pursuant to Article IV, Section 6, as a Special Reserve to be held in liquid form and to be used only for the purpose of meeting liabilities of the Bank on its borrowings and guarantees. Subject to minor exceptions, no portion of the charges on loans accruing after June 30, 1964 will be designated as commissions.

NOTE E

Of the $136,914,251 net income earned in the fiscal year ended June 30, 1965, the Executive Directors on July 29, 1965 allocated $61,914,251 to the Supplemental Reserve Against Losses on Loans and Guarantees and have recommended to the Board of Governors that an additional amount equal to the balance of $75,000,000 be transferred by way of grant to the International Development Association.

NOTE F

In terms of United States dollars of the weight and fineness in effect on July 1, 1944.

NOTE G

Subject to call by the Bank only when required to meet the obligations of the Bank created by borrowing or by guaranteeing loans. As to $17,335,520,000 the restriction on calls is imposed by the Articles of Agreement; as to $2,165,890,000 by a resolution of the Board of Governors.

NOTE H

The Bank has sold under its guarantee $69,003,844 of loans of which amount $64,808,844 has been retired. The following table sets forth the maturities of the guaranteed obligations outstanding:

Period	*Amount*
July 1, 1965 to June 30, 1966	$1,000,000
July 1, 1966 to June 30, 1967	1,195,000
July 1, 1967 to June 30, 1968	1,000,000
July 1, 1968 to June 30, 1969	1,000,000
Total	$4,195,000

GENERAL

As of June 30, 1965, the Board of Governors had approved the applications for membership from Malawi and Zambia with subscriptions of $15 million and $53.3 million respectively. Malawi made partial payment on account of its subscription prior to June 30, 1965 and in July paid the balance due and became a member on July 19, 1965.

The Board of Governors has until October 29, 1965 to approve a resolution of the Executive Directors to increase the authorized Capital Stock of the Bank by $2,000 million to $24,000 million. As of June 30, 1965, increases in subscriptions from eleven members aggregating $277.5 million were in process of completion and one member had made partial payment on account of its increase.

Opinion of Independent Auditor

1707 L STREET, N.W.
WASHINGTON, D.C. 20036

July 29, 1965

To
INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT
WASHINGTON, D.C.

In our opinion, the accompanying financial statements present fairly, in terms of United States currency, the financial position of International Bank for Reconstruction and Development at June 30, 1965, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary.

PRICE WATERHOUSE & CO.

FINANCIAL STATEMENTS COVERED BY THE FOREGOING OPINION

Administrative Budget of the Bank

FOR THE FISCAL YEAR ENDING JUNE 30, 1966

	Actual Expenses				Budget	
	1964		*1965*		*1966*	
REGULAR OPERATIONS						
BOARD OF GOVERNORS		$ 419,024		$ 882,725		$ 488,000
EXECUTIVE DIRECTORS		869,554		953,019		1,034,000
STAFF						
Personal Services	$ 7,471,444		$ 8,507,581		$10,547,000	
Staff Benefits	1,223,760		1,349,474		1,767,000	
Travel	1,425,915		1,944,602		2,554,000	
Consultants	342,754		771,045		500,000	
Representation	120,153	10,584,026	125,521	12,698,223	150,000	15,518,000
RESIDENT MISSIONS		—		328,424		355,000
COOPERATIVE PROGRAM WITH FAO		1,115		105,510		205,500
COOPERATIVE PROGRAM WITH UNESCO		—		31,967		29,000
OTHER ADMINISTRATIVE EXPENSES						
Fees and Compensation	$ 165,273		$ 223,447		$ 315,000	
Supplies and Material	131,249		144,811		178,000	
Office Occupancy	954,231		997,531		1,260,000	
Communications	514,674		545,421		604,000	
Furniture and Equipment	530,632		369,867		385,000	
Printing	158,927		255,493		373,000	
Books and Library Services	177,591		184,998		206,000	
Insurance	77,776		62,235		115,000	
Other	7,249	2,717,602	22,914	2,806,717	10,000	3,446,000
CONTINGENCY		—		—		200,000
Total Regular Operations		$14,591,321		$17,806,585		$21,275,500
SERVICES TO MEMBER COUNTRIES						
Sector and Feasibility Studies	$ 1,503,202		$ 1,494,241		$ 2,531,000	
General Survey Missions	293,043		133,906		175,000	
Resident Missions	670,222		656,869		710,000	
Advisory Missions	—		213,336		223,000	
Cooperative Program with FAO	12,625		295,406		561,000	
Cooperative Program with Unesco	25,000		141,664		427,500	
Economic Development Institute	1,066,484		882,495		1,050,000	
Training Programs	71,396		41,461		62,000	
Settlement of Investment Disputes	189,038		151,245		—	
Other Services	473,561		506,098		810,000	
Total Services to Member Countries		4,304,571		4,516,721		6,549,500
Totals		$18,895,892		$22,323,306		$27,825,000

The Administrative Budget for the fiscal year ending June 30, 1966, was prepared by the President and approved by the Executive Directors in accordance with Section 19 of the By-Laws. For purposes of comparison, the administrative expenses incurred during the fiscal years ended June 30, 1964 and 1965 are also shown.

IDA Appendices

Statement of Condition

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

ASSETS

Due from Banks and Other Depositories *(See Appendix C)*			
Member currencies			
Unrestricted		$ 27,549,475	
Subject to restrictions—NOTE B		54,794,250	$ 82,343,725
Investments			
Government obligations (At cost or amortized cost)			
Face amount $44,254,859 including $43,750,000 United States Government obligations		$ 43,478,522	
Accrued interest		267,804	43,746,326
Receivable on Account of Subscriptions *(See Appendix C)*			
Non-negotiable, non-interest-bearing, demand notes			
Unrestricted	$303,320,650		
Subject to restrictions—NOTE B	164,459,548	$467,780,198	
Amount required to maintain value of currency holdings—NOTE C		240,000	468,020,198
Receivable on Account of Supplementary Resources			
Non-negotiable, non-interest-bearing, demand notes			
Unrestricted			10,236,638
Receivable from International Bank for Reconstruction and Development—NOTE D			39,600,000
Effective Development Credits Held by Association (Including undisbursed balance of $580,584,145) *(See Appendix D)*—NOTE E			995,272,825
Accrued Service Charge on Development Credits—NOTE E			730,891
Total			$1,639,950,603

LIABILITIES, SUBSCRIPTIONS, SUPPLEMENTARY RESOURCES, TRANSFER AND ACCUMULATED NET INCOME

Liabilities		
Accounts payable and other liabilities		$ 364,665
Undisbursed balance of effective development credits *(See Appendix D)*		580,584,145
Subscriptions *(See Appendix E)*—NOTE F		
Amounts subscribed	$995,695,000	
Less portion for which payment is not yet due—NOTE G	8,625,000	987,070,000
Payment on account of pending subscription		76,000
Supplementary Resources *(See Appendix E)*—NOTE F	$755,880,000	
Less portion for which payment is not yet due—NOTE H	740,745,000	15,135,000
Transfer from International Bank for Reconstruction and Development—NOTE D		50,000,000
Accumulated Net Income		
At June 30, 1964	$ 4,138,676	
The period from July 1, 1964 to June 30, 1965	2,582,117	6,720,793
Total		$1,639,950,603

Comparative Statement of Income and Expenses

FOR THE FISCAL YEARS ENDED JUNE 30, 1964 AND JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

	July 1 to June 30	
	1963-1964	*1964-1965*
Income		
Income from investments	$3,308,511	$3,340,800
Income from development credits	1,017,017	2,144,797
Gross Income	$4,325,528	$5,485,597
Expenses		
Administrative expenses:		
Personal services	$1,517,570	$1,677,752
Contributions to staff benefits	213,032	239,677
Fees and compensation	171,450	198,930
Representation	2,593	3,028
Travel	335,319	375,642
Supplies and material	22,328	29,028
Office occupancy	161,740	165,377
Communication services	84,374	111,919
Furniture and equipment	79,075	47,210
Printing	26,372	29,739
Insurance	21,563	17,977
Handling of gold	149	—
Total Administrative Expenses	$2,635,565	$2,896,279
Exchange adjustments	6,185	7,201
Gross Expenses	$2,641,750	$2,903,480
Net Income	$1,683,778	$2,582,117

Statement of Holdings of Currencies and Notes

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

Member	Unit of currency	Currency	Non-negotiable, non-interest-bearing, demand notes	Total
Afghanistan	Afghani	$ 606,000	$ 303,000	$ 909,000
Algeria	Dinar	—	3,627,000	3,627,000
Argentina	Peso	—	16,947,000	16,947,000
Australia	Pound	—	9,998,410	9,998,410
Austria	Schilling	—	2,394,846	2,394,846
Bolivia	Peso Boliviano	—	954,000	954,000
Brazil	Cruzeiro	16,947,000	—	16,947,000
Burma	Kyat	—	1,818,000	1,818,000
Burundi	Franc	—	684,000	684,000
Cameroon	Franc	—	909,000	909,000
Canada	Dollar	—	18,680,237	18,680,237
Central African Republic	Franc	—	450,000	450,000
Ceylon	Rupee	—	2,727,000	2,727,000
Chad	Franc	—	450,000	450,000
Chile	Escudo	3,177,000	—	3,177,000
China	New Taiwan Dollar	—	27,234,000	27,234,000
Colombia	Peso	3,177,000	—	3,177,000
Congo (Brazzaville)	Franc	—	450,000	450,000
Congo, Dem. Rep. of	Franc	2,718,000	—	2,718,000
Costa Rica	Colon	180,000	—	180,000
Cyprus	Pound	—	684,000	684,000
Dahomey	Franc	—	450,000	450,000
Denmark	Krone	—	4,408,794	4,408,794
Dominican Republic	Peso	360,000	—	360,000
Ecuador	Sucre	585,000	—	585,000
El Salvador	Colon	270,000	—	270,000
Ethiopia	Dollar	—	450,000	450,000
Finland	Markka	1,839,495	—	1,839,495
France	Franc	—	25,055,398	25,055,398
Gabon	Franc	—	450,000	450,000
Ghana	Pound	—	2,124,000	2,124,000
Greece	Drachma	2,268,000	—	2,268,000
Guatemala	Quetzal	360,000	—	360,000
Haiti	Gourde	—	684,000	684,000
Honduras	Lempira	270,000	—	270,000
Iceland	Krona	—	90,000	90,000
India	Rupee	89,964	36,225,036	36,315,000
Iran	Rial	—	4,086,000	4,086,000
Iraq	Dinar	—	684,000	684,000
Ireland	Pound	—	2,698,318	2,698,318
Israel	Pound	—	1,209,600	1,209,600
Ivory Coast	Franc	—	909,000	909,000
Japan	Yen	—	16,379,533	16,379,533
Jordan	Dinar	—	270,000	270,000
Kenya	Shilling	—	1,512,000	1,512,000
Korea	Won	1,134,000	—	1,134,000
Kuwait	Dinar	—	1,695,092	1,695,092

(Continued)

Statement of Holdings of Currencies and Notes *(Continued)*

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

Member	*Unit of currency*	*Currency*	*Non-negotiable, non-interest-bearing, demand notes*	*Total*
Laos	Kip	$ 210,000	$ —	$ 210,000
Lebanon	Pound	405,000	—	405,000
Liberia	Dollar	—	684,000	684,000
Libya	Pound	—	909,000	909,000
Malagasy Republic	Franc	181,800	727,200	909,000
Malaysia	Dollar	—	2,268,000	2,268,000
Mali	Franc	783,000	—	783,000
Mauritania	Franc	29	450,000	450,029
Mexico	Peso	7,790,281	—	7,790,281
Morocco	Dirham	—	3,177,000	3,177,000
Nepal	Rupee	—	450,000	450,000
Netherlands	Guilder	—	13,852,911	13,852,911
Nicaragua	Cordoba	270,000	—	270,000
Niger	Franc	—	450,000	450,000
Nigeria	Pound	—	3,024,000	3,024,000
Norway	Krone	—	3,246,179	3,246,179
Pakistan	Rupee	—	9,081,000	9,081,000
Panama	Balboa	3,598	—	3,598
Paraguay	Guarani	270,000	—	270,000
Peru	Sol	—	1,593,000	1,593,000
Philippines	Peso	—	4,536,000	4,536,000
Rwanda	Franc	136,800	547,200	684,000
Saudi Arabia	Riyal	—	3,330,000	3,330,000
Senegal	Franc	—	1,512,000	1,512,000
Sierra Leone	Leone	—	684,000	684,000
Somalia	Shilling	—	684,000	684,000
South Africa	Rand	5,176,666	—	5,176,666
Spain	Peseta	7,264,800	1,816,200	9,081,000
Sudan	Pound	—	909,000	909,000
Sweden	Krona	—	15,235,889 (1)	15,235,889 (1)
Syrian Arab Republic	Pound	342,000	513,000	855,000
Tanzania	Shilling	—	1,512,000	1,512,000
Thailand	Baht	—	2,727,000	2,727,000
Togo	Franc	7	683,993	684,000
Tunisia	Dinar	—	1,359,000	1,359,000
Turkey	Lira	—	5,220,000	5,220,000
Uganda	Shilling	—	1,512,000	1,512,000
United Arab Republic	Pound	—	4,572,000	4,572,000
United Kingdom	Pound	70,000	64,610,000	64,680,000
United States	Dollar	20,463,285	138,000,000	158,463,285
Upper Volta	Franc	—	450,000	450,000
Viet-Nam	Piastre	1,359,000	—	1,359,000
Yugoslavia	Dinar	3,636,000	—	3,636,000
Totals		$82,343,725	$478,016,836	$560,360,561 (2)

(1) Including Supplementary Resources.
(2) Of this amount the equivalent of $341,106,763 is unrestricted and the equivalent of $559,586,097 is subject to maintenance of value—Note C.

Summary Statement of Development Credits

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

Member in whose territories development credits have been made (1)	Effective development credits held by Association: Disbursed portion	Undisbursed portion (2)	Total	Development credits not yet effective (3)
Afghanistan	$ —	$ —	$ —	$ 3,500,000
Bolivia	2,149,584	12,850,416	15,000,000	—
Chile	5,359,658	13,640,342	19,000,000	—
China	12,412,985	919,985	13,332,970	—
Colombia	9,281,507	10,218,493	19,500,000	—
Costa Rica	2,138,871	3,361,129	5,500,000	—
Ecuador	—	8,000,000	8,000,000	—
El Salvador	2,375,352	5,624,648	8,000,000	—
Ethiopia	3,839,111	9,660,889	13,500,000	—
Haiti	349,855	—	349,855	—
Honduras	5,404,897	3,595,103	9,000,000	3,500,000
India	287,923,691	197,076,309	485,000,000	—
Jordan	2,954,034	5,545,966	8,500,000	—
Kenya	82,054	7,217,946	7,300,000	3,000,000
Korea	13,939,845	60,155	14,000,000	—
Mauritania	—	6,700,000	6,700,000	—
Nicaragua	2,364,914	635,086	3,000,000	—
Niger	—	—	—	1,500,000
Nigeria	—	—	—	35,500,000
Pakistan	35,122,163	207,667,837	242,790,000	27,000,000
Paraguay	1,425,157	8,174,843	9,600,000	—
Somalia	—	—	—	6;200,000
Sudan	7,680,603	5,319,397	13,000,000	—
Syrian Arab Republic	—	8,500,000	8,500,000	—
Tanzania	2,274,574	16,325,426	18,600,000	—
Tunisia	2,941,477	2,058,523	5,000,000	—
Turkey	11,698,760	44,001,240	55,700,000	10,000,000
United Kingdom:				
Bechuanaland Protectorate	169,588	3,430,412	3,600,000	—
Swaziland	2,800,000	—	2,800,000	—
Totals	$414,688,680	$580,584,145	$995,272,825	$ 90,200,000

(1) All development credits have been made to member governments or to the government of a territory of a member.
(2) Of the undisbursed balance the Association has entered into irrevocable commitments to disburse $2,655,442.
(3) Agreements providing for these development credits have been signed, but the development credits do not become effective and disbursements thereunder do not start until the borrower takes certain action and furnishes certain documents to the Association.

Statement of Subscriptions, Voting Power and Supplementary Resources

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

Member	Subscriptions (1) Total (Notes C and F)	Subscriptions (1) Percent of total	Voting Power Number of votes	Voting Power Percent of total	Supplementary Resources Amounts paid in (Note C)	Supplementary Resources Amounts not yet due (Note H)	Total Subscriptions and Supplementary Resources
Australia	$ 20,180,000	2.03	4,536	1.84	$ —	$ 19,800,000	$ 39,980,000
Austria	5,040,000	.51	1,508	.61	—	5,040,000	10,080,000
Belgium—NOTE G	8,250,000	.83	2,150	.87	—	8,250,000	16,500,000
Canada	37,830,000	3.80	8,066	3.28	—	41,700,000	79,530,000
Denmark	8,740,000	.88	2,248	.91	—	7,500,000	16,240,000
Finland	3,830,000	.38	1,266	.52	—	2,298,000	6,128,000
France	52,960,000	5.32	11,092	4.51	—	61,872,000	114,832,000
Germany	52,960,000	5.32	11,092	4.51	—	72,600,000	125,560,000
Italy	18,160,000	1.82	4,132	1.68	—	30,000,000	48,160,000
Japan	33,590,000	3.37	7,218	2.93	—	41,250,000	74,840,000
Kuwait	3,360,000	.34	1,172	.48	—	3,360,000	6,720,000
Luxembourg—NOTE G	375,000	.04	575	.23	—	375,000	750,000
Netherlands	27,740,000	2.79	6,048	2.46	—	16,500,000	44,240,000
Norway	6,720,000	.67	1,844	.75	—	6,600,000	13,320,000
South Africa	10,090,000	1.01	2,518	1.02	—	—	10,090,000
Sweden	10,090,000	1.01	2,518	1.02	15,135,000	15,000,000	40,225,000
United Kingdom	131,140,000	13.17	26,728	10.86	—	96,600,000	227,740,000
United States	320,290,000	32.17	64,558	26.23	—	312,000,000	632,290,000
Total Part I Members	$751,345,000	75.46	159,269	64.71	$15,135,000	$740,745,000	$1,507,225,000
Afghanistan	$ 1,010,000	.10	702	.28	$ —	$ —	$ 1,010,000
Algeria	4,030,000	.40	1,306	.53	—	—	4,030,000
Argentina	18,830,000	1.89	4,266	1.73	—	—	18,830,000
Bolivia	1,060,000	.11	712	.29	—	—	1,060,000
Brazil	18,830,000	1.89	4,266	1.73	—	—	18,830,000
Burma	2,020,000	.20	904	.37	—	—	2,020,000
Burundi	760,000	.08	652	.27	—	—	760,000
Cameroon	1,010,000	.10	702	.28	—	—	1,010,000
Central African Republic	500,000	.05	600	.24	—	—	500,000
Ceylon	3,030,000	.30	1,106	.45	—	—	3,030,000
Chad	500,000	.05	600	.24	—	—	500,000
Chile	3,530,000	.35	1,206	.49	—	—	3,530,000
China	30,260,000	3.04	6,552	2.66	—	—	30,260,000
Colombia	3,530,000	.35	1,206	.49	—	—	3,530,000
Congo (Brazzaville)	500,000	.05	600	.24	—	—	500,000
Congo, Dem. Rep. of	3,020,000	.30	1,104	.45	—	—	3,020,000
Costa Rica	200,000	.02	540	.22	—	—	200,000
Cyprus	760,000	.08	652	.27	—	—	760,000
Dahomey	500,000	.05	600	.24	—	—	500,000
Dominican Republic	400,000	.04	580	.24	—	—	400,000
Ecuador	650,000	.07	630	.26	—	—	650,000
El Salvador	300,000	.03	560	.23	—	—	300,000
Ethiopia	500,000	.05	600	.24	—	—	500,000
Gabon	500,000	.05	600	.24	—	—	500,000
Ghana	2,360,000	.24	972	.40	—	—	2,360,000
Greece	2,520,000	.25	1,004	.41	—	—	2,520,000
Guatemala	400,000	.04	580	.24	—	—	400,000
Haiti	760,000	.08	652	.27	—	—	760,000
Honduras	300,000	.03	560	.23	—	—	300,000
Iceland	100,000	.01	520	.21	—	—	100,000

(Continued)

Statement of Subscriptions, Voting Power and Supplementary Resources *(Continued)*

JUNE 30, 1965

Expressed in United States Currency—See Notes to Financial Statements, Appendix F

Member	Subscriptions (1) Total (Notes C and F)	Subscriptions (1) Percent of total	Voting Power Number of votes	Voting Power Percent of total	Supplementary Resources Amounts paid in (Note C)	Supplementary Resources Amounts not yet due (Note H)	Total Subscriptions and Supplementary Resources
India	$ 40,350,000	4.05	8,570	3.48	$ —	$ —	$ 40,350,000
Iran	4,540,000	.46	1,408	.57	—	—	4,540,000
Iraq	760,000	.08	652	.27	—	—	760,000
Ireland	3,030,000	.30	1,106	.45	—	—	3,030,000
Israel	1,680,000	.17	836	.34	—	—	1,680,000
Ivory Coast	1,010,000	.10	702	.28	—	—	1,010,000
Jordan	300,000	.03	560	.23	—	—	300,000
Kenya	1,680,000	.17	836	.34	—	—	1,680,000
Korea	1,260,000	.13	752	.31	—	—	1,260,000
Laos	500,000 (2)	.05	600	.24	—	—	500,000
Lebanon	450,000	.04	590	.24	—	—	450,000
Liberia	760,000	.08	652	.27	—	—	760,000
Libya	1,010,000	.10	702	.28	—	—	1,010,000
Malagasy Republic	1,010,000	.10	702	.28	—	—	1,010,000
Malaysia	2,520,000	.25	1,004	.41	—	—	2,520,000
Mali	870,000	.09	674	.27	—	—	870,000
Mauritania	500,000	.05	600	.24	—	—	500,000
Mexico	8,740,000	.88	2,248	.91	—	—	8,740,000
Morocco	3,530,000	.35	1,206	.49	—	—	3,530,000
Nepal	500,000	.05	600	.24	—	—	500,000
Nicaragua	300,000	.03	560	.23	—	—	300,000
Niger	500,000	.05	600	.24	—	—	500,000
Nigeria	3,360,000	.34	1,172	.48	—	—	3,360,000
Pakistan	10,090,000	1.01	2,518	1.02	—	—	10,090,000
Panama	20,000	(3)	504	.20	—	—	20,000
Paraguay	300,000	.03	560	.23	—	—	300,000
Peru	1,770,000	.18	854	.35	—	—	1,770,000
Philippines	5,040,000	.51	1,508	.61	—	—	5,040,000
Rwanda	760,000	.08	652	.27	—	—	760,000
Saudi Arabia	3,700,000	.37	1,240	.50	—	—	3,700,000
Senegal	1,680,000	.17	836	.34	—	—	1,680,000
Sierra Leone	760,000	.08	652	.27	—	—	760,000
Somalia	760,000	.08	652	.27	—	—	760,000
Spain	10,090,000	1.01	2,518	1.02	—	—	10,090,000
Sudan	1,010,000	.10	702	.28	—	—	1,010,000
Syrian Arab Republic	950,000	.10	690	.28	—	—	950,000
Tanzania	1,680,000	.17	836	.34	—	—	1,680,000
Thailand	3,030,000	.30	1,106	.45	—	—	3,030,000
Togo	760,000	.08	652	.27	—	—	760,000
Tunisia	1,510,000	.15	802	.33	—	—	1,510,000
Turkey	5,800,000	.58	1,660	.67	—	—	5,800,000
Uganda	1,680,000	.17	836	.34	—	—	1,680,000
United Arab Republic	5,080,000	.51	1,516	.62	—	—	5,080,000
Upper Volta	500,000	.05	600	.24	—	—	500,000
Viet-Nam	1,510,000	.15	802	.33	—	—	1,510,000
Yugoslavia	4,040,000	.41	1,308	.53	—	—	4,040,000
Total Part II Members—NOTE B	$244,350,000	24.54	86,870	35.29	$ —	$ —	$ 244,350,000
Grand Totals	$995,695,000	100.00	246,139	100.00	$15,135,000	$740,745,000	$1,751,575,000

(1) Paid in full except Belgium and Luxembourg—Note G.
(2) Amount in the equivalent of $240,000 is due as a result of revaluation of this currency.
(3) Less than .005 percent.

Notes to Financial Statements

JUNE 30, 1965

NOTE A

Amounts in currencies other than United States dollars have been translated into United States dollars:

(i) In the cases of 60 members, at the par values as specified in the "Schedule of Par Values", published by the International Monetary Fund;

(ii) In the cases of the remaining 34 members [Algeria, Argentina, Bolivia, Brazil, Cameroon, Central African Republic, Chad, Chile, China, Colombia, Congo (Brazzaville), Democratic Republic of Congo, Dahomey, Gabon, Ivory Coast, Kenya, Korea, Laos, Malagasy Republic, Mali, Mauritania, Nepal, Niger, Paraguay, Peru, Rwanda, Senegal, Sierra Leone, Tanzania, Togo, Uganda, Upper Volta, Viet-Nam and Yugoslavia], at the rates used by such members in making payments of subscriptions to the Association.

NOTE B

Pursuant to Article IV, Section 1 (a), these amounts may be used by the Association for administrative expenses incurred by the Association in the territories of any Part II member whose currency is involved and, insofar as consistent with sound monetary policies, in payment for goods and services produced in the territories of such member and required for projects financed by the Association and located in such territories; and in addition when and to the extent justified by the economic and financial situation of the member concerned as determined by agreement between the member and the Association, such currency shall be freely convertible or otherwise usable for projects financed by the Association and located outside the territories of the member.

NOTE C

Under Article IV, Section 2, each member is required, if the par value of its currency is reduced or the foreign exchange value of its currency has in the opinion of the Association depreciated to a significant extent within that member's territories, to maintain the value of the Association's holdings of its ninety percent currency, including the principal amount of any notes substituted therefor, and the Association is required if the par value of the member's currency is increased, or the foreign exchange value of the member's currency has in the opinion of the Association appreciated to a significant extent within that member's territories, to return to the member the increase in the value of such ninety percent currency held by the Association; provided, however, that the foregoing shall apply only so long as and to the extent that such currency shall not have been initially disbursed or exchanged for the currency of another member.

Supplementary resources of the Association have, by agreement, the same respective rights and obligations as to maintenance of value as are set forth in Article IV, Section 2, of the Articles of the Association.

The equivalent of $240,000 is due from one member in order to maintain the value of the Association's holdings of its ninety percent currency as required under Article IV, Section 2.

NOTE D

The International Bank for Reconstruction and Development has authorized the transfer, by way of grant, to the Association of $50,000,000 from the net income of the Bank for the fiscal year ended June 30, 1964. Of this amount, $10,400,000 has been received as of June 30, 1965.

NOTE E

The principal disbursed and outstanding on development credits and the accrued service charge are expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960 and the equivalent is payable by the borrowers in currencies which the Association determines to be freely convertible or freely exchangeable by the Association for currencies of other members of the Association, except that such amount would be reduced if (a) there is a uniform proportionate reduction in the par values of the currencies of all members of the International Monetary Fund or (b) the Association so decides because of a substantial reduction in the value of one or more major currencies of members. The foregoing does not apply to a credit of $9,000,000 which is expressed and is repayable in legal tender dollars.

NOTE F

Subscriptions and supplementary resources are expressed in terms of United States dollars of the weight and fineness in effect on January 1, 1960.

NOTE G

This portion of the subscriptions of members, being that of Belgium and Luxembourg, is due in three equal instalments on or before November 8, in each of the years 1965, 1966 and 1967, and is payable in gold or freely convertible currency.

NOTE H

These supplementary resources are to be paid by Part I members in freely convertible currencies in three equal instalments on or before November 8, in each of the years 1965, 1966 and 1967. In July, South Africa agreed to make a contribution of $3,990,000 on the same basis. In addition, in July 1965, Sweden paid to the Association a further contribution equivalent to $3,000,000.

GENERAL

The Board of Governors has approved the applications for membership from the following countries:

Country	*Subscription*	*Date to Accept*
Guinea	$1.01 million	September 30, 1965
Malawi	$ .76 million	September 15, 1965
Trinidad and Tobago	$1.35 million	September 15, 1965
Zambia	$2.69 million	November 17, 1965

Malawi made partial payment on account of its subscription prior to June 30, 1965 and in July paid the balance due and became a member on July 19, 1965.

Opinion of Independent Auditor

1707 L STREET, N.W.
WASHINGTON, D.C. 20036

July 29, 1965

To
INTERNATIONAL DEVELOPMENT ASSOCIATION
WASHINGTON, D.C.

In our opinion, the accompanying financial statements present fairly, in terms of United States currency, the financial position of International Development Association at June 30, 1965, and the results of its operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Our examination of these statements was made in accordance with generally accepted auditing standards, and accordingly included review of the allocation of expenses incurred jointly with International Bank for Reconstruction and Development, tests of the accounting records and such other auditing procedures as we considered necessary.

PRICE WATERHOUSE & CO.

FINANCIAL STATEMENTS COVERED BY THE FOREGOING OPINION

Administrative Budget of IDA

FOR THE FISCAL YEAR ENDING JUNE 30, 1966

	Actual Expenses 1964	Actual Expenses 1965	Budget 1966
STAFF			
Personal Services	$1,517,570	$1,677,752	$2,241,000
Staff Benefits	213,032	239,677	323,000
Travel	335,319	375,642	481,000
Consultants	158,386	171,109	200,000
Representation	2,593	3,028	3,500
	$2,226,900	$2,467,208	$3,248,500
COOPERATIVE PROGRAM WITH FAO	3,250	10,474	21,000
COOPERATIVE PROGRAM WITH UNESCO	—	7,284	18,500
OTHER ADMINISTRATIVE EXPENSES			
Fees and Compensation	9,814	10,063	27,000
Supplies and Material	22,328	29,028	34,000
Office Occupancy	161,740	165,377	233,000
Communications	84,374	111,919	116,000
Furniture and Equipment	79,075	47,210	78,000
Printing	26,372	29,739	36,000
Insurance	21,563	17,977	24,000
Other	149	—	—
	$ 405,415	$ 411,313	$ 548,000
CONTINGENCY	—	—	50,000
Totals	$2,635,565	$2,896,279	$3,886,000

The Administrative Budget for the fiscal year ending June 30, 1966, was prepared by the President and approved by the Executive Directors in accordance with Section 8 of the By-Laws. For purposes of comparison, the administrative expenses incurred during the fiscal years ended June 30, 1964 and 1965 are also shown.

Other Appendices

Governors and Alternates of the Bank and IDA

JUNE 30, 1965

Member Government	*Governor*	*Alternate*
Afghanistan	Sayed Kassem Rishtiya	Zia H. Noorzoy
Algeria	Smail Mahroug	Abdallah Khodja
Argentina	Félix Gilberto María Elizalde	Enrique García Vázquez
Australia	Harold Holt	Sir Roland Wilson
Austria	Wolfgang Schmitz	Hugo Rottky
Belgium	G. Eyskens†	Hubert Ansiaux
Bolivia	Alberto Ibáñez Gonzáles	Enrique Vargas Guzmán
Brazil	Octavio Gouvêa de Bulhões	Denio Chagas Nogueira
Burma	U Kyaw Nyein	U Kyaw Nyun
Burundi	Eric Manirakiza	Francois Dupont
Cameroon	Laurent Ntamag	Jacques Kuoh Moukouri
Canada	Walter L. Gordon	A. F. W. Plumptre
Central African Republic	Charles Bornou	Louis Kpado
Ceylon	Ukku Banda Wanninayake	H. Jinadasa Samarakkody
Chad	Georges Diguimbaye	Boukar Abdoul
Chile	Carlos Massad†	Jorge Marshall†
China	Ching-yu Chen	Kuo-Hwa Yu
Colombia	Joaquín Vallejo†	Jorge Mejía-Salazar
Congo (Brazzaville)	Bernard Banza Bouiti	Elie Dinga
Congo, Democratic Republic of	Dominique Ndinga	Alfred Jean Roux
Costa Rica	Alvaro Castro J.	Alvaro Vargas E.
Cyprus	Renos Solomides	M. E. Guven
Dahomey	Francois Djibode Aplogan	Marcel Tokpanou
Denmark	Otto Müller	Karl Otto Bredahl
Dominican Republic	Diógenes H. Fernández	Luis Scheker
Ecuador	Wilfrido Freire Dueñas	Gustavo Larrea Córdova
El Salvador	Francisco Aquino h.	Abelardo Torres
Ethiopia	Yilma Deressa	Bulcha Demeksa
Finland	R. v. Fieandt	Esko Rekola
France	Minister of Finance	Bernard Clappier†
Gabon	André-Gustave Anguile	Daniel H_lyna Ekamkam†
Germany, Federal Republic of	Kurt Schmücker	Rolf Dahlgrün
Ghana	K. Amoako-Atta	W. M. Q. Halm
Greece	George Mavros	John P. Paraskevopoulos
Guatemala	Carlos E. Peralta Méndez	Jorge Lucas Caballeros Mazariegos
Guinea*	Moussa Diakite	Mamadou Fofana
Haiti	Hervé Boyer	Antonio André
Honduras	Manuel Acosta Bonilla	Ricardo Zúniga Augustinus
Iceland	Pétur Benediktsson	
India	T. T. Krishnamachari	S. Bhoothalingam
Indonesia*	Arifin Harahap	Soerjono Sastrohadikoesoemo
Iran	Jamshid Amuzegar	Jahangir Amuzegar
Iraq	Mohammed J. Oboosy	Khair El-Din Haseeb
Ireland	John Lynch	T. K. Whitaker
Israel	David Horowitz	Jacob Arnon
Italy	Guido Carli	Donato Menichella
Ivory Coast	Raphaël Saller	Mohamed Diawara
Jamaica*	D. B. Sangster	G. Arthur Brown
Japan	Takeo Fukuda	Makoto Usami
Jordan	Hatim S. Zu'bi	Nijmeddin Dajani
Kenya	J. S. Gichuru	John Njoroge Michuki†

Governors and Alternates of the Bank and IDA *(Continued)*

Member Government	*Governor*	*Alternate*
Korea	Seung Hi Hong	Se Ryun Kim
Kuwait	Sheikh Jabir Al-Ahmad Al-Jabir	Abdlatif Y. Al-Hamad
Laos	Sisouk Na Champassak	Oudong Souvannavong
Lebanon	Elias Sarkis	Raja Himadeh
Liberia	Charles Dunbar Sherman	James Milton Weeks
Libya	Mansur Ben Gaddara	Ali A. Attiga
Luxembourg	Pierre Werner	Pierre Guill
Malagasy Republic	Ralison Rakotovao	Louis Rakotomalala
Malaysia	Tan Siew Sin	Mohamed Sharif bin Abu Abdul Samad
Mali	Louis-Pascal Nègre	
Mauritania	Kane Elimani†	Moktar Ould Haiba†
Mexico	Antonio Ortiz Mena	José Hernández Delgado
Morocco	Mohamed Cherkaoui	Mamoun Tahiri
Nepal	Surya Bahadur Thapa	Yadav Prasad Pant
Netherlands	A. Vondeling	J. H. O. Count van den Bosch
New Zealand*	H. R. Lake	D. W. A. Barker
Nicaragua	Guillermo Sevilla-Sacasa	Silvio Argüello Cardenal
Niger	Courmo Barcourgne	Lucien Bayle
Nigeria	Chief Festus Sam Okotie-Eboh	E. O. Ogbu
Norway	Trygve Lie	Christian Brinch
Pakistan	Mohamed Shoaib	S. A. F. M. A. Sobhan
Panama	David Samudio A.	Carlos Velarde
Paraguay	César Romeo Acosta	Oscar Stark Rivarola
Peru	Celso Pastor	Tulio De Andrea
Philippines	Andres V. Castillo	Rafael S. Recto
Portugal*	Antonio M. Pinto Barbosa	Luis M. Teixeira Pinto
Rwanda	Gaspard Cyimana	Leon Mbarushimana†
Saudi Arabia	Ahmed Zaki Saad	
Senegal	Habib Thiam	Ibrahima Tal
Sierra Leone	R. G. O. King	Elkanah Laurence Coker†
Somalia	Awil Hagi Abdullahi	Francesco Palamenghi-Crispi
South Africa	T. E. Dönges	Gerard Rissik
Spain	Juan José Espinosa†	Mariano Navarro Rubio†
Sudan	Ibrahim El Mufti	Sayed Abdel Rahim Mirghani
Sweden	G. E. Sträng	N. G. Lange
Syrian Arab Republic	Abd el-Fattah Beuchi	Abdul Hadi Nehlawi
Tanzania, United Republic of	Paul Bomani	E. I. M. Mtei
Thailand	Sunthorn Hongladarom	Chalong Pungtrakul
Togo	Boukari Djobo	Jean Tevi
Trinidad and Tobago*	A. N. R. Robinson	F. A. Francis
Tunisia	Ahmed Ben Salah	Ali Zouaoui
Turkey	Ihsan Gursan	Zeyyat Baykara†
Uganda	Laurence Kalule-Settala	A. J. P. M. Ssentongo
United Arab Republic	Abdel Moneim El Kaissouni	Hamed Abdel Latif El Sayeh
United Kingdom	The Earl of Cromer	Sir Denis Rickett
United States	Henry H. Fowler	Thomas C. Mann
Upper Volta	Edouard Yameogo	Pierre-Claver Damiba
Uruguay*	Raúl Ybarra San Martín	Hector L. Ríos
Venezuela*	Rafael Alfonzo Ravard	Luis Vallenilla Meneses
Viet-Nam	Nguyen Xuan Oanh	
Yugoslavia	Kiro Gligorov	Zoran Zagar

*Member of the Bank only.
†Appointment effective after June 30, 1965

Executive Directors and Alternates of the Bank and IDA and Their Voting Power

JUNE 30, 1965

Executive Director	Alternate	Casting Votes of	Total Votes Bank	Total Votes IDA
APPOINTED				
John C. Bullitt[1]		United States	63,750	64,558
J. M. Stevens	N. M. P. Reilly	United Kingdom	26,250	26,728
René Larre	Jean Malaplate	France	10,750	11,092
Otto Donner	Helga Steeg	Germany	10,750	11,092
K. S. Sundara Rajan	S. Guhan	India	8,250	8,570
ELECTED				
Joaquín Gutiérrez Cano *(Spain)*	Sergio Siglienti *(Italy)*	Italy, Spain, Portugal*, Greece	10,960	7,654
John M. Garland *(Australia)*	A. J. J. van Vuuren[2] *(South Africa)*	Australia, South Africa, New Zealand*, Viet-Nam	10,297	7,856
Gengo Suzuki *(Japan)*	Eiji Ozaki[3] *(Japan)*	Japan, Ceylon, Thailand, Burma, Nepal	9,610	10,934
L. Denis Hudon *(Canada)*	S. J. Handfield-Jones[4] *(Canada)*	Canada, Ireland, Jamaica*	9,117	9,172
Mumtaz Mirza *(Pakistan)*	Ali Akbar Khosropur *(Iran)*	Pakistan, United Arab Republic, Iran, Saudi Arabia, Kuwait, Syrian Arab Republic, Iraq, Jordan, Lebanon	8,694	10,346
Abderrahman Tazi *(Morocco)*	Chedly Ayari *(Tunisia)*	Indonesia*, Malaysia, Algeria, Morocco, Ghana, Afghanistan, Tunisia, Libya, Laos	8,650	7,294
Pieter Lieftinck *(Netherlands)*	Aleksandar Bogoev *(Yugoslavia)*	Netherlands, Yugoslavia, Israel, Cyprus	8,383	8,844
André van Campenhout *(Belgium)*	Othmar Haushofer *(Austria)*	Belgium, Turkey, Austria, Korea, Luxembourg	8,350	6,645
Reignson C. Chen *(China)*		China	7,750	6,552
John Mamman Garba *(Nigeria)*	S. Othello Coleman *(Liberia)*	Nigeria, Congo (Democratic Republic of), Sudan, Kenya, Tanzania, Uganda, Trinidad and Tobago*, Guinea*, Mali, Burundi, Liberia, Sierra Leone, Ethiopia	7,306	8,716
Vilhjálmur Thor *(Iceland)*	Odd Høkedal *(Norway)*	Sweden, Denmark, Norway, Finland, Iceland	7,226	8,396
Jorge Mejía-Palacio *(Colombia)*	José Camacho *(Colombia)*	Brazil, Philippines, Colombia, Ecuador, Dominican Republic	7,220	8,190
Luis Machado *(Cuba)*	Rufino Gil *(Costa Rica)*	Mexico, Venezuela*, Peru, Haiti, Costa Rica, El Salvador, Panama, Guatemala, Honduras, Nicaragua	6,657	7,058
Manuel San Miguel *(Argentina)*	Juan Haus-Solís *(Bolivia)*	Argentina, Chile, Bolivia, Uruguay*, Paraguay	6,291	6,744
Mohamed Nassim Kochman *(Mauritania)*	Said Mohamed Ali *(Somalia)*	Senegal, Cameroon, Ivory Coast, Malagasy Republic, Rwanda, Somalia, Togo, Central African Republic, Chad, Congo (Brazzaville), Dahomey, Gabon, Mauritania, Niger, Upper Volta	5,933	9,698

In addition to the Executive Directors and Alternates shown in the foregoing list, the following also served as Executive Director or Alternate after November 1, 1964, the effective date of the Tenth Regular Election:

Executive Director	End of Period of Service	Alternate	End of Period of Service
Sir Eric Roll *(United Kingdom)*	January 14, 1965	Helmut Abramowski *(Germany)*	March 31, 1965
A. F. W. Plumptre *(Canada)*	April 13, 1965		

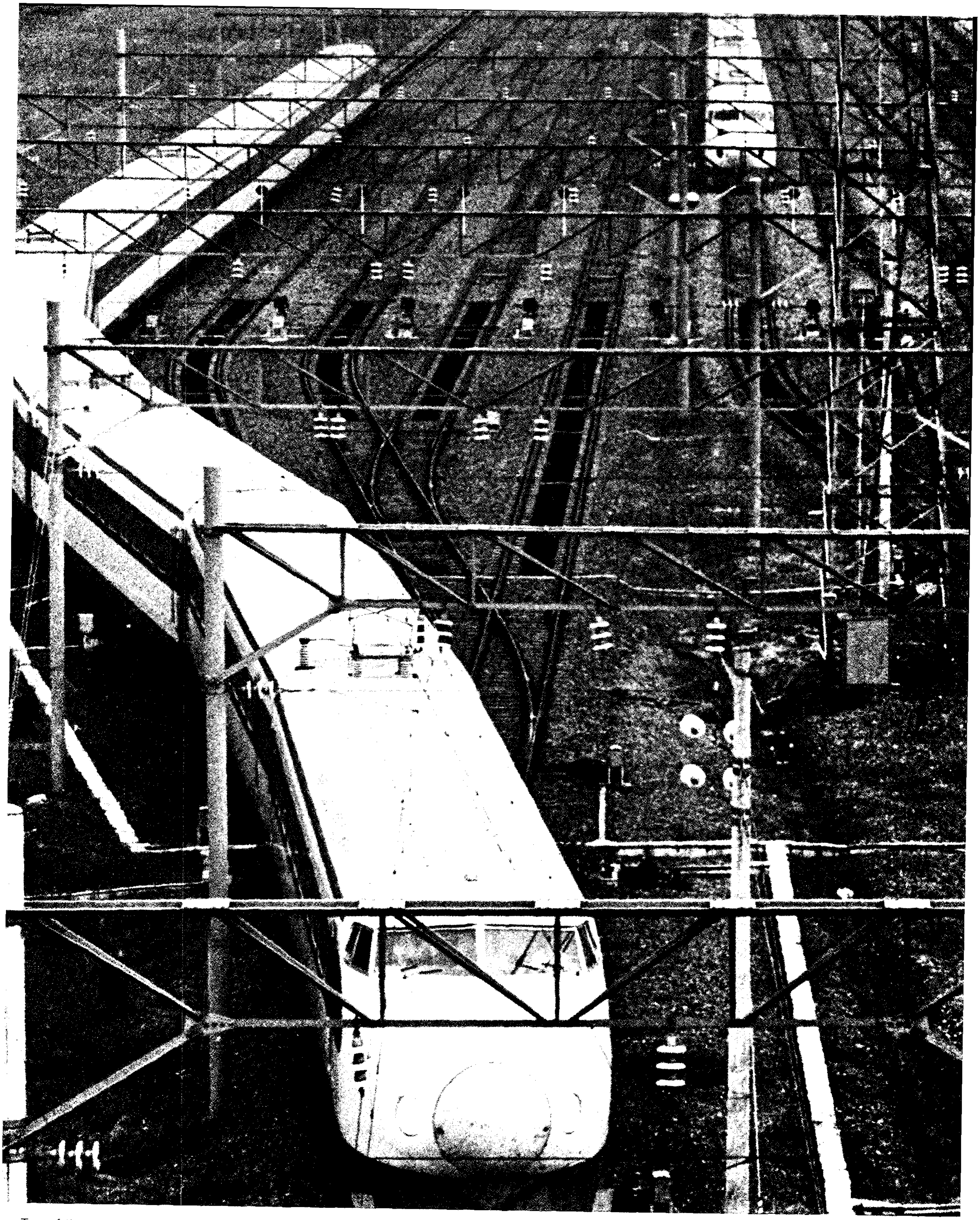
*Member of the Bank only.
[1]To be succeeded by Livingston T. Merchant (United States) effective July 23, 1965.
[2]To be succeeded by A. M. de Villiers (South Africa) effective September 1, 1965.
[3]To be succeeded by Chalong Pungtrakul (Thailand) effective July 1, 1965.
[4]To be succeeded by Patrick M. Reid (Canada) effective July 1, 1965.

Principal Officers of the Bank and IDA

JUNE 30, 1965

George D. Woods	*President*
J. Burke Knapp*	*Vice President and Chairman, Loan Committee*
Geoffrey M. Wilson*	*Vice President*
S. Aldewereld*	*Vice President and Director, Projects Department*
A. Broches*	*General Counsel*
Richard H. Demuth*	*Director, Development Services Department*
Irving S. Friedman*	*The Economic Adviser to the President and Chairman, Economic Committee*
S. R. Cope	*Director, Europe and Middle East Department and Deputy Chairman, Loan Committee*
John H. Adler	*Director, Economic Development Institute*
Gerald Alter	*Director, Western Hemisphere Department*
Dragoslav Avramovic	*Director of Special Economic Studies*
I. P. M. Cargill	*Director, Far East Department*
Robert W. Cavanaugh	*Treasurer*
Bernard Chadenet	*Associate Director, Projects Department*
Federico Consolo	*Special Representative for U. N. Organizations*
Abdel G. El Emary	*Director, Africa Department*
Harold N. Graves, Jr.	*Director of Information*
Howard C. Johnson	*Director, New York Office*
Andrew M. Kamarck	*Director, Economics Department*
Michael L. Lejeune	*Director of Administration*
M. M. Mendels	*Secretary*
John D. Miller	*Director, European Office*
Escott Reid	*Consultant*
Leonard B. Rist	*Special Adviser to the President*
Orvis A. Schmidt	*Special Adviser to the President*
Alexander Stevenson	*Director, South Asia Department*

*Member, the President's Council. Mr. Cope serves as Mr. Knapp's alternate on the President's Council.



Two of the new super-express "Bullet" trains of the Japanese National Railways, used on the world's fastest passenger train service. These trains travel between Tokyo and Osaka along the New Tokaido Line, which was constructed with the help of a World Bank loan.

PART TWO

Trends and Outlook in Development Finance

The year 1964 was a good one for the world economy. World industrial output rose by 7%, compared with the postwar average of 5%. The value of recorded international trade increased by 12%, as compared with 9% in 1963 and an average of 7% between 1950 and 1962.

This acceleration reflected primarily an upswing in the economic activity of major industrial countries. The United States, in the fourth year of continuous prosperity, increased total output as much as 5%. In the United Kingdom, output rose by over 5.5%—the highest rate on record in the postwar period. The long sustained expansion in the industrialized Western European countries continued in 1964 without interruption and their aggregate output showed an increase of more than 5%. The Japanese growth rate of some 10% indicated that the expansionary forces of the last decade still retained much of their strength in 1964.

The outlook for 1965 in the major industrial countries as a whole seems fairly favorable. The domestic situation of the U. S. so far in the current year shows continued expansion, with price stability, and the external payments position shows distinct improvement. In the United Kingdom, there is evident determination to take any further measures that may become necessary to restore external equilibrium. In some industrial countries of Europe and in Japan, while industrial production leveled off toward the end of 1964 and early in 1965, there is now some relaxation of the measures that were taken to contain the pressure on wages and prices and the pause in expansion is expected to be temporary.

In the industrial countries with market economies, total national product, which was around $920 billion in 1960, rose to $1,100 billion (in 1960 prices) in 1964. These countries buy about 75% of the exports of the developing world and they supply almost all the capital the developing countries receive from abroad.

In the developing countries,[1] output rose nearly as fast as in the industrial countries, at a rate between 4% and 5% in 1963 and 1964; but the absolute figures were much lower: total national product rose from around $170 billion in 1960 to some $200 billion in 1964. As a result of rising demand in the industrial countries, the value of exports of the developing countries rose by 9% in both 1963 and 1964, compared to an average of about 3.5% between 1950 and 1962. The prices of their exports rose after a decline which had lasted seven years, and since there was little increase in the prices of their imports, their terms of trade improved considerably.

The recovery in trade provided much needed help to the developing countries by raising their capacity to import. Their aggregate import volume had risen at a rate of only 2% per year in the period 1957-1962; and since population grew at 2.5%, imports per capita had in fact declined. The upswing in commodity prices enabled the developing countries to increase their import volume by 3% in 1963 and by 5% in 1964.

Some of the most important indexes of the year were, however, less favorable to the developing countries, and the situation has worsened in 1965.

As a result of rapid population growth, the developing countries generally were unable to increase their per capita product faster than about 2%, even in the improved conditions of the last two years. The highest rates of population increase have been in Asia and Latin America. In Mexico and Venezuela, for instance, population has been increasing by around 3.5% annually. The need for taking effective measures to slow down the rate of population increase in the developing countries has by now become

[1] In this section the term "developing countries" refers to all countries of Asia except Japan and Sino-Soviet countries, of Africa except South Africa, of Latin America and of Southern Europe (Turkey, Yugoslavia, Greece, Spain and Portugal). The group covers 1,500 million people or 70% of the population of the world outside the Sino-Soviet countries.

widely accepted; but even successful measures taken today are unlikely to have any important impact on living standards for a considerable time, and the actual carrying out of these measures is still too slow.

In 1963, the prices of exports from the developing countries rose after a 7-year decline; but the prices of agricultural products started to weaken toward the end of 1964. Although most mineral prices have continued strong, the present outlook over the medium term (assuming there is no sharp increase in international tensions) is that the prices of primary products generally will tend to decline. On this basis, the rate of growth in export earnings of the developing countries is likely to return again to a rate of 3% or 4% a year, with a corresponding decline in their ability to pay for a rising level of imports.

The capacity to pay for imports is an important constraint on the rate at which a country can grow. If the future growth in external earnings of the developing countries is not rapid enough their capacity to import will be held down, unless there is an offsetting increase in the capital made available to them. Here the record of the last few years has not been very encouraging. Total private long-term capital invested in the developing countries reached a peak in 1957 at $3.4 billion and has since remained below this point. The disbursements of the total net official flow of long-term financial resources from the developed countries (outside the Sino-Soviet area), after a sharp rise at the end of the 1950's and the beginning of the 1960's, in 1964 were slightly below the 1961 figure. Net disbursements by international institutions, however, rose both in 1963 and 1964. An increase is also believed to have taken place in Sino-Soviet disbursements, as well as in exporter credits from all countries, in 1964. The total net flow of finance (private, official bilateral and funds made available to multilateral institutions) in 1964 was about $9.5 billion. At the same time, payments of interest, dividends and profits by the developing countries to the industrial ones rose sharply and were over 40% of the total net capital flows.

The level of disbursements of foreign assistance in any given period reflects to a considerable extent the commitment decisions undertaken several years before, particularly insofar as project assistance is concerned. Thus a rising level of commitments would indicate an increasing flow of foreign assistance in the future. In fact, while commitments by the World Bank group and other international development institutions are going up, there is no indication that the trend of over-all commitments for official bilateral aid is rising substantially at the present time.

There is, however, still an increasing need of developing countries for development finance. Analyses by the Bank staff have shown that in a few countries the need for official foreign assistance may decline over the next several years as a result of the progress they have already achieved in raising their domestic savings and in improving their export earnings. But these cases are still exceptions. For the large majority of developing countries, even assuming improved domestic resource mobilization, external capital requirements are likely to rise at least through 1969. There is no doubt that much more can and should be done in many of the developing countries to cut down on waste, to make better use of the resources available, to encourage private enterprise and public efficiency, and to slow down the rapid growth in population. These are objectives the World Bank group and other international development agencies are conscious of and, within their abilities, are working toward.

But it is also true that with the accumulation of experience and with the spread of education, training and research, the ability of the developing countries to make good use of external finance is expected to rise faster than the amount of finance available to them on conditions that do not put them in peril of over-indebtedness.

The opportunity to achieve more rapid advance by the developing countries is growing; what is not clear is whether this opportunity will be fully exploited by the developing countries and whether the developed countries will provide the full measure of help that would make it possible for them to do so.

Major Trends in the Developing Countries

Global figures obviously are very rough—especially for the developing countries where statistics are still often inadequate; and the estimated growth rate of 4% to 5% in the output of the underdeveloped countries in 1964 further conceals wide variations among these countries.

Acceleration of growth, nevertheless, appears to have been quite widespread. Countries that have been showing particularly good growth during the last few years include the Republic of China and Thailand in Asia; Tunisia and Libya in Africa; Israel and Iraq in the Middle East; Greece, Spain and Yugoslavia in Southern Europe; and Mexico, Peru and Venezuela in Latin America. Growth rates, on the other hand, have been very low in a number of developing countries including Indonesia, Ceylon, Tanzania, Togo, Mali and Haiti.

Industry has been the most dynamic sector in the underdeveloped countries; industrial output grew by 7% in both 1963 and 1964. In almost all cases, as might be expected, the increase in industry has been significantly faster than the growth of total product. Within the industrial sector, mining and electric power supply have tended to achieve the fastest growth. Production of minerals expanded very rapidly until temporary capacity limitations were encountered in 1963 and 1964. In response to the improved demand in world markets, prices rose. The fastest and, over the longer run, steadiest increase has been in petro-

leum, in high demand not only because of the general rise in world economic activity, but also because of its displacement of other fuels.

Manufacturing grew at an annual rate of some 7% in both 1963 and 1964 (see Table I). In some countries the increase in industrial production was concentrated in heavy industry, but in others the main emphasis, which was economically justifiable, was on the expansion of light industries. In both, development has been oriented toward substitution for imported manufactures, exports accounting for only a small part of production. The share of manufactures in the total exports of the developing countries, including exports to other developing countries, is still only about 10%. While learning to produce and sell manufactures abroad is very difficult, countries like Yugoslavia, Israel, Mexico, and the Republic of China have already demonstrated the benefits for growth at home that such exports can provide.

TABLE I

ANNUAL GROWTH OF MANUFACTURING, MINING AND AGRICULTURAL PRODUCTION IN THE DEVELOPING COUNTRIES

(Per cent)

	Manufacturing Output	*Mining Output*	*Agricultural Production Total*	*Food*
1956 . . .	6.8	7.3	2.0	1.0
1957 . . .	7.5	6.8	4.9	5.9
1958 . . .	6.4	6.4	0.9	0.0
1959 . . .	7.0	8.0	4.6	5.6
1960 . . .	8.4	20.4	3.5	1.8
1961 . . .	8.6	12.3	1.7	2.6
1962 . . .	4.8	10.3	0.8	0.8
1963 . . .	6.8	6.8	2.0	0.8
1964 . . .	7.1	7.6	(3.0)[a]	

(a) Estimate
SOURCES—U.N., F.A.O., and U.S. Dept. of Agriculture.

In several countries, expansion of manufacturing was seriously hampered by shortages of raw materials and spare parts needed from abroad which could not be imported because of a shortage of foreign exchange. While this was due in some cases to over-emphasis on import-substitution as compared to export industries, or over-allocation of foreign exchange to new projects as against the import needs of existing industries, the net result was the same—factories operating below capacity or unable to expand. In 1964, in some countries, improved balance of payments earnings and foreign assistance enabled some liberalization of the imports of raw materials and, as in Pakistan, factories were able to raise output quickly. Conscious of the need to accelerate industrialization and to secure the adoption of effective policies in this direction in the developing countries, the World Bank group has been trying to increase its lending operations in this field and to expand its assistance in project identification. These *measures are described in other sections of this report.*

In contrast to industrial output, agricultural production has been growing at an average rate of only 2.5% a year over the past decade. The underdeveloped countries as a whole are not growing enough food to keep pace with increasing population and rising consumption standards. In 1963, they spent more than $4 billion on imports of food, and received another $1 billion worth under U. S. Public Law 480. Food imports by the developing countries in 1964 were at least as large as in 1963.

The expansion of food production for domestic consumption is hampered by a variety of structural difficulties, economic and social.

To grow more and better food is in many respects the most difficult part of development. It is in the traditional farming sector where the inflexibility of custom, the rigidity of structure, the narrowness of vision, the age-old land tenure systems—singly or in combination—hold back advance. Yet because a farmer's relationship to land involves one of the most deep-seated of all human emotions and because it is often the central focus of family and social structure, change is not easy and cannot be brought about by bull-dozer. Change and the pressure for change are occurring at a different pace in different countries. Institutions like the Bank can help, and the Bank group is expanding its help, through finance of farming schemes and the provision of technical assistance together with FAO, but all this is peripheral—the main job has to be and can only be done by each people for itself.

Total output and income in most countries at their present stage of development increase slowly because agricultural output and income increase slowly—hampered in some cases by mistaken government policies. The inadequate increase limits the rate at which inputs of agricultural raw materials can be fed to the industrial sector; it also limits the rate at which labor force can be released for absorption in non-agricultural activities, since growth of agricultural incomes plays a major role in determining the expansion of the internal market for goods and services.

The export sector, which is usually the most progressive part of agriculture in the developing countries, can, however, scarcely be blamed for the lag in agricultural growth. In the various agricultural export commodities growth has tended to be more rapid than the growth of demand in the industrialized countries. Consequently, the developing countries suffered from a sustained decline in the prices of their agricultural exports during 1957-1962.

EXPORTS AND IMPORTS

Most of the exports of the developing countries are still primary commodities; over the long run, the demand for these commodities, both agricultural and mineral products, rises relatively slowly, and from year to year is subject to sharp fluctuations. Experience since 1957 has been significant in illustrating the ability of the developing countries as a whole to increase production for export, the relatively slower increase of demand for their products, and the great difficulty they experience in shifting to products, such as manufactures, for which demand is more elastic.

The annual increase in the volume of exports for the developing countries as a whole was around 5% in the period 1957-62, somewhat higher than the rate of increase in total gross national product. But during that time, prices fell, and export earnings increased by not more than 3%.

One of the most severely affected commodities was coffee, the total export earnings of which declined in that period by one quarter (or by around $600 million a year), in spite of an increase of one quarter in volume of exports. In cocoa, the rise in production has been such that cocoa prices have been under almost continuous pressure since 1959 and by June 1965 were under 50% of the 1955-57 average. Sugar prices, after a spectacular rise in 1963-64, due to short crops, have suffered an equally spectacular fall since.

In 1963 and 1964, export earnings of the developing countries, the largest single source of foreign exchange, rose by 9% in each year, due to an increase in both volume and prices. The greatest increases in the value of exports were 15% and 18%, in Africa and the Middle East respectively. Export earnings in Latin America rose by 9%. The smallest increase, around 2%, was in Southeast Asia.

Average price movements of export commodities in the last two years have been heavily affected by the sharp rise and fall of sugar prices. Excluding sugar, average commodity prices increased by 2.5% in the five quarters beginning October 1962, and by 5% in 1964, according to the Bank's price index for primary products produced by low and medium-income countries. Including sugar, prices increased by 12% from 1962 to 1963, decreased slightly in 1964 and dropped 6% in the first half of 1965.[2]

In general, in 1963 and 1964 prices of agricultural commodity exports went up, and then in the first half of 1965 declined again. The price increase in the last two years included a variety of commodities, including coffee, wool and such non-ferrous metals as copper. Together with cocoa, coffee and oilseeds declined in price in the first half of 1965, while the price of copper continued to rise. The price recovery in 1963 and 1964 was due to the booming demand in the industrial countries combined with a slower growth in supplies of commodities subsequent to the slump in former years. In some commodities, such as coffee, agreements by the producer countries resulted in a more controlled supply.

As prices went up, however, commodity production tended to expand and to depress prices again. The recent drop in agricultural export prices and the present primary commodity price outlook strongly suggest that the considerable increase in export earnings of the developing

[2] See Chart I. The index was adjusted by substituting producers' copper prices for price quotations in London, as the large increase in the latter was less representative of the price at which the bulk of copper sales took place.

PRIMARY COMMODITY PRICE INDEX
FOR LOW AND MEDIUM INCOME PRIMARY PRODUCERS

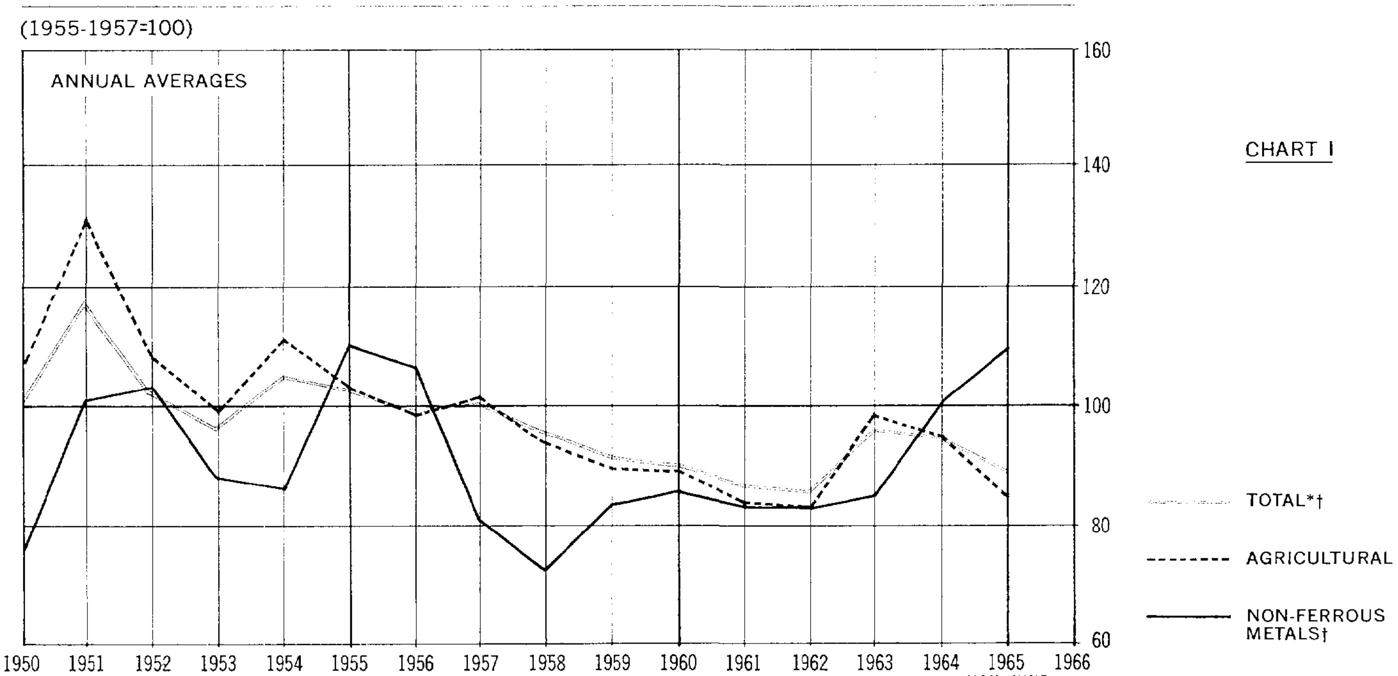


CHART I

*Including petroleum †From 1962 adjusted to reflect producers' price quotations of copper countries in the last two years may prove to be only temporary. Even with continued expansion in the industrial countries, the ability of the developing countries to increase production at a rate which is faster than demand grows for most of their usual export commodities tends to result in a downward pressure on their export prices.

While some developing countries have good prospects for an increase in their agricultural or mining export earnings, many of the others to increase their export earnings have to diversify their exports, especially to manufactures. Although some of them, chiefly in the intermediate or industrializing stage of growth, have shown a marked ability to move in this direction, most developing countries cannot diversify effectively unless far-reaching economic and social changes can be induced; such changes take time.

The Bank has been concerned for a long time with the problems of fluctuations and sluggish growth of external earnings of developing countries. These two subjects were in the forefront of the deliberations of the United Nations Conference on Trade and Development last year. At the request of the Conference, the Bank is currently examining the feasibility of establishing a mechanism which would assist countries hurt by shortfalls of external earnings below reasonable expectations to avoid disruption of their development programs. It is generally accepted that, if development programs are to be executed as planned, supplementary assistance in some form will be needed in many cases to offset the effects of unfavorable developments in external trade.

The total imports of goods by the developing countries increased from 1957 to 1962 at an annual rate of 2% at constant prices, and about 1% at current prices. The slow growth of imports was the net result of several factors. Perhaps the single most important one has been the availability of foreign exchange. Thus in 1963 and 1964 the substantial increase in export earnings enabled the developing countries to increase their imports rapidly as well as partly to rebuild depleted foreign exchange reserves. In those years, imports of goods into the developing countries as a group increased at an average rate of 4% in constant prices, and of 5% in current prices. Imports, like exports, increased at a relatively high rate in the Middle East and Africa and at a much lower rate in South and Southeast Asia and Latin America.

The increase in investment in manufacturing, which has a high import component, has tended to raise import requirements. In some countries, the inability to raise food production on a sufficient scale has necessitated increases in essential food imports. On the other hand, other developing countries were able to substitute some domestic production for imports. This factor was particularly significant in Latin America. Recently, import substitution has played an increasingly important role in India and Pakistan. Some of the import substitution industries are economically viable in the long run, but many can survive only as long as there are severe foreign exchange shortages and resulting balance of payments restrictions or extremely high protective duties.

CURRENT ACCOUNT BALANCE

The increase in export earnings of the developing countries in 1963 and 1964 somewhat exceeded the rise in imports, so that the deficit on balance of payments current account decreased. The current account deficit of the developing countries as a whole, which was estimated at $4.9 billion in 1962, was $3.7 billion in 1963 and $4.5 billion in 1964[3].

These figures include the major oil exporters (Saudi Arabia, Iran, Iraq, Kuwait, Libya, Netherlands Antilles, Venezuela) some of which run a considerable surplus which is not available to the other developing countries. The estimates of the total current deficit of the developing countries, excluding the major oil producers, were: 1962, $6.3 billion; 1963, $5.3 billion; and 1964, $5.9 billion.[4]

These sets of estimates can be compared with those for current payments for investment service (interest, dividends and profits but excluding amortization) by the developing countries as a whole. These amounted to $3.5 billion in 1963. Income payments due from the developing countries to the U. S., which in 1963 accounted for 70% of their total, have shown an increase of $400 million, from $2.3 billion in 1963 to $2.7 billion in 1964. Increases also are indicated for other industrial countries. The total payments for investment service by the developing countries amounted to no less than $4 billion in 1964. The increase in investment income payments was mostly due to the maturing of the results of private investments in recent years, for example the start of large-scale production of petroleum in North Africa.

INVESTMENT AND SAVINGS

The level and composition of investment, of course, are important determinants of growth. While the productivity of investment shows significant differences among countries, the more rapidly growing economies have generally shown higher ratios of investment to total output. Thus, in Israel, the Republic of China and Yugoslavia, gross investment over the 1957-1962 period amounted to some 30% of gross national product. The ratio was 17% in Latin America and less than 13% in most countries of Asia and Africa. It should be stressed, however, that some countries which have had low investment rates—India, Pakistan and a number of African countries, for instance—have been raising them in recent years.

In most developing countries, 75% or more of gross investments are financed by domestic savings. Consequently, the greater the success in mobilizing such sav-

[3] IMF estimates.
[4] Estimated from IMF data and from World Bank and IMF *Direction of Trade.*

ings, the higher the rate of investment can be pushed.

A rise in savings rates often requires a substantial increase of public savings through higher taxes or cuts in expenditure. This is painful, especially in those countries where much of the population is outside the monetized sector, and so have limited tax-paying capacity. Thus the actual tax burden on the monetized economy is heavier than indicated by the ratio of total tax revenue to total income. The alternative of resorting to inflationary financing to try to obtain resources temporarily for development is an unsatisfactory and frequently self-defeating substitute for greater fiscal effort.

Rates of savings show great variation among countries, rarely corresponding to differences in absolute levels of income. Some countries, such as Uganda, Peru, Colombia and Malaysia, have attained gross savings rates as high as 20% of gross national product. In others, such as the Sudan, Chile, the Philippines and Pakistan, rates of gross savings have been as low as 10% or less. In many countries, the rates of savings have been increasing; this is true even in low income countries, such as Pakistan, the Philippines and Kenya. Assuming effective use of available investment funds, the rate of increase in savings is clearly one of the best indicators of the development effort being made by a country.

External Finance for Development

Trends in the world economy underline the need for further measures to accelerate growth in the developing countries, both through appropriate action and policies of these countries themselves and through the help of the developed countries. While adequate supply and effective use of domestic and externally provided capital is only one of the problems of development, it is one of the most important and its urgency has been greatly heightened by the increasing burden of debt servicing.

The need to replenish IDA resources in 1966 will focus attention on questions of debt burdens and of the volume and terms of future development finance. It offers an appropriate occasion to reappraise what is being done in development finance and affords an opportunity to adapt government policies to present conditions.

EXTERNAL INDEBTEDNESS OF DEVELOPING COUNTRIES

In 1963 and 1964 the external indebtedness of developing countries continued to increase at a rapid rate. In a group of 37 countries[5] with a population of 1,100 million, representing almost three-fourths of the population of the developing world (excluding the 1,000 million people in the Sino-Soviet countries), outstanding public and publicly guaranteed debt with a maturity of one year or more rose from $18 billion at the end of 1962 to $21 billion at the end of 1963, and preliminary estimates give a total of $25 billion for 1964. Over the last two years, the annual rate of growth in debt was about 17%, compared to 15% between 1955 and 1962. (The impact of this continuous increase in debt on debt service is discussed below.)

Table II shows the differing rates at which debt has grown in different areas. After rapid growth in the late 1950s and early 1960s, the accumulation of indebtedness during the past two years in Latin America has shown a somewhat slower pace. In contrast, marked acceleration was experienced in the African and Asian countries as well as in southern Europe.

TABLE II

AVERAGE ANNUAL RATES OF INCREASE OF PUBLIC DEBT, THIRTY-SEVEN COUNTRIES, 1955-62 AND 1962-1964
(Per cent)

Region	*1955-62*	*1962-64*
Latin America	12	9
South Asia and Middle East	26	30
Southern Europe	10	15
East Asia	15	15
Africa	10	14
Thirty-seven countries	15	17

Most developing countries are international debtors, although international indebtedness is heavily concentrated in about a dozen countries, shown in Table III. This concentration does not appear to have diminished in recent years.

TABLE III

SELECTED DEBTORS: PUBLIC DEBT OUTSTANDING, 1955 AND 1963[a]
(BILLIONS OF U. S. DOLLARS)

	1955	*1963*
India	0.3	4.0
Brazil	1.4	2.3
Argentina	(0.6)	2.1
Mexico	0.5	1.6
United Arab Republic	(0.2)	1.3
Pakistan	0.1	1.2
Turkey	(0.6)	1.1
Yugoslavia	0.3	1.1
Israel	(0.4)	0.9
Chile	0.4	0.9
Colombia	0.3	0.7
Total	5.1	17.2

(a) End of year. Figures in parentheses are crude estimates.

For the developing countries as a whole, it is estimated that outstanding public and publicly-guaranteed indebtedness with a maturity of one year and over may have amounted to $9 billion in 1955, $28 billion in 1963 and

[5] Argentina, Bolivia, Brazil, Chile, Colombia, Costa Rica, Dominican Republic, Ecuador, El Salvador, Guatemala, Honduras, Mexico, Nicaragua, Panama, Paraguay, Peru, Uruguay, and Venezuela; India, Iran, Israel, Pakistan; Burma, Ceylon, the former Malaya, Philippines, and Thailand; the Sudan, Ethiopia, the former Federation of Rhodesia and Nyasaland, Kenya, Nigeria, the former Tanganyika, and Uganda; Spain, Turkey, and Yugoslavia.

as much as $33 billion at the end of 1964. This is, however, not an all-inclusive estimate. The debt of private parties not guaranteed by governments in developing countries is excluded, and so are obligations arising from commercial arrears. There is also the need to provide foreign exchange for the remittance of profits, dividends, managerial services, etc., which are associated with foreign direct investment. Such remittances must be allowed by governments, whether they have formally committed themselves to this or not, if the productive help of foreign direct investment is to be secured and maintained.

The growth in debt was accompanied by a rise in debt service payments (amortization and interest). For the group of 37 countries mentioned above, debt service payments on public and publicly-guaranteed debt with a maturity of one year and over rose from $2.0 billion in 1962 and $2.3 billion in 1963 to an estimated level of $2.5 billion in 1964. While it appears that the rate of growth in debt service payments of those countries has slackened in the past two years (see Table IV), the volume of such payments is now almost four times what it was in the mid-1950s, and it continues to rise.

TABLE IV

PUBLIC DEBT SERVICE, THIRTY-SEVEN COUNTRIES
(MILLIONS OF U. S. DOLLARS)

Region	*1956*	*1962*	*1964*
Latin America	455	1,280	1,442
South Asia, Middle East	95	378	484
East Asia	22	62	99
Africa	37	104	131
Southern Europe	71	174	341
Total	680	1,998	2,497

For the developing countries as a whole, total service payments on public and publicly-guaranteed debt with a maturity of one year and over are estimated at about $3.5 billion in 1964. A large proportion of this outstanding debt consists of medium and short-term maturities. If allowance is made for the liquidation of commercial arrears and similar short-term obligations, aggregate debt service payments may easily have amounted, in 1964, to well over $4 billion.

These are very large numbers. In the mid-1950s, public debt service absorbed less than 4% of export earnings of developing countries. In 1964, this proportion had risen to 12%. (For a number of debtors, the ratio of public debt service to exports is substantially higher than this average—in some cases, twice as high.) As a consequence, an increasing proportion of official gross capital inflow is being offset by service on the existing debt.

The fixed nature of these obligations means that payments in foreign exchange must continue to be made in those years in which—for one reason or another, but commonly because of a shortfall of export earnings—the foreign exchange position is tight. Thus a country may be faced with acute foreign exchange shortage primarily because of an unfavorable debt structure. This calls both for a continuing review of existing debt and careful consideration as to how it should be handled. For the immediate future, the solution in exceptional cases may lie in debt rescheduling or, in others, it may require a shift in the flow of new lending toward longer grace and amortization periods; in some cases, a combination of both will be necessary.

Aside from the short-term problem of an awkward debt structure, for the longer term it is the possibility of continuing increase in external debt—and in service payments—which causes most concern for many a country. There is commonly a phase in the development process in which a country's external borrowing not only bridges the gap between domestic savings and investment, but also to a large extent finances amortization and interest charges on external debt previously incurred. This phase involves a cumulation of external debt at a pace principally determined by the magnitude of the gap between domestic savings and investments, the rate of economic growth and savings, the efficiency with which investment resources are deployed, and the rate of interest on borrowed capital. A rapid mounting of debt in this phase need not be worrying, provided that there is a good prospect that the gap between savings and investment will be closed before the payments on accumulated debt reach intolerable proportions. For a large number of developing countries, however, the point in time when this gap will be closed appears still to be quite distant.

Different developing countries face different problems related to their international indebtedness, and different solutions have to be adopted in extending long-term development capital to them. Liquidity crises can be avoided or their effects mitigated by a suitable structure of debt, with a higher proportion of longer maturities; the long-run piling up of debt and debt service payments can be slowed by a reduction in the rate of interest and by a lengthening of maturities.

Part of the indebtedness problem arises from unwise borrowing and unwise lending. The trouble arises from high-pressure salesmanship on the one side, often facilitated by abuse of export credit insurance, and the desire, on the other side, to avoid all the hard work of preparing and negotiating help for projects. In these cases, large amounts of short and medium-term indebtedness are taken on, although foreign exchange earnings are not likely to increase fast enough to meet quickly maturing repayments. Such short and medium-term money is often used to finance slow-yielding projects and in too many cases projects which will never yield an economic return at all.

Capital is vital, but equally important is effective use of capital. While the developing countries have no monopoly on bad investment, prestige projects, excessive defense expenditure, and other forms of waste, continued improvement in how they handle their investments is necessary simply because they have so little capital available.

FLOWS OF FINANCIAL RESOURCES TO THE DEVELOPING COUNTRIES

While the data are still incomplete, the evidence so far available indicates that financial assistance from developed countries (including the Sino-Soviet countries) to developing countries directly and to international development institutions, after a substantial rise in the latter part of the 1950's, has increased little over the past four years. The amount of assistance from these countries, net of capital repayments, has now reached $9.5 billion a year[6]; it has come mostly from public sources.

By far the largest part of the total originates in the IDA Part I countries, that is the capital-contributing member countries of the International Development Association (see Table V). The total net flow of funds (including private and official bilateral as well as capital made available to multilateral institutions) to the developing countries from the IDA Part I countries amounted to $8.9 billion in 1961, $8.3 billion in 1962 and 1963, and $9 billion in 1964. About 85% of the total has originated in four countries: the United States (55%), France (15%), the United Kingdom (9%) and Germany (8%).

Assistance from international development institutions, including the World Bank group, has increased steadily, from $250 million in 1961 to around $800 million in 1964; and commitments indicate that these figures will continue to rise.

Aid from the Sino-Soviet countries is now around 5% of the whole. Their net disbursements are estimated to have increased from $300 million in 1961 to $400 million in 1962, $425 million in 1963, and perhaps around $500 million in 1964. Disbursements have grown steadily, but commitments show large fluctuations, rising in the years from 1958 to 1960, and then declining to 1963. In 1964, commitments by the Sino-Soviet countries increased fivefold over the previous year, and reached a peak level of $1.5 billion. The Soviet Union has been the largest creditor of the group; but its share has diminished from some 85% in 1959 to approximately 60% in 1964. The remainder originated about equally in the eastern European countries and in mainland China.

[6] Sizable differences exist between the figures for the developing countries' balance of payments deficits on current account (see p. 56) and the total capital movements which finance them. The differences are largely due to omissions, errors and inconsistencies in reporting, and to the fact that some of the developing countries (particularly oil producers) were adding about $1 billion to reserves in 1963/1964. The World Bank, the *International Monetary Fund and the Organization for Economic Co*operation and Development are engaged in a cooperative effort to make the reporting of the data more complete and more uniform.

OFFICIAL FLOWS

The official bilateral financial flows from the developed world outside the Sino-Soviet countries to the developing countries totaled about $6 billion both in 1963 and 1964. While the figures were the same in these two years, their composition changed somewhat: U. S. disbursements declined from $3.8 billion in 1963 to $3.5 billion in 1964, while those of the U. K. and Germany increased. Disbursements by France remained on the level of the previous year.

Since U.S. aid commitments increased considerably in 1964, disbursements in the next years may be expected to rise. Canada and the Netherlands also increased their commitments. The official aid commitments of some countries, however, have declined.

TABLE V

THE FLOW OF LONG-TERM FINANCIAL RESOURCES TO THE DEVELOPING COUNTRIES[a]

(MILLIONS OF U. S. DOLLARS)

	1961	*1962*	*1963*	*1964 (Prelim. Est.)*
I. Total Official Flow, Net From IDA Part I Countries:				
Australia	n.a.	n.a.	96	103
Austria	2	9	4	13
Belgium	92	80	91	80
Canada	62	54	98	129
Denmark	7	7	10	11
Finland	1	1	2	2
France	943	977	843	841
Germany	589	427	422	460
Italy	66	67	64	56
Japan	214	165	172	178
Kuwait	5	15	49	52
Luxembourg	—	—	—	—
Netherlands	69	91	38	49
Norway	9	7	21	17
South Africa	n.a.	n.a.	n.a.	n.a.
Sweden	8	19	23	34
United Kingdom	458	418	414	491
United States	3,535	3,713	3,842	3,534
Total above countries	6,060	6,050	6,189	6,050
II. Private Long-Term, Net				
Direct investment & other new lending	2,600	1,900	1,900	2,500
Trade credits, over 5 years, net	200	300	250	400
Total Private Long-Term, Net	2,800	2,200	2,150	2,900
III. Total Official and Private, Net (I + II)	8,900	8,300	8,300	9,000

(a) Excludes flow from Sino-Soviet countries. These figures include the flow of funds from these countries to multilateral agencies. This is not identical with the net disbursements of multilateral agencies to the developing countries.

Note: The detailed figures do not always exactly add up to the total.

Source: O.E.C.D., and World Bank estimates.

PRIVATE FLOWS

Net flows of private capital to the developing countries totaled $2.9 billion in 1964, a considerable increase over the level of the two previous years, and about $200 million above the average recorded for the period 1956-1961. The 1964 total was composed of 70% direct investments, including reinvested profits, and 30% long-term loans and export credits for five years or more, mostly guaranteed by official institutions; and both these components were greater than in 1963. Direct investment was attracted especially to petroleum production and distribution. The largest part of direct investment was made in Latin America, while the share of Africa and Asia was very small.

In addition to the private capital flows stated above, private commercial credit for periods of less than 5 years, guaranteed by governmental institutions, amounted to an average of $225 million in 1962 and 1963 and an estimated $350 million in 1964. No satisfactory estimates are available of the amount of unguaranteed private commercial credit.

In February 1965, the U. S. Administration, concerned over the increase in the over-all balance of payments deficit, took several measures to restrict private capital outflows. Banks and other financial institutions were asked to limit their foreign investments and loans so that the outstanding amount of private foreign loans should not increase during 1965 by more than 5%. As by February 1965 in some cases the outstanding credits had already reached 105% or more, a cutback for some institutions became necessary. Within this ceiling, priority was to be given to credits directly financing exports from the U. S. and then to credits in the less developed countries. Non-bank corporations were also asked to exercise restraint on their investments in other industrial countries and to report the balance of payments effect of their operations with other countries. Direct investments in developing countries were specifically excluded from this request. In addition, the Administration made the Interest Equalization Tax, which increases the cost of certain foreign borrowing in the United States, applicable to commercial bank loans to foreigners with maturities of one year or more. The Administration also requested Congress to extend the duration of the Interest Equalization Tax and to expand the coverage of the tax to include non-bank credit of one to three years maturity.

In April 1965, the U. K. Government also announced measures to reduce private capital outflow, by the equivalent of $280 million annually, to help correct a balance of payments deficit. To that end, exchange allocations for direct investments outside the sterling area were to be made on a stricter basis, taking into account the expected exchange income. In addition, one of the effects of changes in the method of taxing company profits was that in general the tax treatment of income from foreign investments would be less favorable than before.

The European Economic Community countries as a group had a net inflow of capital, and some of them, notably Germany, were concerned over the inflationary impacts of such inflows. The German authorities took fiscal and other measures to encourage private investments abroad, especially in the developing countries. A recovery in such investment was registered in 1964.

TERMS OF OFFICIAL AID

The harder the terms of financial assistance, the greater will be the return flow of amortization and interest from the developing countries. The greater the return flow, the larger the gross amount of aid has to be to make available a given net amount of capital. The hardness or softness of terms is, therefore, of as great importance to the developing countries as the amount of assistance. Two main factors determine the hardness or softness of aid: (a) the share of grants in the total flows; (b) the structure of interest rates and the length of grace and amortization periods.

The share of grants in bilateral aid commitments has been gradually declining in recent years. While in 1962, grants and grant-like contributions equaled 60% of aid commitments, in 1963 the share declined to 56%, and in 1964 to 54%. The U. S. reduced its share of grants from 62% of aid commitments in 1963 to 56% in 1964, and France, the second largest extender of grants, from 80% to 76%. The U. K. also reduced the share of grants in its commitments for 1964. The proportion of grants in commitments of Germany and the Netherlands increased in 1964; but these countries accounted for a relatively small share in the total flows.

On the other hand, the over-all terms of bilateral official lending have been improving, with a lengthening of the amortization period and a small lowering of interest rates. The average maturity of loan commitments made in 1964 was 27.6 years, compared with 24.6 years in 1963 and 23.9 years in 1962.

The average interest rate for official bilateral commitments made in 1964 was 3.1% compared with 3.4% in 1963 and 3.6% in 1962. This was the net result of reductions in interest rates charged by some countries, which were partially compensated for by an increase in rates on U.S. commitments; U.S. rates, however, were still below the average.

The trends indicated above are on a commitments basis, and will be reflected only in future disbursements. For disbursements made in recent years, the average terms for lending have remained about the same.

The improvement in the terms of lending reflects the growing concern over the debt service burden of the developing countries. In June 1965 the British Government announced that it will make interest-free loans to selected developing countries (based on, in particular, the per capita income of the recipient country and its present debt burden), thus taking a major step in alleviating the future burden of indebtedness on these countries. Canada also has considerably improved its terms by inaugurating a new program of lending on terms equivalent to the present IDA terms.

Loans given by the Soviet Union have been made at low interest rates, usually about 2.5%, but the amortization period has been relatively short, about 12 years on the average. Loans from other eastern European countries have been given on harder terms, carrying interest rates of up to 5% and amortization periods of four to eight years.

INTERNATIONAL CAPITAL MARKETS

While the major share of external finance to developing countries has been through official bilateral channels or in the form of direct investment and loans, a part of such financing came through international capital markets. These markets have been an important source of financing for international development institutions, including the World Bank and the Inter-American Development Bank; official bodies and private corporations in a number of developing countries have also been able to sell bonds in the private markets. These markets should furnish a growing amount of the needed capital funds of the developing countries.

The total amount of new issues (including private ones) sold by the developing countries in foreign capital markets was some $350 million in 1964, compared to $200 million in 1963. In addition, international institutions sold bonds amounting to some $180 million in 1964, compared to only $50 million in the previous year.

Changes in the capital markets were mainly due to the measures taken by the U.S. and the U.K. to protect their balance of payments and by the EEC countries to secure domestic stability. The U.S. Interest Equalization Tax on purchases of certain foreign securities raises the actual interest costs to the foreign borrowers concerned by about 1%. (The tax became effective as of the date of its proposal, July 1963.) Securities issued by the developing countries and international organizations of which the United States is a member (including the World Bank), are exempt and new issues of Canadian securities were exempted by Executive Order. A 1965 Executive Order exempted from the tax new issues of debt securities payable in dollars issued or guaranteed by the Government of Japan up to an annual amount of $100 million.

The exemption from the tax of issues by developing countries resulted in an increase of such issues in the U.S. market. The sales of new bonds publicly issued by the developing countries almost doubled from $97 million in 1963 to some $180 million in 1964. In 1965, through the end of June, some $55 million more was borrowed by developing countries. The main borrowers were Israel, Malaysia, Mexico, the Philippines and Venezuela. The World Bank also sold an issue of $200 million early in 1965.

London has continued its traditional role as an important capital market; but Jamaica was the only developing country which made a direct issue in the London market during 1964 and again in 1965, borrowing around $9 million each time.

Foreign issues have increased rapidly in Germany, but the developing countries did not place any issues there. The value of foreign bond issues in Germany increased to $225 million in 1964, compared to only $40 million in 1963 and $25 million in 1962. The borrowers were governments and municipalities in Japan and the Scandinavian countries, EEC financial bodies and the Inter-American Development Bank. In March 1965, the World Bank also made an issue in Germany in Deutsche Marks of an amount equivalent to $62.5 million.

While Switzerland has been a well-established market for foreign issues, the volume of such issues contracted considerably in 1964. In effect, from September 1964 until March 1965 almost no foreign issues were made on the Swiss market. In April 1965, the World Bank made an issue equivalent to $14 million in Swiss francs.

The French capital market was, for many years, closed to borrowers from outside the Franc Zone. This policy was changed in November 1963, when the French authorities announced their intention to re-open the market for foreign borrowing. Under the new policy, an issue of $30 million by the European Coal and Steel Community was placed in the French Market in 1964, following a similar issue of $12 million by the European Investment Bank in 1963. These international institutions have been the only borrowers from outside the Franc Zone in the French capital market in recent years.

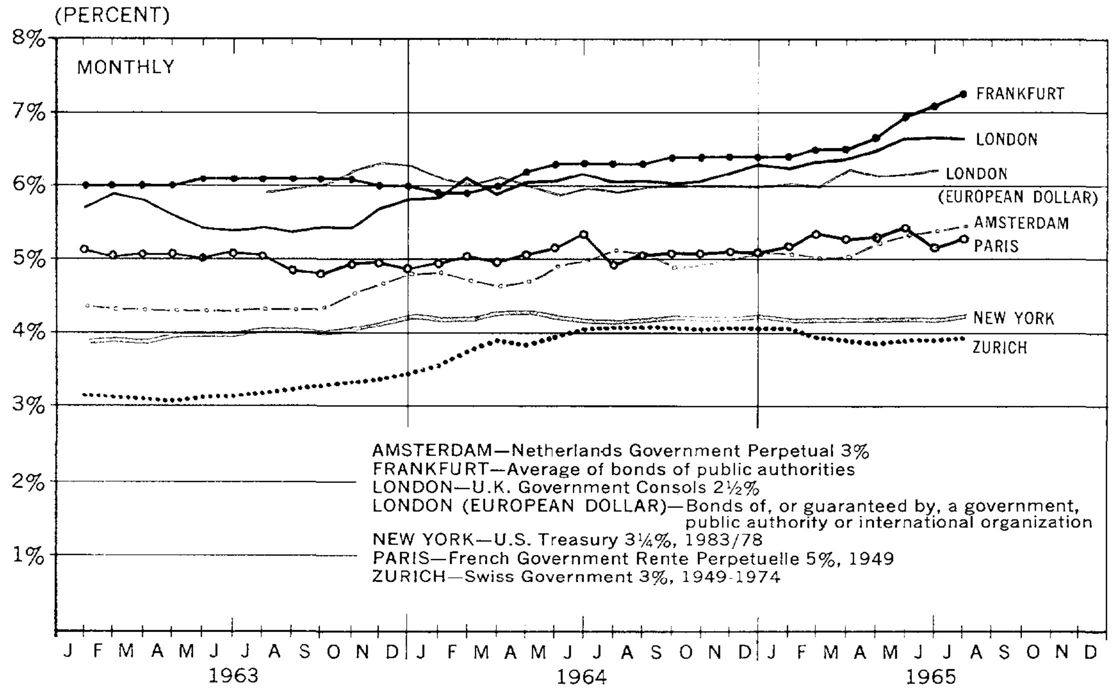
The Netherlands was an active market for foreign issues, especially in 1961 and 1962. Due to balance of payments difficulties, no foreign issues were made in 1963. In 1964, foreign issues of an amount equivalent to $15 million were made by the European Investment Bank and the European Coal and Steel Community.

Thus, as an outcome of the changes during 1964 increased recourse was had to European capital markets. Nevertheless, the United States still accounted for more than half of the amount of all international issues, including those of international institutions, and was almost the only market for issues of the developing countries.

The general trend of interest rates, affecting domestic as well as foreign issues, has been upward in 1964. The trend was most noticeable in discount and short-term lending rates, which were raised in the U.K. and in the United States primarily to curb capital outflows, and in a number of other countries, including Germany, to contain inflationary dangers. Long-term interest rates also rose in most capital markets (see Chart 2), with the important exception of the U.S. in which long-term rates were on the whole stable. These high interest rates, the substantial costs of issue in European markets (which reflect the still

CHART II

YIELDS ON LONG-TERM GOVERNMENT BONDS
IN SELECTED CAPITAL MARKETS



inadequate development of the capital market institutions and habits of investors), and the still unestablished private capital market credit of most of the less developed countries, limit the amount of foreign borrowing presently feasible for the developing countries.

Future Needs

While the amount of external finance has grown little in recent years after a substantial rise in the 1950's, the capability of the developing countries to make productive use of resources has increased considerably. A preliminary Bank inquiry, carried out country by country and based on the judgment and experience of the Bank's country specialists and area economists, suggests that the developing countries could effectively use, on the average over the next five years, some $3 billion to $4 billion more of external capital per year than has been provided in the recent past.

An important source of funds, of course, is private capital, which may have a productive or catalytic effect considerably greater than its volume would indicate. In some instances, the exports generated by such investments may actually result in foreign exchange earnings which considerably surpass the requirements for service on the investments. The World Bank group and other international organizations, as well as development finance companies within the developing countries themselves, are making strenuous efforts to encourage and enlarge the flow of private capital into the less developed countries. There is no doubt that this flow can be expected to increase above the levels recorded in the recent past, thereby accelerating the pace of development and relieving the pressure on public funds. For the present, however, it must be recognized that for some time to come the increasing needs of the less developed countries for external capital will probably have to be covered mainly by official flows originating in the developed countries and channeled through bilateral agencies or international financial institutions. Meanwhile, the official flows, through their help in creating stronger economic structures in the developing countries, both widen the outlets for private investment and multiply the productive contribution it can make.

The question of the future level of development finance is intimately related to the question of terms on which finance is provided. At the present time a substantial proportion of capital flows is in the form of grants. As indicated earlier, grants from official sources in industrial countries have declined slightly during the last three years, and there is no indication at present that they will increase. The harder the terms of lending, the larger are the amounts of gross capital transfers needed over future years to assure a given net transfer of resources. Meeting this need through lending on hard terms would necessitate a gross flow of lending of increasingly large magnitudes.

The question arises whether such large and increasing amounts can be raised through foreign aid appropriations. But more important, large reliance on lending on hard terms would result in further sharp increases in external indebtedness and in debt service obligations. For countries where the dependence on foreign finance is moderate and is expected to diminish in the foreseeable future, where yields on investment and the marginal savings ratios are satisfactory, and where export prospects are favorable, exclusive reliance on hard lending terms is justified. For developing countries, where dependence on foreign finance is substantial and expected to last for a very long period, where yields on investment and the marginal savings ratios are relatively low, and where export prospects are uncertain, low interest rates or long grace and amortization periods are needed in varying degrees. Countries with extremely low rates of savings and serious institutional obstacles to raising them cannot sustain hard terms even if their present indebtedness is low. Countries where the debt service burden is already high and the dependence on foreign resources is still large despite rising savings, also need softening of terms.

The need for finance on concessionary terms stems from the balance of payments position of a developing country (which reflects its economic structure) and is connected with its stage of development and paucity of resources. This very fact emphasizes that the need that such funds be used effectively is as great as in the case of conventional loans. It is for this reason that the Bank's affiliate, the International Development Association (IDA), offers concessionary financial terms but insists on standards of project preparation and evaluation that are as exacting as those of the Bank itself. This is also the reason for the so-called "two-step" policy in IDA credits, whereby the country gets the balance of payments benefits of IDA terms but the project financed has to bear the discipline of conventional terms in local currency when it is administratively feasible to do so. At the same time, the economy aided is under regular economic review, which includes an assessment of economic and financial performance. For specific countries where a number of aid-giving countries are involved in addition to the Bank group, consortia and consultative groups provide an opportunity for the donor countries to review development policies of the recipient countries.

As stated earlier, there is room for the developing countries to improve the mobilization of domestic savings and to make more effective the use of both internal and external capital resources. There has been steady progress in this in recent years. However, it must be recognized that there is a scarcity of capital even in the industrial countries, that their capital markets are often still underdeveloped, and that there are competing investment outlets within these economies for capital resources. Also, when the industrial nations are called upon to extend assistance to other countries for a prolonged period, their own governments are likely to be closely questioned by their legislatures and peoples on various aspects of such assistance. The most careful husbanding and effective utilization of aid resources by each of the recipient countries is constantly necessary, therefore, if they are to expect continued assistance, and on a larger scale. Performance, in terms of the pursuit of sound economic and financial policies and effective implementation of programs and projects, has to stand up to close scrutiny.

If external financing is not extended in larger amounts, the less developed countries will, of course, have to accommodate themselves to what is available, but some of the consequences can be foreseen. A slackening in the rate of investment activity may become unavoidable; the growth rate may be reduced; low standards of living may rise even more slowly than in the past, particularly in the face of rising population; the pressure to resort to inflationary financing in order to obtain domestic resources would become greater, and even more intensive restrictions would have to be placed on imports and foreign exchange payments. These developments may well discourage the flows of private capital and distort the pattern of investment.

In conclusion, both the problem of the terms at which development finance is made available and the problem of the volume of future flows of resources are key questions both developing and developed countries face today. Closely related is the problem of improving the export performance of the developing countries, both by changes in their domestic policies and through improved access to foreign markets.

ANNEX

The information in this section describes Bank loans, IDA credits and other activities of both institutions during the fiscal year. Money amounts are usually expressed in United States dollar equivalents.

Bank loans to borrowers other than member governments carry the guarantees of the governments concerned, and the participations of financial institutions in loans made during the year were all without the Bank's guarantee.

All IDA credits were made to the governments concerned, on identical terms: No principal repayments are to be made for the first 10 years; thereafter 1% per annum is repayable for the next 10 years and 3% per annum is repayable for the final 30 years. The credits are free of interest, but a service charge of ¾ of 1% per annum is payable on the amounts withdrawn and outstanding, to meet the administrative costs of IDA.

This Annex also records commitments during the year by the Bank's other affiliate, the International Finance Corporation. Fuller descriptions of those commitments are given in the Annual Report of IFC, which is published simultaneously with the Bank/IDA Report.

AFRICA

REGIONAL

Permanent Bank missions were established in western and eastern Africa, with the primary object of assisting member countries in identifying and preparing projects for presentation to the Bank, IDA or IFC for financing. The western African mission, in Abidjan, Ivory Coast, began operations in April, and that for eastern Africa, with offices in Nairobi, Kenya, began work in June. They were staffed initially with experts in transportation and agriculture.

A staff member was assigned by the Bank for an initial period of two years as Bank Representative in Addis Ababa, Ethiopia, for liaison with the United Nations Economic Commission for Africa and with the Organization for African Unity.

Field work on a study of experiences with the development of African agriculture was completed by a Bank mission; its report is expected to be published toward the end of calendar year 1965.

The Bank has agreed to act as Executing Agency for a United Nations Special Fund survey of transport requirements of the southern regions of Cameroon and the Central African Republic.

BECHUANALAND

TRANSPORTATION—ROADS

$3.6 million IDA credit of August 3, 1964.

The Bechuanaland Protectorate, a United Kingdom dependency in southern Africa, has an area of 225,000 square miles and is entirely landlocked. The main occupations of the people, who number about 450,000, are cattle-raising and subsistence agriculture. The livestock industry is capable of considerable expansion and future economic growth depends chiefly on its development. A prerequisite, however, is an integrated road system. It will permit the transport of cattle to markets by truck, assist in the redistribution of cattle from overgrazed and overstocked regions of the country, and open new areas to production. The IDA credit to Bechuanaland was therefore for a project which will improve the road system.

The north-south road, which extends 418 miles from the border of Rhodesia to that of South Africa and connects all the larger towns in Bechuanaland, will be improved to all-weather standards; it will stimulate agricultural development in the regions served and facilitate through traffic. The main east-west road extending from Francistown to Maun across the Territory will be built or rebuilt. It will enable cattle to be moved by truck to the railhead at Francistown for shipment to the Lobatsi abattoir or to Rhodesia; the larger return that will result to producers will encourage increased cattle production, as well as cash crop farming. Two short roads will be built in the eastern part of the Territory, one from the capital, Gaberones, to the South African border, and the other from Serowe, the largest town in Bechuanaland and the center of a large cattle ranching and crop producing area, to the railhead at Palapye. Road maintenance will also be improved through the purchase of additional equipment, a training program, and the construction of maintenance depots along the main roads. The total cost of the project is estimated to be $4.6 million.

CAMEROON

The Bank is financing the foreign exchange cost of preparing a project to check the decline in cocoa production and to improve its quality in selected areas. The study also covers the requirements for feeder roads to facilitate the collection of cocoa. The work is being undertaken in cooperation with the Food and Agriculture Organization of the United Nations (FAO). The cost to the Bank is estimated at $120,500.

The Bank is also meeting the foreign exchange costs, estimated at $200,000, of a study and recommendations for further improvement of the N'Gaoundere-Garoua Road.

ETHIOPIA

IFC COMMITMENT • $2,503,778 in loan and share capital for Cotton Company of Ethiopia, S.C., a textile producer undertaking a modernization and expansion program.

GABON

TRANSPORTATION—ROADS

$12 million 20-year 5½% Bank loan of July 10, 1964, to Gabon.

Gabon's dense tropical forests have traditionally been its most important resource. Although petroleum, manganese ores and uranium are making a growing contribution to the economy, exports of tropical hardwood still account for 60% of Government income and of foreign exchange earnings. Since economically useful timber along the coast and near navigable rivers is gradually being exhausted, new logging areas farther inland must be opened up to avoid a serious drop in timber production.

The Bank loan will help to finance the construction or improvement of three roads, with a total length of about 116 miles, leading into the so-called Second Forest Zone where logging companies are ready to operate as soon as penetration roads are built. Funds are included for final engineering and supervision of construction. The roads will give ready access to stands of timber which will permit logging at the rate of 200,000 tons a year for more than 20 years; this annual increase represents a fourth of present timber exports. Funds from the loan will finance feasibility studies and preliminary engineering for a further 175 miles of roads in the interior forest zone, as well as for improved loading facilities at the logging port of N'Djole on the Ogooue River. The loan will also finance the services of experts to strengthen the technical staff of the Directorate of Public Works, and the procurement of equipment and materials for a pilot road maintenance division.

Participation totaling $115,000: by First National City Bank.

OTHER ACTIVITIES • Work was completed on a railway study financed by the UN Special Fund, with the Bank acting as Executing Agency. The study comprises surveys of the technical and economic feasibility of a railway to transport iron ore from the Mekambo mines to a seaport near Libreville and studies of the railway's impact on the economic development of Gabon. The technical report has been finished and the economic study should be ready by July 1965.

GHANA

A member of the Bank's Development Advisory Service completed a two-year assignment as Resident Representative.

IVORY COAST

IFC COMMITMENT • $204,081 investment in share capital of Banque Ivoirienne de Developpement Industriel, S.A., a new development finance company.

KENYA

AGRICULTURE—TEA PRODUCTION

$2.8 million IDA credit of August 17, 1964.

Tea production has become one of the most important industries in Kenya, with tea now ranking as one of the three leading exports. Although the greater part of the tea is produced on large estates, emphasis in recent years has been given to expanding tea growing by African smallholder farmers. A program, started in the nineteen-fifties and considerably expanded after 1960 with the financial and technical assistance of the Commonwealth Development Corporation (CDC), provided for the planting of 11,100 acres of tea and the construction of six tea factories; it has proved so popular that over 20,000 farmers have already participated.

IDA, in association with the CDC, is assisting in financing the second stage of the program under which 14,400 acres of tea will be planted and 10 additional factories will be built. It aims to provide about 15,000 smallholders, some of whom are already participating in the program, with a cash income, improving their standard of living. The increased tea production will contribute substantially to Kenya's foreign exchange earnings.

The IDA credit will be used for expenditures on field development, which includes materials and equipment for nurseries, field supervision, inspection and collection of leaf to be delivered to factories. The total cost of the field sector is estimated at the equivalent of $4,928,000 of which the CDC will contribute $686,000, together with approximately half of the $4,032,000 required for the construction of the new tea factories.

The development of smallholder tea cultivation is organized and supervised by the Kenya Tea Development Authority. The Government of Kenya will relend the proceeds of the credit to the Authority, with repayment to be made in 16 years, including a nine-year grace period, and interest of 5½%.

TRANSPORTATION—ROADS

$3 million IDA credit of June 30, 1965.

This credit is assisting a road project which is an integral part of the smallholder tea development program being carried out by the Kenya Tea Development Authority. It will help to finance the engineering, construction or reconstruction of approximately 800 miles of tea collection roads and nine factory access roads totaling 94 miles in length, and equipment for 15 small units for maintenance of the roads. The tea collection roads, where traffic will be light, will be built to relatively modest standards and surfaced only where drainage is poor and grades are steep. The factory access roads will be subject to much heavier traffic and will be built to higher standards and surfaced throughout. The Government of Kenya will be responsible for maintenance of the roads. The 15 maintenance units will be centrally located near the tea factories and will be used for day-to-day maintenance of the roads. The Kenya Tea Development Authority will manage these units with funds and equipment provided by the Government. Local authorities will undertake periodic maintenance in their own areas and the Government will ensure that they have sufficient funds for this purpose.

The total cost of the project is estimated at $4.2 million. The roads will be finished in 1968—in time for the transport of tea to factories from the newly planted areas when the seedlings mature. Although the roads are being built mainly for the transport of tea in various parts of central and western Kenya, they will also improve transport for other commodities, such as milk, vegetables, fruit, wattle bark, pyrethrum and charcoal.

TRANSPORTATION—ROADS

$4.5 million IDA credit of December 29, 1964.

An extensive road network is of primary importance to the continuing economic development of Kenya. The railway is used primarily for long distance haulage between market centers and the port of Mombasa on the Indian Ocean, and roads are needed to supplement it. There are now about 26,000 miles of roads of which 3,900 are classified as primary roads. Good progress has been made in recent years in improving the highway system and part of a World Bank loan of $5.6 million made in 1960 assisted in the construction of one new road and the improvement of 22 roads totaling 400 miles.

The project being assisted by this IDA credit is essentially an extension of the road work carried out earlier. It involves the up-grading of additional roads in widely separated parts of the country. The work includes the relocation of several road sections, improvement of drainage, paving, and the replacement of 18 narrow and poorly located bridges. The improvements should contribute to the efficiency of the trunk road network as a whole: they will result in better access to important cash crop production and marketing centers, and in a reduction of transport and road maintenance costs. The IDA credit will cover about three-fourths of the total estimated cost of $6 million.

LIBYA

A member of the Bank's Development Advisory Service completed his assignment as Economic Adviser to the Prime Minister. Another member of the Service continues as Principal Adviser on Planning for the Ministry of Planning and Development.

MAURITANIA

TRANSPORTATION—ROADS

$6.7 million IDA credit of December 28, 1964.

This credit was part of an operation in which IDA joined for the first time with the European Development Fund (FED) of the European Economic Community to provide finance for a development project. FED's contribution amounted to $3,220,000. Funds from both institutions will be used for the construction of a 125-mile two-lane, all-weather road between Nouakchott, the capital of Mauritania, and Rosso, on the border of Senegal. In addition, IDA will finance the design and supervision of construction of the road and a study of general road maintenance requirements.

With the exception of a railroad in the north used for the transport of iron ore from Fort Gouraud to Port Etienne, the only means of surface transport in Mauritania is a rudimentary road network of unimproved earth roads and tracks. The most densely settled and agriculturally promising part of the country is in the south. This region is at present supplied largely through the port of Dakar in Senegal which involves costly and time-consuming transshipments. A new wharf being built at Nouakchott will give the capital direct access to the sea and the road being financed will provide a permanent artery between the wharf, Nouakchott, and Rosso in the Senegal Valley. It will substantially reduce the distance over which Mauritania's exports and imports must be shipped, reduce vehicle operating costs, and save road maintenance costs. The Mauritanian Government is retaining consultants to draw up the final design and to supervise construction of the road, as well as to undertake a study of maintenance requirements for the entire road network. The project is scheduled for completion in 1969 at a total estimated cost of $10 million.

MOROCCO

AGRICULTURE—IRRIGATION AND LAND DEVELOPMENT

$17.5 million 25-year 5½% Bank loan of August 26, 1964, to Morocco.

This loan will assist in carrying forward a program begun in 1962 for the comprehensive development of the Sidi Slimane area in the Rharb Plain about 65 miles northeast of Rabat, the capital. The cultivable area at Sidi Slimane comprises 217,000 acres and its soil and climate make it one of the most promising agricultural areas in Morocco, particularly where irrigation is available. The program is a pilot undertaking to introduce modern intensive agriculture, and its successful execution will point the way to similar developments in other parts of the country. Its purpose is to improve the quality and quantity of agricultural products both for the home market and for export, to diversify production mainly through the introduction of sugar beet to meet part of Morocco's sugar requirements, and to improve living standards through raising the level of farm incomes.

The Bank loan will be used for the first stage of the program, which is scheduled for completion in 1968 at a total estimated cost of $46.6 million. The main elements are the improvement of the existing irrigation system on some 69,000 acres and the construction of irrigation works for an additional 10,000 acres; improvement and extension of drainage facilities; improvement of existing farm-to-market roads; consolidation of farm holdings, land leveling, construction of farm buildings and the provision of equipment to enable farmers gradually to adopt modern methods of crop production, dairy and livestock farming; the completion of 11 Agricultural Service Centers which will provide farmers with equipment, seeds, fertilizer, transport and marketing services, as well as advice and vocational training; and the establishment and stocking of 13 dairy centers which will form the nucleus for increased milk and meat production.

Participation totaling $100,000: by Bank of America National Trust and Savings Association.

OTHER ACTIVITIES • The draft report of a general survey mission to Morocco has been submitted to the Government. It is expected to be published in early 1966 after discussions with the Government. The mission was organized by the Bank to assess the country's development potential and to make recommendations concerning economic policy, institutional arrangements and the elements of an investment program designed to accelerate economic growth.

NIGERIA

ELECTRIC POWER

$82 million 35-year 5½% Bank loan of July 7, 1964, to the Niger Dams Authority.

The Bank loan was part of a $208 million financing plan to build a large scale dam at Kainji Island on the Niger River which, together with associated works and installations, will be the final link in the creation of a national power network. Other financing, totaling about $57 million, will come from Italy, the United Kingdom, the United States and the Netherlands, to be drawn upon mainly for purchases of equipment or services to be provided from those countries. The Federal Republic of Nigeria will finance local currency costs and any residual foreign exchange requirements not otherwise covered.

The Kainji project is the largest yet to be undertaken by Nigeria and is considered to be the cornerstone of the country's National Development Plan (1962-68). The project, located 260 miles north of Lagos, the Federal capital, will consist of a main dam about 14,000 feet long and 215 feet in maximum height, a power station containing initially four 80,000-kilowatt generating units and facilities for eight more units of the same size, an auxiliary dam, navigation locks, a transmission system and attendant works and installations.

When completed the Kainji project will supply all the major load centers served by the Electricity Corporation of Nigeria (ECN). Three main transmission systems now being formed by ECN will be interconnected with Kainji to create a national grid. Kainji's initial capacity of 320,000 kilowatts will be sufficient to meet the demand expected by 1968; additional units will be installed periodically thereafter to increase total capacity to 960,000 kilowatts by 1981. In addition to power, other benefits can come from improved navigation on the Niger River and from the development of fisheries in the reservoir, which will cover an area of 500 square miles.

Participations totaling $1,410,000: by Bankers Trust Company, New York Branch of Barclays Bank D.C.O., Bank of America National Trust and Savings Association, Irving Trust Company, Continental Illinois National Bank and Trust Company of Chicago, The First National Bank of Boston, and The First Pennsylvania Banking and Trust Company.

EDUCATION

$20 million IDA credit of March 1, 1965.

The credit will help to finance high priority education projects, involving some 192 institutions in all, in the four Regions of Nigeria and the Federal Territory. It provides for the expansion and construction of schools which will increase pupil enrollment by 11,000 in secondary schools, by 700 in teacher training schools and by 5,000 in trade training schools. Some 9,000 of the additional secondary school places will be in Northern Nigeria which contains about half the population and where the growth of secondary education has been relatively slow. Of special importance are a new Advanced Teacher Training College in Northern Nigeria which will reduce the present dependence of secondary schools on expatriate teachers, a National Teacher Training College in Lagos which will train technical college and trade instructors for the whole of Nigeria, and the addition of science laboratories and metal and wood workshops at many secondary schools, which will reduce the prevailing emphasis on academic studies at the expense of scientific and technical training.

The project has been drawn from Nigeria's National Development Plan which gives priority to the acceleration of education of all kinds and at all levels. Because of the importance of expanding and improving secondary education to increase the availability of intermediate and high level manpower essential to the developing economy of Nigeria, nearly 60% of the project's total cost of $30 million has been allocated to general secondary education.

The Federal Government will relend the proceeds of the credit to the Regional Governments in the amounts allocated to them on the same terms it receives from IDA.

TRANSPORTATION—ROADS

$15.5 million IDA credit of March 1, 1965.

The Nigerian National Development Plan includes a six-year program for road development in Northern Nigeria, an area of 282,000 square miles. Although much of the long-haul freight is carried by rail, an extensive road network is essential to link with railway centers and to interconnect producing and consuming centers. The project being assisted by the IDA credit includes high priority items in the road program and consists of the building of three new roads totaling 225 miles in length and the improvement of another 50 miles of feeder roads.

Two of the roads will connect with the new Bornu railway extension in the northeast, which was completed in 1964 with the help of a $28 million World Bank loan made in 1958. One of them will extend 128 miles from Maiduguri, the terminus of the railway, to Baga on Lake Chad. This road will open up an agricultural area to year-round traffic and will facilitate the transport of agricultural products and fish from Lake Chad. The second road runs 82 miles from Biu to Gombe on the railway, crossing the Gongola River. This road will reduce transport costs and stimulate increased output of crops in a productive and densely populated area. East of the river, about 50 miles of feeder roads, connecting with the new road, will be improved. The third road will extend 14 miles from Gumel to Maigatari, a market center on the border with Niger. This road is part of the route to the important railhead at Kano in Nigeria and connects with new roads being built in Niger with IDA assistance. The IDA credit will also finance the services of consultants to supervise construction of the roads and the procurement of miscellaneous equipment needed for the road program. Priorities for the program were determined by a study, completed in August 1964, which the Bank helped to finance.

The Federal Government will relend the proceeds of the credit to the Regional Government of Northern Nigeria on the same terms as it receives from IDA.

OTHER ACTIVITIES • A mission organized by the Bank to study the progress of the Nigerian Development Plan, priorities in the principal sectors, capital requirements and institutional arrangements and policies related to economic planning and development completed its field work toward the end of June. The mission's report is due in September 1965.

A Bank staff member completed a two-year assignment as Resident Representative. A member of the Bank's Development Advisory Service completed short-term assignments as Economic Adviser to the Federal Government and to the Premier of the Mid-Western Region.

The Bank has agreed to help finance a study which will provide the basis for improving and expanding the road network in Eastern Nigeria. Foreign exchange costs to be borne by the Bank are estimated at $375,000.

The Bank also agreed to act as Executing Agency for a UN Special Fund study of highway development in Western Nigeria.

SIERRA LEONE

ELECTRIC POWER

$3.8 million 20-year 5½% Bank loan of August 18, 1964, to the Sierra Leone Electricity Corporation.

This was the first Bank operation in Sierra Leone. It is helping to finance the construction of a 13,200-kilowatt diesel power plant at King Tom Point in Freetown, the capital, and the expansion of electricity distribution facilities.

The greater part of the country's population of some 2.2 million is engaged in subsistence agriculture including fishing. In the past 10 years minerals have assumed an important role in the economy, accounting for 80% of the value of exports. There is limited use of electricity in Sierra Leone at the present time. The largest demand is in the Freetown area where power growth has averaged 16% annually in recent years and is expected to increase at a rate nearly as high for the next several years. There are now two plants in Freetown with a total capacity of 9,800 kilowatts. The new King

Tom plant will more than double this capacity, and provision is being made for the installation of a third 6,600-kilowatt unit, which may be necessary by 1968. Construction of the new power station is scheduled for completion this year at a total estimated cost of about $5 million.
Participations totaling $240,000: by the New York Agency of Barclays Bank D.C.O., Chemical Bank New York Trust Company, Meadow Brook National Bank, and The First Pennsylvania Banking and Trust Company.

OTHER ACTIVITIES • In December 1964, a member of the Bank's Development Advisory Service completed a three-month assignment as Economic Adviser to the Prime Minister.

SOMALIA

TRANSPORTATION—ROADS
$6.2 million IDA credit of March 29, 1965.
This credit was part of a joint operation in which IDA joined with the European Development Fund (FED) of the European Economic Community and the United Nations Special Fund to provide financing for a highway project which is expected to cost approximately $14.2 million.

Over two-thirds of Somalia's population of about 2½ million are nomads engaged in raising livestock. The rest of the people are settled mainly in three areas: one in the north, another in the south and the third in the center of the country between Baidoa and Mogadiscio, the capital and principal port. Most of the people now depend on primitive means of transport, mainly the camel and donkey. Road transport is still in its early stages; nearly half the network of 7,500 miles are only earth tracks and all but about 500 miles are impassable during the rainy season.

The project being financed is a comprehensive approach to developing an adequate road network. It involves the construction of a 125-mile, two-lane road from Afgoi to Baidoa, passing through Somalia's most important dry-farming area. It will reduce the costs of transporting agricultural products to the largest consuming center, Mogadiscio, which is already linked to Afgoi by a 19-mile all-weather road, and will encourage further production of food crops. The project provides for adequate road maintenance installations and equipment and for the creation of an effective organization to carry out maintenance operations .It also includes feasibility studies of future roads and an analysis of investment needs for all forms of transport in Somalia.

The IDA credit will be applied to the cost of constructing the road. Funds amounting to $5,150,000 from FED will finance the remainder of construction costs, consultants' fees, and maintenance installations and equipment. A Special Fund grant of $2,095,000, together with $800,000 provided by the Government of Somalia, will finance technical assistance of foreign experts to carry out the transport studies involved in the project, to staff and operate the Highway Department and to train Somalis in road maintenance and construction work. The World Bank will act as Executing Agency for the Special Fund.

OTHER ACTIVITIES • A study to determine a suitable site, form and layout for a deep water port at Mogadiscio commenced during the year and is expected to be completed in about two years. The Bank has allocated $375,000 to meet the foreign exchange costs.

SUDAN

A member of the Bank's Development Advisory Service was replaced as Adviser to the Department of Finance and Economics, Economic Planning Secretariat, by another member of the Bank staff. The Bank also assigned to the Government, for a two-year period, an adviser on project preparation.

The Bank has agreed to help finance a study to review the basic concepts, objectives, and practices of the Gezira Scheme, bearing in mind the vital importance to the national economy and the individual tenant of increased production and efficiency. The Bank will pay the foreign exchange costs, estimated at $400,000.

TUNISIA

A study to improve school building designs and to lower construction costs was completed. The Bank contributed $375,000 toward the foreign exchange costs of the study.

UGANDA

IFC COMMITMENT • $3,513,038 in loan and share capital, as well as standby commitment, for Mulco Textiles, Limited, a new company establishing a textile mill.

ZAMBIA and RHODESIA

ELECTRIC POWER
$7.7 million 25-year 5½% Bank loan of October 2, 1964, to the Central African Power Corporation.
The project being assisted by the loan provides for the continuing development of the Kariba hydroelectric scheme by the construction of a second 268-mile, 330 kilovolt transmission line from Kariba to Kitwe in the Copperbelt and an intermediate switching station at Broken Hill in Zambia, together with an expansion of existing substations at Kariba, Lusaka and Kitwe.

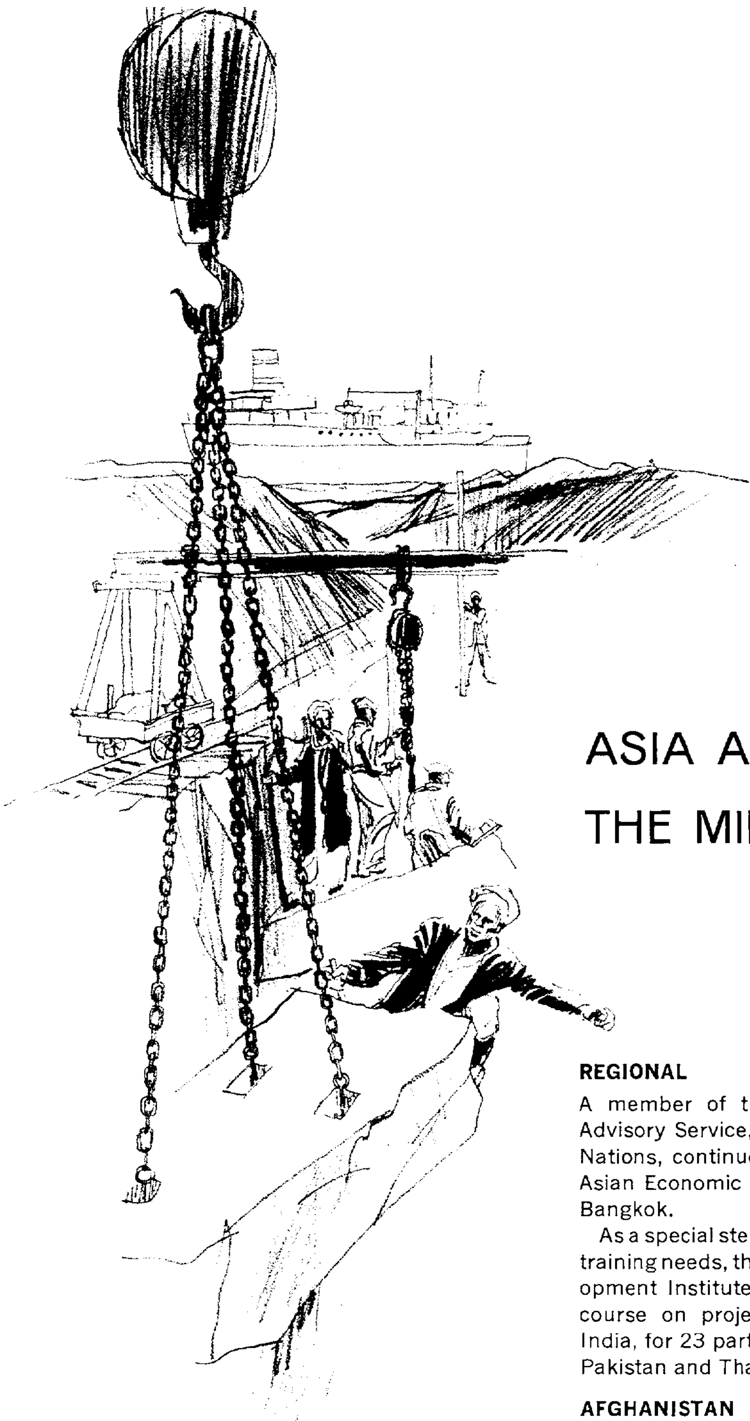
The dam and 700,000-kilowatt power plant at Kariba Gorge on the Zambezi River were built with the help of an $80 million Bank loan made in 1956. Nearly 900 miles of transmission lines carry power northward to the Copperbelt and to the principal consuming centers of Rhodesia to the south. The new transmission facilities are needed to meet the increasing demands of the copper industry and of the Central Electricity Corporation in Zambia. The Copperbelt now also draws supplies of power from the Democratic Republic of the Congo under a contract which terminates in late 1966. The new line is scheduled to come into operation in December 1966.

The Kariba system is owned and controlled jointly by the Governments of Zambia and Rhodesia through the Central African Power Corporation, a statutory corporation established for that purpose. The loan is guaranteed by the Governments of the United Kingdom, Zambia and Rhodesia.
Participations totaling $4,540,000: by Continental Illinois National Bank and Trust Company, Confederation Life Association, Mellon National Bank and Trust Company, New York Branch of Barclays Bank D.C.O., Morgan Guaranty Trust Company, Chemical Bank New York Trust Company, Bank of America National Trust and Savings Association, Societe Financiere Pour Les Pays d'Outre-Mer, Banque Lambert, S.C.S., and Irving Trust Company.

ZAMBIA

The report of consultants on the country's general transport requirements, including priorities of various proposals for the future development of transport, was submitted to the Government. The Bank paid $140,000 to meet the foreign exchange costs of the study.

A member of the Bank's Development Advisory Service was assigned in February 1965 as Adviser to the Planning Commission in the office of the President for a period of up to six months.



ASIA AND THE MIDDLE EAST

REGIONAL

A member of the Bank's Development Advisory Service, seconded to the United Nations, continued as the Director of the Asian Economic Development Institute in Bangkok.

As a special step toward meeting regional training needs, the Bank's Economic Development Institute conducted a two-month course on project evaluation in Jaipur, India, for 23 participants from India, Iran, Pakistan and Thailand.

AFGHANISTAN

EDUCATION

$3.5 million IDA credit of November 23, 1964.

This was the first operation in Afghanistan by one of the World Bank group. It will help to finance the construction and equipment of seven vocational schools at the secondary level; an academy for training teacher educators and a technical teacher-training school in Kabul, the capital; an agricultural, a mechanical and a teacher-training school in Kunduz in northern Afghanistan; an agricultural and a mechanical school in Herat in western Afghanistan.

The Government has been giving increasing attention to the development of a modern educational system in recent years. During the First Five-Year Plan, which ended September 1961, educational expenditures increased almost threefold and school enrollment rose by 66%. The current educational program gives emphasis to improving the quality and effectiveness of education to provide the qualified manpower essential to the country's economic and social development. The project being assisted by the IDA credit is part of this program. It will make it possible to increase the output of agricultural technicians by about 100%, of skilled mechanical workers by about 50% and of primary school teachers by 30% above the levels otherwise scheduled for 1967. In the longer term, the academy and teacher training school at Kabul will provide the staff required to double the primary teacher and mechanical education training programs in the next 10 years. The Government of Afghanistan is providing $1.7 million for the project, and expects to receive about $2.5 million for staff and equipment for some of the schools from Unesco, UNICEF and the Federal Republic of Germany.

OTHER ACTIVITIES • The Bank is assisting in organizing and financing a study of the Kunduz-Khanabad River Basin to select a suitable area for an integrated agricultural project. The Bank has allocated $350,000 to meet the foreign exchange costs of the study.

CHINA

INDUSTRY—DEVELOPMENT FINANCE COMPANY

$15 million 5½% Bank loan of December 17, 1964, to the China Development Corporation (CDC).

CDC, a private development finance company, was established in 1959 to assist the establishment, modernization and expansion of private industrial enterprises in Taiwan. An IDA credit of $5 million made in 1961, together with a $10 million loan from the U.S. Development Loan Fund, provided its foreign exchange resources. This year's Bank loan will replenish those resources, enabling the CDC to meet its foreign exchange requirements until mid-1967.

Industrial production in Taiwan, particularly exports, has expanded rapidly in recent years: output has grown at an average rate of 16% since 1958, while industrial exports have risen at an average rate of 40% annually. CDC has made a significant contribution to this growth. Exports by CDC's clients have risen from $10 million in 1959 to $85 million in 1964. CDC has approved 269 loans for 237 industrial projects totaling $36.6 million and has made 12 equity investments and 16 guarantees totaling $4.2 million. Chemical, ceramic and textile industries accounted for about two-thirds of the financial transactions both by number and value. Other industries which received assistance were food and beverages, electrical equipment, wood processing, coal mining and iron and steel.

Industrial growth is expected to continue at a high rate and the availability of long-term finance is important to the realization of Taiwan's full growth potential. With the additional resources provided by the Bank loan, CDC can be expected to continue to play a leading role in Taiwan's industrial development.

The Bank loan will be committed in parts by CDC for individual projects and each part will be repaid according to a schedule to be determined at the time of the commitment, subject to a maximum term of 15 years from the date of commitment.

TRANSPORTATION—RAILWAYS

$20 million 20-year 5½% Bank loan of April 28, 1965, to the Republic of China.

This loan will assist in financing high priority items in the current improvement program of the Taiwan Railway Administration (TRA). Railways are the principal means of transportation in Taiwan, carrying about four-fifths of the freight traffic and nearly half the country's passenger traffic. The system is operated by TRA and consists of the West and East Lines which are separated by a chain of high mountains and have no interconnection.

The improvement program now under way is designed to increase the capacity, efficiency and safety of the railways, to provide better service and to reduce operating expenses. The key elements of the program are further dieselization, the replacement of overage rolling stock, the provision of centralized traffic control and of adequate safety devices, and the replacement of the congested marshalling yard that serves the Keelung-Taipei area, the most populous and industrialized part of the country.

The part of the program being assisted by the Bank loan will cost a total of $30.2 million. It includes the purchase of 55 diesel locomotives; the provision of 150 new passenger cars of various types, of which 89 will be built in Taiwan with imported components; the purchase of components for 1,065 freight cars which will be constructed in Taiwan; equipment for centralized traffic control; the installation of automatic block signaling; automatic signaling equipment at 200 grade crossings; and materials for the construction of a new marshalling yard at Chi Tu which will have the capacity to handle some 2,000 cars daily, or more than twice the capacity of the existing Hua-Shan yard.

Participations totaling $1,930,000: by Chemical Bank New York Trust Company, First National City Bank, Crocker-Citizens National Bank, Irving Trust Company, The American Express Company, Inc., New York Agency of the Bank of China, Meadow Brook National Bank, Detroit Bank and Trust Company, Wells Fargo Bank, The First National Bank of Boston, The First Pennsylvania Banking and Trust Company, and The Northern Trust Company.

INDIA

TELECOMMUNICATIONS

$33 million IDA credit of July 6, 1964.

This credit, like one of $42 million made by IDA in 1962, is being made available to the Indian Posts and Telegraphs Department (P&T) as part of the Government's capital investment in that organization. The proceeds of the credit are financing raw materials and components to be imported by the three principal Indian manufacturers of telecommunications equipment and by P&T's own workshops, thus enabling full use to be made of indigenous manufacturing capacity in supplying the needs of the P&T program.

India has only about 1.3 telephones per thousand inhabitants, compared with 50 for the world as a whole. The backlog of applications for telephone service on which deposits have been paid equals about half the number of subscribers, and non-priority applicants have to wait five years or more for service. The expansion being assisted by the credit will extend service to about 75% more subscribers, as well as improve the telecommunications network in many other ways.

P&T's expansion program under the Third Five Year Plan calls for an investment of $350 million. The program is being executed by the P&T's Telecommunications Branch which will provide a major portion of the estimated $237 million required in local currency. Among the improvements being carried out affecting public telephone and telegraph facilities and railway communications are the following: The number of telephone subscriber sets is to be increased from 460,000 to 810,000. About 3,700 miles of coaxial cable will be added to the 295 miles that existed when the program began. About 1,500 miles of microwave radio links will be installed. Nearly 1,700 miles of open telephone lines along railways that are being electrified will be replaced by shielded underground cables. Teleprinters will be installed to step up the speed of transmission on trunk lines to the international rate of 66 words per minute rather than the 25 words possible with existing equipment.

TRANSPORTATION—RAILWAYS

$62 million IDA credit of October 26, 1964.

The credit is helping to finance imports of equipment and materials needed by the Indian Railways for its development program during the 15-month period ending September 30, 1965. Including this credit, IDA and the World Bank have together lent over $500 million for the Indian Railways—by far the largest amount they have lent for any single enterprise anywhere.

The Indian railway system, comprising 35,000 route-miles, is one of the largest systems in the world. Railway investments under the Third Five Year Plan account for about a fifth of the total investment in the public sector. The greater capacity and improved efficiency resulting from this and earlier investment have made possible an increase of 66% in freight traffic and 42% in passenger traffic during the eight years from 1955/56 to 1963/64. Last year the railways carried 192 million tons of freight and 1,870 million passengers; by 1966 freight traffic is expected to reach 205 million tons and the number of passengers will probably be 15% greater than in 1963/64. Traffic growth at this pace requires a large and continuous program of investment.

The railway investment under the Third Plan calls for expenditures of $3,449 million, of which about $600 million will be foreign exchange. The program, already well advanced, places emphasis on equipping the system to carry heavier trains at higher speeds. More diesel or electric locomotives and over 100,000 freight cars are being acquired; some 1,500 route-miles of track are being electrified; about 1,500 miles of new lines are being built; and workshops, bridges, yards and signaling works are being improved. In order to reduce foreign exchange expenditures, the Railways have begun to build their own electric and diesel locomotives. The 1964 IDA credit will finance the import of steel and components for locomotives, electric multiple units, coaches and freight cars, track and signaling equipment and materials for the electrification program.

INDUSTRY—DEVELOPMENT FINANCE COMPANY

$50 million 5½% Bank loan of May 28, 1965, to The Industrial Credit and Investment Corporation of India Limited (ICICI).

ICICI is a privately owned development finance company which invests in private industrial enterprises in India. This was the Bank's sixth loan to ICICI, bringing the total amount of Bank lending to the Corporation to $140 million.

In its 10 years of operation, ICICI has approved financial assistance totaling 1,023 million rupees ($215 million) for 374 projects. This included foreign exchange and rupee loans, underwriting operations and direct equity investments. Although there was wide variety in the type of industry receiving financial assistance, ICICI concentrated on those industries, such as machinery, machine tools and chemicals, that are relatively new in India. About a third of the 125 projects which have already come into production were sponsored by entrepreneurs entering industry for the first time.

With the continued growth expected in the private industrial sector in India, the demand for ICICI financing is expected to rise, particularly for foreign exchange loans. This year's Bank loan will cover the bulk of ICICI's foreign exchange requirements until mid-1967. The Corporation is also taking steps to increase its rupee funds. As a result of the new financing, ICICI will have had total resources over the years equivalent to $225 million.

Repayments of the Bank loan will be subject to adjustment from time to time so that ICICI's repayments to the Bank will correspond approximately to the borrowers' repayments to ICICI which are not to extend beyond 15 years in each case.

ELECTRIC POWER

$70 million 26-year 5½% Bank loan of June 11, 1965, to India.

During the past few years there has been rapid development in India of transmission facilities to interconnect power sources within the States. With the impetus being given to industrial expansion in India's successive Five Year Plans and the large investments required to provide for the accompanying rise in demand for electricity, it is becoming increasingly necessary to form regional transmission systems to make the most economical use of power generating capacity. India is therefore taking steps to further integrate its power systems by interconnecting State systems to form regional networks. Such a program is strongly endorsed by the Government's Energy Survey Committee, which recently completed an exhaustive study of India's energy resources and requirements.

This loan will help to finance an extension of existing power transmission facilities, the interconnection of smaller systems within each of the States, and facilities which will provide the first effective steps toward the operation of integrated regional systems. This involves the construction of approximately 8,000 miles of high voltage lines and the construction or extension of 300 substations. These works form part of the power transmission system expansion under the Third Plan which will cost an estimated $390 million. Of the 30,000 miles of transmission lines being erected under the Third Plan, about 22,000 miles have been built or are under construction. The Bank loan will provide the foreign exchange required to complete the program and to build some of the most urgent works programmed for the Fourth Plan. *Participations* totaling $350,000: by Girard Trust Bank, The First National Bank of Memphis, and The Marine Trust Company of Western New York.

$14 million 26-year 5½% Bank loan of June 11, 1965, to India.

This loan will help to finance the extension of the Kothagudem thermal power station now under construction in Andhra Pradesh by the installation of two additional 60,000-kilowatt units and associated works. An IDA credit of $20 million was made in May 1963 for the first stage of the project; the current extension will bring the station to its designed capacity of 240,000 kilowatts. When Kothagudem and another large power project now under construction are completed, the installed capacity in Andhra Pradesh will be increased from 292,000 kilowatts in 1965 to 600,000 kilowatts in 1967. This will permit the removal of all restrictions on power consumption in Andhra Pradesh and, with the bringing into production of new factories, energy sales are expected to more than double in the same period. The total cost of both stages of the Kothagudem project is estimated at $66 million.

In view of the location of the plant in the center of the Singareni coal field, and the proximity of adequate circulating water supplies, the site at Kothagudem could be expanded to provide for a generating capacity of one million kilowatts or more. It ultimately may become one of the most important sources of power not only for Andhra Pradesh but also for the States to be interconnected by the southern regional system.

OTHER ACTIVITIES • The Bank continued to maintain a resident mission in New Delhi. The Chief of the mission ended a two-year assignment in May 1965.

A study of India's coal transport problem was completed in July 1964 at a total cost to the Bank of approximately $862,000.

A special mission completed field work on an intensive study of the country's economic position, in preparation for the Bank's appraisal of India's Fourth Five Year Plan (April 1, 1966 to March 31, 1971).

Two meetings of the Consortium on Aid to India were held during the year. Participants were representatives of Austria, Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, the United Kingdom, the United States, the Bank and IDA. In April 1965, the Consortium pledged the equivalent of $1,027 million, subject as appropriate to legislative or other necessary authorization, for the final year (April 1, 1965 to March 31, 1966) of the Third Five Year Plan, bringing the total of pledges for the Third Plan to $5,472 million.

IRAN

TRANSPORTATION—ROADS

$32 million 25-year 5½% Bank loan of April 28, 1965, to Iran.

This loan will help to finance the construction or improvement of 1,050 miles of main highways. When they are completed Iran will have some 4,860 miles of roads, or about a third of its main highway network, built to modern standards. Three Bank loans, totaling $122.5 million, will have assisted this development. The highways so far completed have already had a favorable impact on the economy. The volume of traffic has doubled, with commercial vehicles accounting for up to 80% of the total. Productive activities have grown in the areas served, and the charges of public carriers have been reduced. Furthermore, competent and well-equipped Iranian road construction firms have been developed.

Two of the roads to be improved with the assistance of this year's loan are in the southern part of the country: the Nain-Kerman road which connects the Kerman area with the industrial and marketing center around Isfahan and is an important part of the arterial highway between Tehran and the southeastern provinces; and the Kerman-Sirjan road which will continue the highway southward to connect with a road being built by the Government to the new port under construction at Bandar Abbas. The highways traverse an area of potentially productive land and one rich in mineral resources. A third road will extend from Shahpasand to the Afghan border via Meshed. This will be an important trunk road serving Meshed, one of the country's largest cities and the administrative center of northeastern Iran, and an international road connection with land-locked Afghanistan. The Tehran-Rudenhen-Babol road, built in recent years, will be paved to accommodate the heavy volume of traffic between the capital and the Caspian littoral. The project is scheduled for completion in 1968 at a total estimated cost of $90 million. *Participations* totaling $890,000: by Irving Trust Company, Bank of America National Trust and Savings Association, First National City Bank, Fidelity-Philadelphia Trust Company, and The First Pennsylvania Banking and Trust Company.

$8.5 million 20-year 5½% Bank loan of April 28, 1965, to Iran.

This loan will assist a project for the construction of some 50 feeder roads with a total length of 1,125 miles to connect six agriculturally productive areas with the main highway system and thus with large consuming centers.

About 70% of Iran's population of 21 million resides in rural areas and is engaged mainly in subsistence farming. Modern agriculture is now being developed—but is confined generally to areas with easy access to markets. In areas without roads practically all farm-to-market transportation is still provided by the farmers themselves using donkeys, pack horses, or even shoulder packs. Adequate road transport into agricultural areas will enable the farmers to sell their products for higher prices at more distant markets and to devote more time and energy to farm activities, will facilitate and improve the efficiency of the Government's extension services, and will lower the price of farm materials. These factors should lead to expanded areas of cultivation, to more intensive use of existing farm areas, and to the growing of more profitable cash crops.

The areas in which the feeder roads will be built were selected on the basis of their proximity to the existing highway system, the fertility of the land, the availability of irrigation facilities and the possibilities for further expansion of agricultural production. Four of them are located on the Caspian littoral, the fifth is about 75 miles northwest of Tehran, and the sixth and largest is in the vicinity of Kermanshah and Hamadan in west-central Iran. The project is scheduled for completion early in 1969 at a total estimated cost of $33.7 million. *Participations* totaling $355,000: by First National City Bank, and Bank of America National Trust and Savings Association.

OTHER ACTIVITIES • The Bank has agreed to help organize and finance a study to recommend the best means of reorganizing port operations in Iran. The Bank will pay the foreign exchange costs, estimated at $39,000.

A Bank mission undertook an economic study of the results of a road loan made in 1959. The study attempts to compare the actual costs and benefits of the project with those originally expected and to identify factors which may be crucial in determining the economic success or failure of a project.

JAPAN

TRANSPORTATION—ROADS

Japan's road network, excluding municipal roads, exceeds 94,000 miles in length, but less than 20% is paved. Most roads, even national highways, are narrow and winding with little or no shoulder. Traffic normally operates under congested conditions and as a consequence vehicle operating costs are high and accident rates are heavy. The number of registered motor vehicles has reached 6.8 million—a fivefold increase in the last 10 years—and freight and passenger traffic by highway has increased at a substantially higher rate than other modes of transportation. The Government is taking measures to improve all forms of transport and highways in particular. It has approved an investment equivalent to $11.4 billion in highway construction, improvement and maintenance over the five-year period from 1964 through 1969. The general objectives of the program are to double the paved length of the general road network by 1969 and to increase the expressway network from 50 miles to about 500 miles. The two expressways for which the Bank made loans this year are of high priority in this program.

$25 million 24-year 5½% Bank loan of December 23, 1964, to the Tokyo Expressway Public Corporation.

This loan will assist in financing an $88 million expressway from Haneda, Tokyo's international airport, to Yokohama. It will be an eight-mile, four-lane toll road and, for most of its length, will be built on piers as an elevated structure over a city street.

The Tokyo Expressway Public Corporation was established in 1959 as a public entity responsible for the construction and maintenance of toll roads in Tokyo and its suburbs. The new expressway is an extension of the one the Corporation already operates between Tokyo and Haneda.

The Tokyo-Yokohama region is one of the most densely populated and heavily industrialized regions of the world. It has a population of 13 million, although it accounts for only slightly over 1% of Japan's total land area, and is the country's most important center of finance, commerce and industry. Approximately a quarter of the larger industrial enterprises are located in the area and a like amount of the country's production originates there. In 1963 about 80% of the total tonnage of freight traffic in the area was moved by truck. The new expressway will relieve the severe congestion of city streets between Tokyo and Yokohama and sharply reduce vehicle operating costs and travel time, both for vehicles using the expressway and for those which continue to use existing streets.

Participation of $50,000: by Banque Lambert, S.C.S.

$75 million 25-year 6¼% Bank loan of May 26, 1965, to Japan Highway Public Corporation.

The loan will help to finance a 66-mile expressway between Shizuoka and Toyokawa. It is the final link in the 335-mile toll expressway between Tokyo and Kobe for which the Bank has already lent $205 million. The Tokyo-Kobe Expressway will be open over its entire length in early 1969 and will alleviate traffic congestion in the Tokaido region, one of the greatest concentrations of industry and population in the world.

The western end of the Expressway, extending 114 miles from Kobe to Nagoya, is already open to traffic. The Shizuoka-Toyokawa section is part of the Expressway between Nagoya and Tokyo. It will be a four-lane divided highway designed to the same standards as the rest of the Expressway. Its estimated cost is $322 million; toll revenues are expected to pay back the entire investment costs, including interest, in a period of 20 to 23 years.

The Shizuoka-Toyokawa highway is important not only because it will benefit the Tokaido area as a whole, as part of the Expressway, but also because it will improve local traffic conditions in its service area—the Shizuoka and Aichi prefectures. Taking into account the reduction in vehicle operating costs and travel time, both for those who will use it and for those who continue to use a parallel highway, it is estimated that total benefits in the first year of its operation will be about 20 billion yen ($56 million).

ELECTRIC POWER

$25 million 25-year 5½% Bank loan of January 13, 1965, to the Electric Power Development Company, Ltd. (EPDC).

EPDC is a government corporation which develops special hydroelectric power projects and sells the output of its plants in bulk to private utilities. The loan will assist in financing two hydroelectric plants with a combined capacity of 274,000 kilowatts which the Company is building on the Kuzuryu River. Power from the plants will be fed into a large interconnected system which serves the central part of the country, the fastest growing industrial region in Japan. It accounts for approximately 40% of the nation's total power consumption. Between 1958 and 1963 consumption more than doubled to a total of 48 billion kilowatt hours, and is expected to reach 81 billion kilowatt hours in 1968. The Kuzuryu project forms part of a coordinated program being carried out by EPDC and three private power companies, Hokuriku, Kansai and Chubu, to meet the expected demands of the region in 1968, at which time the interconnected system will have a total generating capacity of about 17 million kilowatts.

The two plants being built with Bank assistance consist of a 220,000-kilowatt pumped-storage station with an associated dam and reservoir at Nagano, and a

54,000-kilowatt conventional type station at Yugami. The project is part of a plan for the development of three sites on the Kuzuryu River being carried out jointly by EPDC and the Hokuriku Electric Power Company. EPDC will sell the entire output of its two stations to the Hokuriku company which will build a third station downstream. The main purpose of the Bank project is to supply peaking capacity for the central regional power system. Its total estimated cost is $92.5 million.

KUWAIT

A Bank staff member completed his assignment as adviser to the Arab Economic Development Fund.

MALAYSIA

WATER SUPPLY

$6.8 million 20-year 5½% Bank loan of February 26, 1965, to the Public Utilities Board (PUB), Singapore.

The PUB, an autonomous public corporation, is responsible for water supply, gas and electricity in the State of Singapore. Its Water Department supplies substantially all the water used by Singapore's more than 1.8 million people, as well as by a considerable sector of the population of the nearby State of Johore on the Malaysian mainland. Water consumption in Singapore has more than doubled since 1950 and PUB's daily water sales averaged 68.2 million gallons in 1964. Daily sales are expected to reach over 85 million gallons in 1968; this projection may be exceeded in view of the Government's program of encouraging industrial development. The Water Department has made notable progress in extending its service and increasing its supply, but new water sources will be required by 1968. The Bank loan will finance the first stage of a long range program to develop the considerable resources of the Johore River in the State of Johore. It includes intake works on the Johore River, raw water supply conduits, a treatment plant, pumping facilities, and a 17-mile transmission main. These installations will increase the water supply by 30 million gallons a day, bringing total production capacity to about 132 million gallons a day. The project will provide enough additional water for Singapore's requirements until the mid-1970's, and lay the basis for future expansions for many years thereafter. Construction should be completed in 1968 at a total estimated cost of $13.7 million.

Participations totaling $1,090,000: by The Chase Manhattan Bank, New York branch of The Chartered Bank, The Hongkong and Shanghai Banking Corporation, Manufacturers Hanover Trust Company, Bank of America National Trust and Savings Association, Morgan Guaranty Trust Company of New York, Irving Trust Company, Crocker-Citizens National Bank, Girard Trust Bank, and The First Pennsylvania Banking and Trust Company.

OTHER ACTIVITIES • In April 1965, the Bank organized a mission to study the Government's development program for 1966-1970.

The Bank has agreed to meet the foreign exchange costs, estimated at $507,000, of engaging experts to carry out a study and the preparation of an outline master plan of a land development scheme in the Jengka Triangle.

The Bank continued to provide to the Treasury the services of an expert in organizing economic data.

NEPAL

A survey of transport facilities was carried out as a first step toward the formulation of a coordinated transport investment program within Nepal's next Five-Year Plan, beginning July 1965. The Bank paid the foreign currency costs of the survey, approximately $100,000. The final report of the consultants was to be transmitted to the Government in July 1965.

PAKISTAN

TRANSPORTATION—INLAND WATERWAYS

$5.25 million IDA credit of August 26, 1964.

East Pakistan is composed largely of the deltaic area of two of the world's largest rivers, the Ganges and the Brahmaputra. This great system of rivers and estuaries makes water transport economical and, in many rural areas, it provides the only means of transport. The inland waterways comprise about 3,100 route-miles, which grow to 4,900 miles in the flood season. In 1963 water transport accounted for 337 million ton-miles for cargo and 1,277 million passenger-miles; the number of vessels had increased by a third in the preceding five years. Further development and improvement of inland water transport is therefore important to the economy.

Because of siltation and the instability of the rivers, there is special need for the maintenance of channels, navigational aids and pilotage service, and care and supervision in the construction and operation of ports and landing facilities. To centralize responsibility for providing these services, the Provincial Government established the Inland Water Transport Authority (IWTA) in 1958. An IDA credit of $2 million was made in 1961 to improve and strengthen IWTA's organization and to improve five inland ports. This year's credit will assist further stages of IWTA's development program. They will cost a total of $10,350,000 and include the establishment of radio location stations to provide a vessel position-fixing system and to serve as an aid to navigation; the expansion of a workshop for the repair and maintenance of navigational equipment; the construction of about 100 landing facilities; a salvage unit to remove wrecks and obstructions to navigation; and the continuation of consultants' services.

An additional $950,000 is being provided by the Bank under its technical assistance program to cover the foreign exchange costs of consultants' services for a detailed survey of river ports and waterways looking to the preparation of a plan of priority improvements.

AGRICULTURE—IRRIGATION

$58.54 million IDA credit of July 21, 1964.

The credit was made available to the Indus Basin Development Fund to help cover the cost of works being constructed by Pakistan in the Indus Basin. The Fund was set up in September 1960 at the time "The Indus Waters Treaty 1960" was signed, and is administered by the World Bank. At that time the Fund was provided with resources of about $900 million by the Governments of Australia, Canada, Germany, India, Pakistan, New Zealand, the United Kingdom, the United States and the World Bank. In April 1964 a Supplemental Agreement came into force under which the Governments of Australia, Canada, Germany, New Zealand, the U.K., the U.S., and the World Bank agreed to provide an additional $315 million in foreign exchange to be applied toward the cost of the works. The Government of Pakistan undertook to finance the local expenditures not covered by the rupee contributions provided for under the 1960 Agreement. An amount of $58,540,000 was to be in the form of a Bank loan or an IDA credit, or both. The Bank and IDA decided that in order not to overburden Pakistan with external debt, this contribution should be in the form of an IDA credit.

The first charge on the Indus Basin Development Fund is the cost of constructing the dam on the Jhelum River and the link canals and barrages specified in the 1960 Agreement. Execution of the works already under way is proceeding well. The first link canal system, joining the Chenab to the Sutlej River, was finished on schedule by the end of March 1965. If there are no unforeseen delays, the Mangla Dam project on the Jhelum, by far the largest undertaking, may be completed about a year before the required completion date of July 1, 1969.

The Indus Basin Development Fund is also financing the cost of a study of the water and power resources of West Pakistan to provide the Government of Pakistan with a basis for development planning in the water and power sectors of the economy within the context of the successive Five Year Plans. A World Bank team, headed by Dr. Pieter Lieftinck and assisted by a number of consultant firms, completed the first part of the study in February 1965. A principal conclusion was that the construction of a dam on the Indus at Tarbela would be technically feasible and that the economic return would be substantial. The second part of the study, covering the more comprehensive aspects of water and power development in West Pakistan, is in progress. Consultants' studies will be completed in March and the Bank's final report is due in June 1966.

AGRICULTURE—FARM CREDIT

$27 million IDA credit of June 30, 1965.

This credit will be made available to the Agricultural Development Bank (ADB), Pakistan's major source of medium and long-term agricultural credit. The lending program of the ADB for the next three years, 1965-68, is being expanded by about 50% to approximately $90 million equivalent. Of the total, $40 million will be required for medium and long-term loans to farmers for the installation of private tubewells and farm machinery. The IDA credit will provide $27 million of this amount. The tubewells under the project will provide irrigation for an estimated 700,000 acres and the farm machinery will permit mechanization of some 500,000 acres. The net value of increased output resulting from the investments should exceed $27 million a year.

Tubewell irrigation and farm mechanization have been important factors in the increased agricultural production which has made a major contribution to the success of Pakistan's Second Five Year Plan. Individual initiative, encouraged by Government policies, has been a key element in this growth, particularly in West Pakistan where nearly half the additional annual water supply has been provided from private tubewells. Demand for tubewells has increased sharply as farmers have become aware of the profitability of such investments. Between 1959 and 1964 the number installed annually rose from 1,340 to 6,400, and is expected to increase to 8,000 a year during the Third Plan. The availability of more water has been accompanied by more intensive cropping involving increased use of fertilizers, better seeds, tractors, power tillers and other farm machinery. A substantial increase in medium and long-term credit will be required during the Third Plan in order to finance the tubewell program and the investments in farm machinery necessary to achieve the projected increases in agricultural output. The ADB will be able to expand its loans for these purposes with the resources being provided by the IDA credit.

The Government will relend the proceeds of the credit to the ADB for a period of 20 years, including five years of grace and interest at the Government's standard rate for remunerative agricultural projects, which at the time of the credit was 4% per annum.

OTHER ACTIVITIES • The Bank continued to maintain a resident mission, with offices in Rawalpindi and Karachi, headed by a member of the Bank's Development Advisory Service.

An expert engaged by the Bank to carry out a preliminary survey of the securities market submitted his report to the Government. Further help is being given in the preparation of a stock-exchange law, which is under consideration.

The Bank has agreed to allocate up to $830,000 to help continue for three years the assistance provided by the Development Advisory Service of Harvard University to the Planning Commission of Pakistan and the Provincial Planning Departments. For the last 10 years financial support for advisers to the Planning Commission has been provided by the Ford Foundation and the U.S. Agency for International Development.

A transportation economist, whose services are financed jointly by the Bank and Pakistan, has been in Dacca since July 1964 advising the Provincial Government of East Pakistan on transportation policy and programs.

The Consortium of governments and institutions interested in development assistance to Pakistan held its sixth meeting in Washington on July 16, 1964. Participants were Belgium, Canada, France, Germany, Italy, Japan, the Netherlands, the United Kingdom, the United States and the World Bank and IDA. Consortium members pledged the equivalent of $431 million, subject as appropriate to legislative or other necessary authorization, to assist the fifth and final year (1964-65) of the Second Five Year Plan. In all, aid pledged through the Consortium amounted to the equivalent of $1,818.7 million during the four years 1961/62 through 1964/65. The seventh meeting was held in Washington on June 1, 2 and 3, 1965. The Consortium members agreed to meet again at a later date to consider aid pledges for 1965/66.

A team of consultants, supported by the United Nations Special Fund, began work in June 1965 to determine future telecommunications requirements of the country and to recommend measures for the rational and efficient development and operation of such facilities. The Bank is acting as Executing Agency.

IFC COMMITMENTS • $1,950,000 in loan capital for Crescent Jute Products Limited, a new company establishing a jute mill in West Pakistan.

$1,676,504 supplemental investment in loan and share capital for Ismail Cement Industries Limited, to assist expansion of cement plant.

$3,150,001 in loan and share capital for Packages, Limited, to help the company expand its production of paperboard containers and packages.

PHILIPPINES

WATER SUPPLY

$20.2 million 25-year 5½% Bank loan of July 22, 1964, to the National Waterworks and Sewerage Authority (NWSA).

The loan will help to finance the first part of a long-range program to provide an adequate water supply system in Manila and its suburbs, which include the cities of Quezon, Pasay, Caloocan and 16 contiguous municipalities. There is an acute water shortage in the Manila area since the supply system was designed to meet the water requirements of only a million people. The population has increased by one million to 2.8 million in 12 years and is continuing to grow at the same rate. The new works will increase the water supply by about 200 million gallons a day and should meet requirements until the early 1970's. Studies will be undertaken concurrently to plan for Manila's future water requirements and for the improvement of the sewerage system.

NWSA, an autonomous government agency, is also responsible for the water supply systems in other cities and municipalities outside the Manila area. It will initiate studies to make similar inprovements in the operations of these systems. In addition to the physical improvements of the Manila water system, NWSA is making extensive changes in its management, organization and procedures to improve its efficiency and finances.

The project being assisted by the Bank loan will cost a total of $48.2 million. The loan will be applied to the foreign exchange costs of the new installations which include intake works, a four-mile tunnel, 16 miles of aqueducts, additions to the treatment plant, nine pumping stations and reservoirs, and additional transmission and distribution mains.

Participations totaling $1,020,000: by Chemical Bank New York Trust Company, Continental Illinois National Bank and Trust Company of Chicago, The Chase Manhattan Bank, Meadow Brook National

Bank, Mellon National Bank and Trust Company, Central National Bank of Cleveland, The First National Bank of Memphis, Wells Fargo Bank, The Marine Midland Trust Company of New York, Bank of America National Trust and Savings Association, The Bank of California National Association, National Bank of Commerce of Seattle, First Western Bank and Trust Company, The First Pennsylvania Banking and Trust Company, Grace National Bank of New York, and Irving Trust Company.

EDUCATION

$6 million 30-year 5½% Bank loan of October 28, 1964, to the Philippines.

This was the Bank's first loan in the field of education. The beneficiary is the College of Agriculture of the University of the Philippines at Los Banos. The College is currently engaged in a comprehensive Five Year Development Program. It is conceived as a means of strengthening the College's role as the country's leading source of high-quality professional personnel for agricultural services, for research scientists in public and private employment, and for agricultural higher education. The Bank loan will be used for improvements of the College's physical facilities being undertaken in support of the academic objectives of the Development Program. It will cover about half the cost of constructing and equipping 16 new buildings and of renovating three others. The local currency costs equivalent to $6 million will be met by the Government.

Agriculture now accounts for a third of the national product of the Philippines and two-thirds of export earnings. There is a large potential for further development, however, if agricultural extension and research services are greatly improved and other measures are taken to increase productivity and encourage expansion of cultivation. The Program of the Agricultural College is a vital part of a comprehensive effort now being made by the Philippine Government to raise the level of agricultural production. In recognition of the importance of the College as a leading agricultural institution in Southeast Asia, the Ford and Rockefeller Foundations have both pledged substantial grants to finance educational and training elements of the Development Program.

OTHER ACTIVITIES • A member of the Bank's Development Advisory Service completed his assignment as head of a resident technical assistance mission. However, at the request of the Government, the Bank agreed to extend the assignments of the industrial, statistical and agricultural advisers of the resident mission for a further period of one year.

THAILAND

ELECTRIC POWER

$6 million 20-year 5½% Bank loan of March 22, 1965, to the Yanhee Electricity Authority (YEA).

The Yanhee Electricity Authority was established in 1957 with responsibility for the generation and transmission of electric energy in the most developed and populated part of Thailand—a service area covering 33 of Thailand's 71 provinces. Two earlier Bank loans, totaling $72.6 million, helped to finance the multipurpose Bhumibol dam for the production of electric power, irrigation and flood control, and transmission facilities to bring power to Bangkok and 24 other communities. Two units with a capacity of 140,000 kilowatts were installed initially at the dam. This year's loan will help finance the installation of two more 70,000-kilowatt units, works required for the future installation of the next two units, an increase in substation capacity in Bangkok, and an extension of transmission lines to three more communities.

YEA sells power in bulk to two utilities, one serving the Bangkok area and the other the rural communities within YEA's service area. By far the largest power market is Bangkok where demand has risen by 66% in the past three years. This increase has been due to the rehabilitation of distribution facilities, the provision of an adequate and reliable supply of power by YEA, the introduction of a modern rate structure, and a significant increase in light and medium industry. During the rest of the 1960's the Bangkok area is expected to absorb more than 80% of the output of YEA's plants, with power demand increasing at an estimated average annual rate of 14%. Demand is also expected to rise substantially in rural communities. The expansion being assisted by the Bank loan will cost a total of $9.8 million, and is scheduled for completion in late 1968.

Participations totaling $600,000: by The Chase Manhattan Bank, Irving Trust Company, Bank of America National Trust and Savings Association, First National City Bank, Manufacturers Hanover Trust Company, Crocker-Citizens National Bank, and Grace National Bank of New York.

AGRICULTURE—IRRIGATION

$22 million 20-year 5½% Bank loan of November 25, 1964, to Thailand.

The loan will finance the first stage of the Me Klong River Basin development which provides for the regulated irrigation, surface drainage and partial flood control of 432,000 acres in southwestern Thailand. Eventually irrigation will be expanded to 964,000 acres. The current project includes land classification for the entire development and feasibility studies for the next stages. The Government will intensify its extension services and establish demonstration farms in the area to instruct farmers in irrigation farming and the use of fertilizers. Rice production will continue to be the principal crop during the rainy season, and about 20,000 acres will be suitable for the growing of other crops during the dry season.

This is the fifth loan made by the Bank for the development of irrigation and improvement of flood control in Thailand. Regulated water supply has been an important factor in the large increase in rice production which, in the past 10 years, has risen by a third. This has enabled Thailand to meet domestic demand in the face of a population growth rate which is now more than 3%, and to maintain a surplus for export which now accounts for nearly a third of the country's export earnings. When the full benefits from the first stage of the Me Klong River development are realized in about nine years, it is expected that the annual production of rice alone in the area will increase from 200,000 to 400,000 tons, with a net benefit to the economy of about $11 million annually. Construction of the first stage will take about five years and will cost an estimated $57.9 million.

Participations totaling $1,025,000: by The Chase Manhattan Bank, First National City Bank, Bank of America National Trust and Savings Association, and The First Pennsylvania Banking and Trust Company.

OTHER ACTIVITIES • The Bank continued to maintain a resident mission in Bangkok.

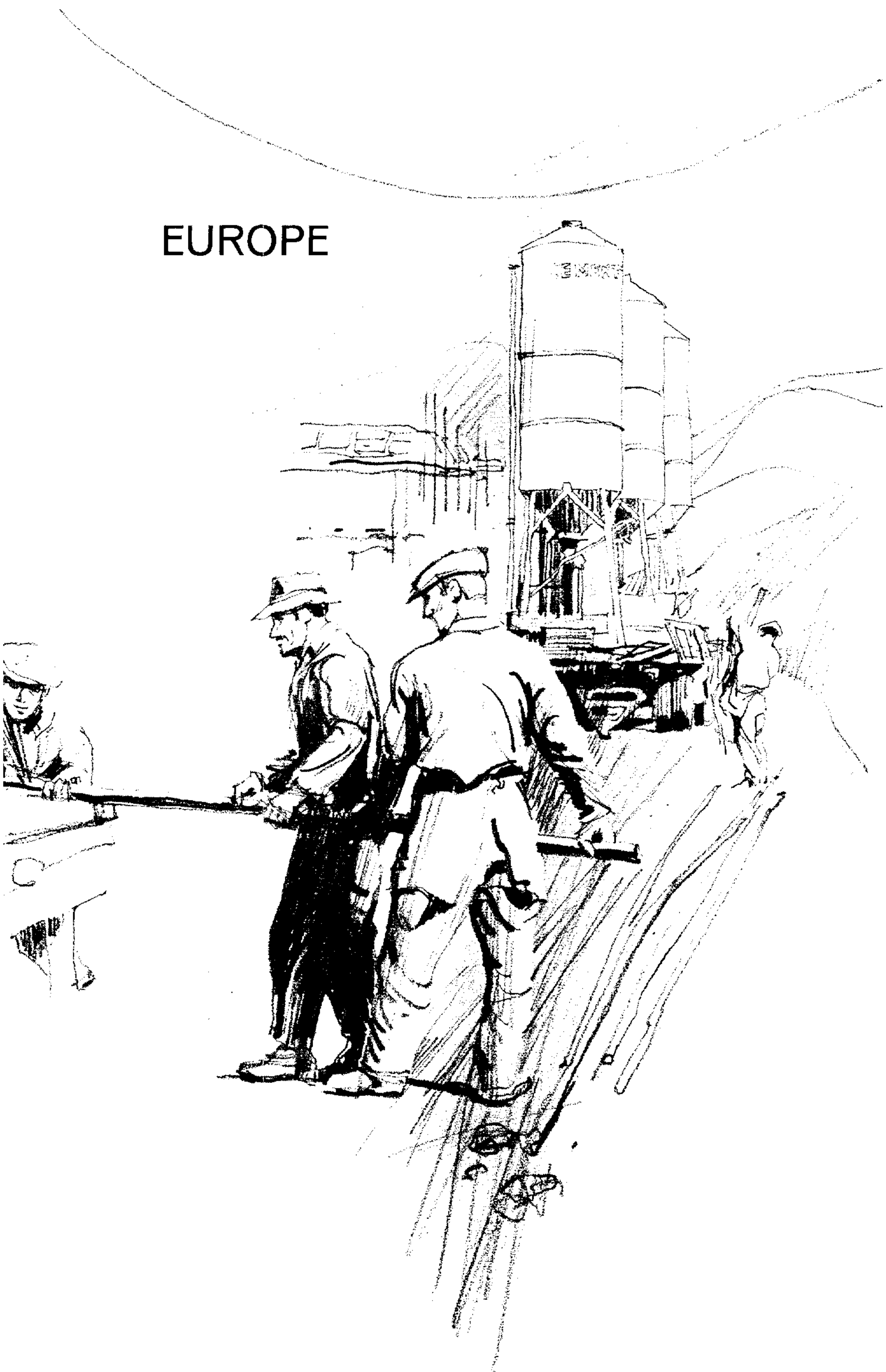
Consultants completed field work on a study of the future of the Port of Bangkok, a continuation of the U.N. Special Fund study of Thailand ports, for which the Bank has been Executing Agency, which was approved initially in 1959 and extended in 1960.

AUSTRALASIA

TERRITORY OF PAPUA AND NEW GUINEA

"The Economic Development of the Territory of Papua and New Guinea," the report of a general survey mission organized by the Bank, was published during the year. The purpose of the mission, undertaken at the request of the Australian Government, was to review the economic potentialities of the Territory and to make recommendations to assist in planning an economic development program designed to raise the standard of living of the people.

EUROPE



FINLAND

TRANSPORTATION—ROADS

$28.5 million 15-year 5½% Bank loan of July 10, 1964, to Finland.

The National Board of Roads and Waterways (NBR) is responsible for the construction and maintenance of all public roads in Finland; they comprise 24,000 miles of main roads and, by 1966, will include over 21,000 miles of local roads. Road traffic has more than doubled in the past seven years and NBR has built or improved about 2,200 miles of roads in the last three years alone, in an effort to keep pace with the increased volume of traffic.

The Bank loan will assist the NBR in financing the paving of 1,500 miles of roads—mainly those newly built—which are widely scattered throughout the country and were selected on the basis of traffic density; a 9-mile freeway between Gumbole and Veikkola which is a continuation of the freeway between Helsinki and Gumbole and part of the main highway between Helsinki and Turku, the two largest cities in Finland; and the purchase of equipment for road maintenance which in Finland is a very large operation because of the need for snow removal to keep traffic moving in winter.

Since Finland's transport sector will require large investments in the coming years, better planning and coordination have become essential. The Bank is helping the Government to organize a study which will provide the basis for a coordinated transport policy and for the formulation of a long-range investment program; funds from the loan will help to finance this study.

Participations totaling $5,260,000: by Manufacturers Hanover Trust Company, Chemical Bank New York Trust Company, Mellon National Bank and Trust Company, The Chase Manhattan Bank, Bankers Trust Company, Girard Trust Bank, The National Shawmut Bank of Boston, Irving Trust Company, Morgan Guaranty Trust Company of New York, Fidelity-Philadelphia Trust Company, Meadow Brook National Bank, The American Express Company, Inc., The Philadelphia National Bank, Banque Lambert, S.C.S., Bayerische Hypotheken- und Wechselbank, Hill, Samuel & Co. Limited, Crocker-Citizens National Bank, The First Pennsylvania Banking and Trust Company, Grace National Bank of New York, and Continental Illinois National Bank and Trust Company of Chicago.

INDUSTRY—DEVELOPMENT FINANCE COMPANY

$14 million 5½% Bank loan of June 30, 1965, to the Industrialization Fund.

The Industrialization Fund provides financial assistance to small and medium-sized private enterprises in Finland. Established in 1954, it was reorganized by its Finnish shareholders in 1963 with the collaboration and financial assistance of the Bank and the International Finance Corporation. In the following 15 months, the Fund made 119 long-term loans and one equity investment totaling about $14 million; the investment was part of a joint transaction with IFC.

The Fund's lending has been directed toward support of the newer industries in keeping with the Government's policy of encouraging industry to diversify in order to create new employment opportunities for labor transferring from agriculture, and to modernize manufacturing units so that Finnish goods will be better able to compete with foreign products abroad and in Finland, as import duties are reduced in accordance with Finland's 1961 agreement with the European Free Trade Association. Over half the Fund's loans were for the metals, furniture-making and textile industries. The bulk of the remainder was for food processing, non-metallic mineral products, printing and publishing, chemicals, electrical machinery, paper, and footwear industries.

Applications for the Fund's financial assistance totaled more than twice the amount of the new resources of about $16 million provided at the time of its reorganization, reflecting the dynamism of the private industrial sector and the particular need of the smaller companies for long-term finance. In view of this demand, the Fund's pattern of lending is expected to continue along the lines of the recent past. The Bank loan will enable the Fund to meet nearly half its expected requirements for additional funds until mid-1967. In addition, the Fund has arranged to raise during the next year the equivalent of $7.8 million from Finnish sources.

The schedule of the Fund's repayments to the Bank will be subject to adjustment from time to time so that they will correspond approximately to the borrowers' repayments to the Fund. The schedule will provide for full repayment of the Bank loan by June 1, 1982.

IFC COMMITMENT • $799,357 in loan and share capital for Huhtamaki-yhtyma Oy to help expand pharmaceuticals production.

GREECE

IFC COMMITMENT • $1,501,672 in loan and share capital for "Titan" Cement Company, S.A., to expand and modernize a cement plant near Athens.

ITALY

INDUSTRY

$100 million 15-year 6¼% Bank loan of June 28, 1965, to the Cassa per il Mezzogiorno.

Since it was established in 1950 as the Government's principal instrument for improving economic conditions in Southern Italy, the Cassa per il Mezzogiorno has made available the equivalent of $2.8 billion for the development of the South. Seven earlier Bank loans totaling $298 million have assisted the Cassa program. At first the Cassa's investments were mainly in agriculture and transportation, but since the late 1950's increasing emphasis has been given to promoting industry with the result that industrial investment has risen sharply and many factors favor further growth.

The primary channels for medium and long-term lending to industry under the Cassa program are three special credit institutes: Istituto per lo Sviluppo Economico dell'Italia Meridionale (ISVEIMER), Istituto Regionale per il Finanziamento alle Industrie in Sicilia (IRFIS) and Credito Industriale Sardo (CIS). ISVEIMER operates on the Italian mainland, IRFIS in Sicily, and CIS in Sardinia. Between 1953 and 1964 the institutes approved more than 5,000 loans for a total equivalent to $1.3 billion. Industrial lending under four of the earlier Bank loans was channeled through the institutes and provided $90.8 million to 21 enterprises, mainly producers of chemicals, fertilizers and cement.

Since mid-1964, ISVEIMER, IRFIS and CIS have been finding it difficult to obtain enough funds to achieve their desired rate of lending. Loans requiring over $200 million have been approved by the institutes but have not been signed because of lack of funds. This year's Bank loan, which will be re-lent by the Cassa to the institutes, will cover part of this financing gap. It will assist in financing about 150 industrial projects for which the institutes are prepared to make loans as soon as funds are available.

Participation totaling $50,000: by Bayerische Hypotheken- und Wechselbank.

PORTUGAL

ELECTRIC POWER

$15 million 20-year 5½% Bank loan of April 29, 1965, to Empresa Termoeléctrica Portuguesa, S.A.R.L. (ETP).

This loan will assist in financing the first stage of the Carregado thermal power plant near Lisbon. The plant will have an initial generating capacity of 125,000 kilowatts and is designed for an ultimate capacity of 500,000 kilowatts. Power from the plant will be fed into the national power transmission network. When the first stage of the plant comes into operation in mid-1967, the total generating capacity of Portugal's primary system will be about 1.5 million kilowatts.

Power demand in Portugal has been growing at an annual average rate of about 11% since the early 1950's and is expected to continue to increase at this rate into the early 1970's. The Carregado thermal plant is part of a program to provide the generating capacity required to keep pace with demand, particularly from Portugal's expanding industries. Furthermore, it is the first large thermal plant to be built since the Portuguese authorities decided to include major thermal sources in their power development program in order to supplement and balance the predominantly hydroelectric system. A loan of $5 million made by the Bank to ETP in 1963 for a 150,000-kilowatt thermal plant near Oporto also included funds for preliminary engineering studies of the Carregado plant. The total estimated cost of the project is $25 million.

Participations totaling $750,000: by Manufacturers National Bank of Detroit, Crocker-Citizens National Bank, Detroit Bank and Trust Company, Fidelity-Philadelphia Trust Company, The Marine Trust Company of Western New York, Meadow Brook National Bank, The Northern Trust Company, Vereinsbank in Hamburg, and Girard Trust Bank.

OTHER ACTIVITIES • A five-man mission to advise on development financing, organized jointly by the World Bank and the International Monetary Fund, completed its assignment and submitted its report to the Government. The mission concentrated chiefly on tax reform, budgetary policy, the capital market and the banking system.

SPAIN

TRANSPORTATION—RAILWAYS

$65 million 20-year 5½% Bank loan of July 31, 1964, to the Red Nacional de los Ferrocarriles Españoles (RENFE).

RENFE, the Spanish railroad authority, has undertaken a 10-year modernization program (1964-73) that will require an investment of some $1 billion and provides for the reorganization and improvement of many phases of RENFE's operations as well. The Bank loan will finance about a third of the investments planned for the first two years of the program, 1964-65. It will be used to acquire diesel shunting locomotives, passenger and freight cars, ties and switches, machine tools, signaling and communication equipment, and equipment for marshalling yards.

The Spanish railways comprise some 8,125 route-miles and carry an important part of the nation's freight and passenger traffic. They transport large quantities of coal, mineral ores, oil, fertilizers, cement, sugar and grain in long distance traffic.

In the last three years freight and passenger rail traffic increased at annual rates of approximately 6% and 15% respectively, with freight traffic averaging 4.5 billion ton-miles annually. Largely because of its antiquated facilities, however, RENFE has incurred substantial operating losses. Track must be renewed, obsolete steam locomotives and overage passenger and freight cars must be replaced, uneconomic lines discontinued, and workshops and marshalling yards newly built or modernized. The 10-year program is the most comprehensive to be undertaken by the railways and is based on the recommendations of a Bank general survey mission which visited Spain in 1961 at the request of the Spanish Government. With the planned reduction in costs and improvement in equipment, it is expected that RENFE will be able to eliminate its substantial operating deficit within several years and to earn a net return by the end of the program.

Participations totaling $1,175,000: by the New York Agency of the Bank of Montreal, Deutsche Bank A.G., Commerzbank A.G., Dresdner Bank A.G., Bayerische Hypotheken- und Wechselbank, and Vereinsbank in Hamburg.

IFC COMMITMENTS • $291,911 supplemental investment in share capital of Banco del Desarrollo Económico Español, S.A., a privately owned development finance company.

$225,444 supplemental investment in share capital of Fábrica Española Magnetos S.A., a producer of automotive equipment.

TURKEY

ELECTRIC POWER

$24 million IDA credit of July 14, 1964.

The credit will assist in financing a $43.5 million expansion program being carried out by the Çukurova Electric Company. The program will triple the Company's generating capacity, increasing the supply of power to the Çukurova plain in southern Turkey and enabling the Company to extend its service area to adjacent Hatay Province.

The projects included in the program consist of the construction of a 50,000-kilowatt steam plant near Mersin beside an oil refinery which will supply its fuel, a 100,000-kilowatt hydroelectric plant on the Kadincik River some 30 miles from Adana, and the construction of about 160 miles of transmission lines linking the new stations to the existing system and extending it as far east as Iskenderun, Turkey's most important Mediterranean port. These installations will supplement the power from the Çukurova's existing 54,000-kilowatt Seyhan hydroelectric station near Adana which was built with the help of a World Bank loan made in 1952 and expanded with the assistance of an IDA credit made in 1963.

The Çukurova plain is one of the most important agricultural regions in Turkey. Nearly a third of the country's cotton crop is grown there and processed locally in many yarn, textile and cottonseed oil mills. Over 70% of the Company's power sales are to these and other processing industries. In Hatay Province the chief demand for power comes from industrial plants and from the activities of the port of Iskenderun. The additional power from the Çukurova system will relieve the acute shortage of power that has prevailed there.

The Government of Turkey will relend the proceeds of the IDA credit to the Çukurova Electric Company for a term of 25 years, including a five-year period of grace, with interest at 5½%.

INDUSTRY—DEVELOPMENT FINANCE COMPANY

$5 million IDA credit of August 31, 1964.
$10 million IDA credit of April 1, 1965.

Both credits are to replenish the foreign exchange resources of the Industrial Development Bank of Turkey (IDB), a privately owned institution which finances private industrial enterprises in Turkey. The IDB came into being in 1950 and was one of the first development finance companies to be established with the assistance of the World Bank. Since then it has received financial assistance from all three of the World Bank group of institutions: $17.6 million from the Bank; $20 million from IDA, including this year's credits; and $916,667 in share capital subscribed by the International Finance Corporation.

In its 14 years of operation the IDB has financed a significant portion of private industrial investment in Turkey. By the end of 1964 its financial assistance totaled $80 million: about $65 million in long-term loans, $8.5 million in equity participations, and the balance in short-term credits. The industries assisted included those producing food products, beverages, textiles, timber and wood products, rubber goods, chemicals, stone, earthenware, glass and ceramics, metal goods, machinery and mechanical materials. In addition to its financial operations, it has played an important role in acquainting the industrial community with better techniques of investment planning and in raising the standards of business management. It has also helped to prepare the way for the development of a capital market in Turkey and expects to devote more of its activities to this task in the future.

The Government of Turkey will relend the proceeds of the credits to the IDB at 5½% per annum and for periods determined by the needs of IDB's borrowers. As IDB's clients repay their loans, the IDB will in turn repay the Government.

OTHER ACTIVITIES • In March 1965, the Bank organized a mission to make an appraisal of the country's economic position and prospects for further development. The 16-man mission included economists and specialists in agriculture, irrigation, electric power, transportation, manpower, industry, minerals and petroleum and industrial management. It is now preparing its report.

The preliminary phase of a power study, to which the Bank contributed $29,557, was completed in February 1965.

YUGOSLAVIA

TRANSPORTATION—RAILWAYS

$70 million 25-year 5½% Bank loan of December 11, 1964, to the Yugoslav Investment Bank.

The Yugoslav railways form the backbone of the country's transportation system, carrying more than 70% of the freight and 60% of passenger traffic. The railways are carrying out a seven-year program to improve efficiency and increase capacity to enable them to handle the increased traffic which, by 1970, is expected to have risen by more than a third for freight and a fourth for passengers. The Bank loan will assist in financing items of highest priority in this program—electrification and a modern signalling system on three mainlines and the construction of new marshalling yards at Belgrade, Zagreb, Ljubljana and Skoplje, and the improvement of existing yards at Nis and Doboj. The installations will double the capacity of the lines serving the most heavily industrialized and populated area of Yugoslavia and provide faster and safer service. The work should be completed by 1968 at a total cost of $185 million.

The mainlines involved connect the six largest cities—Belgrade, Zagreb, Sarajevo, Skoplje, Ljubljana and Rijeka, and the area they serve encompasses about two-thirds of the country's economy and half its population. In close proximity to the lines are coal mines producing half the country's total output, nearly all major steel works and oil refineries, and leading producers of cement, fertilizer, lumber and agricultural products.

The Yugoslav Investment Bank, the main channel used by the Federal Government for foreign development loans, will relend the proceeds of the Bank loan to the agencies responsible for the execution of the project.

Participations totaling $575,000: by Girard Trust Bank, Bayerische Hypotheken- und Wechselbank, and The First Pennsylvania Banking and Trust Company.

WESTERN HEMISPHERE

ARGENTINA

A mission organized by the Bank spent three months assisting the National Development Council in connection with a public investment program for 1965. Concurrently, an economic mission appraised the position and prospects of the economy and received the Government's 1965-69 development plan.

IFC COMMITMENT • $2,500,000 in loan capital for La Papelera Argentina, S.A., a paper producer, to complete modernization and expansion program.

BOLIVIA

ELECTRIC POWER

$10 million IDA credit of July 24, 1964.
$5 million IDA credit of July 24, 1964.

These were the first operations by any of the World Bank group in Bolivia. They were made simultaneously with a loan of $3.5 million from the Inter-American Development Bank (IDB) to assist in financing a $23.2 million electric power development program which will increase the country's installed capacity by 38,000 kilowatts. In addition to relieving a critical power shortage, which has resulted in rationing in the principal cities, the program will provide Bolivia with a sound basis for power expansion in the future.

The $10 million credit, together with the IDB credit, is being made available to the Empresa Nacional de Electricidad (ENDE), a company recently established by the Government to be responsible for Bolivia's power requirements, with the exception of those in the areas of the cities of La Paz and Oruro. The funds will be used by ENDE for the construction of a hydroelectric power plant on the Corani River with an initial capacity of 27,000 kilowatts. At first, ENDE's principal customers will be Cochabamba, the nation's second largest city, and mines in the Catavi area. Transmission and distribution facilities will be built for this service, as well as an interconnection at Catavi between the system of ENDE and that of the Bolivian Power Company Ltd. (BPC).

BPC is now the largest power producer in Bolivia and serves La Paz, the capital, Oruro and the mines around Oruro. The IDA credit of $5 million is being made available to BPC for the construction of a hydroelectric plant at Chururaqui, with an initial capacity of 11,000 kilowatts. Transmission lines will be built to connect the plant with the La Paz system, and the distribution system in La Paz will be extended. The Government is relending the proceeds of the credit to BPC for a period of 25 years, including a three-year grace period, with interest at 5½% per annum.

BRAZIL

ELECTRIC POWER

The two loans described below were the first the Bank has made in Brazil since 1959. They were for projects that will add nearly a million kilowatts to generating capacity in the south central region, the industrial heart of Brazil. The Bank has already lent $208 million for the development of electric power in this region where industry uses over 75% of the power produced. The Brazilian Government, with the assistance of consultants working under a United Nations Special Fund grant for which the World Bank is Executing Agency, has been making an intensive study of the power market in the region for the past two years. They estimate that demand will continue to grow at the rate of 10 to 11% per annum. To meet the demand through 1970, a short-term emergency program has been prepared, calling for a doubling of power output by that time. The projects being assisted by this year's loans are of high priority within that program.

$57 million 25-year 5½% Bank loan of February 26, 1965, to Central Eletrica de Furnas, S.A. (FURNAS).

FURNAS was established in 1957 and is owned principally by Centrais Eletricas Brasileiras S.A., a Federal Government holding company. The loan will assist in financing the construction of the $90 million Estreito project which will continue the development of the hydroelectric potential of the Rio Grande. The powerhouse will be designed to contain six generating units, of which four with a combined capacity of 533,000 kilowatts will be installed initially. The Estreito plant will be located 100 miles downstream from the Furnas 900,000-kilowatt plant which was built with the help of a $73 million Bank loan made in 1958. It will benefit from the regulation of the flow of water provided by the large reservoir at Furnas. Concurrently with the construction of the Estreito project, additions will be made to the transmission network between the Furnas and Estreito plants and the principal consuming centers.

Participation totaling $100,000: Stockholms Enskilda Bank is taking part of the first maturity.

$22.5 million 25-year 5½% Bank loan of February 26, 1965, to Usinas Eletricas do Paranapanema (USELPA).

USELPA was organized in 1953 as an autonomous power agency of the State of São Paulo to develop and operate the hydroelectric power potential of the Paranapanema River, which along a course of 181 miles has a potential of a million kilowatts. USELPA now has two plants with a combined capacity of 145,000 kilowatts in operation, which were financed in part by two previous Bank loans totaling $23.4 million. This year's loan will be used for the 400,000-kilowatt Xavantes plant and transmission lines to connect it with the São Paulo system. Xavantes has been under construction for several years and is scheduled for completion early in 1969 at a total estimated cost of $69.5 million.

Participations totaling $200,000: by Grace National Bank of New York, and Meadow Brook National Bank.

OTHER ACTIVITIES • In October 1964, the Bank sent a 20-man mission to review and appraise current economic conditions and future prospects and to study the Government's economic development program and policies. The mission's report was submitted to the Government in March 1965.

The scope of the UN Special Fund survey of power development for South Central Brazil, for which the Bank is Executing Agency, was extended to include the use of coal for thermal power generation and an evaluation of hydroelectric power sites.

CHILE

ELECTRIC POWER

$4.4 million 20-year 5½% Bank loan of February 12, 1965, to Empresa Nacional de Electricidad, S.A. (ENDESA) and Corporación de Fomento de la Producción (CORFO).

This loan will help to increase power supplies in three widely separated areas of Chile where the Government is carrying out programs to raise production and standards of living. A 3,400-kilowatt hydroelectric unit is being installed in Antofagasta, an important port in the north, the capital of a province rich in mineral resources and the site of newly established industries. A 5,000-kilowatt gas turbine is being installed in Punta Arenas, the largest town in the extreme south of Chile, where the development of oil resources in recent years has increased the level of economic activity. A submarine cable will be laid to connect the power system of Chiloé, an island off the coast of the south-central region, with that of the mainland. Funds are also included for the expansion of transmission and distribution facilities throughout the country, and for services and equipment needed to carry out studies looking toward the continuing expansion of power supplies in Chile.

This was the first World Bank loan made in support of the new investment and development program of the Chilean Government. The loan itself is the fourth in a series of power loans to Chile, the first of which was made in 1948. The earlier loans totaling $61 million have helped to finance plants with a combined generating capacity of 589,000 kilowatts. Most of Chile's power demand is concentrated in the central part of the country, where additional major capacity will be needed by 1970 and plans are being made for the necessary expansion. Public supply of power in the sparsely populated regions to the north and south is confined to a few cities and towns which are served by isolated systems, mostly without adequate generating capacity. The loan made this year was largely to increase supplies in these areas.

Participations totaling $405,000: by Meadow Brook National Bank, The Chase Manhattan Bank, Girard Trust Bank, Grace National Bank of New York, and The First Pennsylvania Banking and Trust Company.

OTHER ACTIVITIES • A Bank mission consisting of a member of the Bank's Development Advisory Service and officials of the Bank of England and the Nederlandsche Bank completed a study of measures to make the Chilean capital market a more efficient instrument in mobilizing domestic savings for development. The Bank's contribution to the cost was $122,000. The report of the mission was submitted to the Government in January 1965.

The Bank's resident mission in Santiago completed its assignment in September 1964.

A technical representative of the Bank continued to act as liaison with Chilean authorities, assisting in the execution of a highway construction and maintenance project for which an IDA credit and a Bank loan were made in 1961.

IFC COMMITMENTS • $100,000 supplemental investment in share capital of Cementos Bío-Bío S.A.

$153,846 supplemental investment in share capital of Fideos y Alimentos Carozzi, S.A., a food products manufacturer.

COLOMBIA

A Bank staff member took up his duties in October 1964 as Resident Representative. A member of the Bank's Development Advisory Service completed an assignment of helping the Cauca Valley Corporation (CVC) organize its department for regional planning, particularly for industrial development; another member of the Service continued in residence as General Economic Adviser to CVC.

A Bank staff member was stationed in Bogotá to assist in the planning and execution of highway development programs in Colombia and Ecuador.

IFC COMMITMENT • $1,017,254 supplemental investment in the form of a

$1 million line of credit to a food products manufacturer, Industrias Alimenticias Noel, S.A. (formerly Fábrica de Galletas y Confites Noel, S.A.), and 25,000 shares of the company with a value of $17,254, received as a commitment fee.

COSTA RICA

A United Nations Special Fund study of ports, railways and associated highways, for which the Bank acted as Executing Agency, was completed.

DOMINICAN REPUBLIC

A Bank staff member who was resident adviser on development problems, and an economist who joined him in October 1964, completed their assignments.

The Bank has agreed to act as Executing Agency for a United Nations Special Fund feasibility study looking toward the expansion and diversification of agricultural production through development of the irrigation and power facilities of the Yaque del Norte and the Yaque del Sur river basins.

ECUADOR

The Bank's advisory assistance to Ecuador's National Institute of Electrification in preparing the basis for a national electrification plan was concluded. The Bank contributed $220,000 toward the foreign exchange costs.

HONDURAS

TRANSPORTATION—ROADS

$6 million 25-year 5½% Bank loan of February 2, 1965, to Honduras.
$3.5 million IDA credit of February 2, 1965.

The Bank loan and IDA credit will finance 40% of the cost of building a 202-mile, two-lane, all-weather road, called the North Road, which will link the capital, Tegucigalpa, with San Pedro Sula, the country's most important commercial center. The North Road has been given highest priority in the national and the Central American Regional Highway investment programs. It will be part of the transcontinental route running across the Central American Isthmus from Puerto Cortés on the Atlantic Ocean to the Inter-American Highway at the Golfo de Fonseca on the Pacific. The links in the north from San Pedro Sula to Puerto Cortés, and in the south from Tegucigalpa to the Inter-American Highway were built or improved with the assistance of an earlier World Bank loan.

In addition to benefiting international travel, the North Road will traverse the most heavily populated part of Honduras and a zone in which most of the country's industry is located, as well as about a quarter of the farmland. The road will make an important contribution to political and administrative integration of the country's northern and southern regions between which transport is slow and costly. It will also result in a sharp reduction in transport costs. The total cost of the project is estimated at the equivalent of $23.6 million. The Inter-American Development Bank has also lent $9.5 million for this project.

Participation totaling $90,000: by Bank of America National Trust and Savings Association.

JAMAICA

TRANSPORTATION—ROADS

$5.5 million 25-year 5½% Bank loan of April 8, 1965, to Jamaica.

This was the Bank's first loan to Jamaica. It will help to finance the improvement of three road sections which are part of the main thoroughfare from Kingston, the capital, to the north and west of Jamaica. The roads are among the most heavily traveled in Jamaica and their improvement will relieve congestion, speed up travel time, and sharply reduce transport costs. A 15-mile, four-lane road will be built between Kingston and Spanish Town, the third largest city. The second road will be a two-lane road between Spanish Town and Bog Walk, a distance of about 7½ miles, and the third road will extend about four miles from Moneague, north of Bog Walk, to Crescent Park.

Jamaica has a relatively extensive road network, of which 924 miles are main roads connecting all the major towns and important agricultural and industrial areas. The standards to which the roads were originally constructed, however, are becoming inadequate for today's type and volume of traffic. Between 1953 and 1963, the number of motor vehicles increased from about 19,000 to 72,000, an annual increase of 15%, and substantial traffic growth can be expected in the future.The roads being improved with Bank assistance were given priority in a survey recently undertaken of Jamaica's highway system. The project is scheduled for completion in 1970 at a total estimated cost of $11 million.

Participations totaling $282,000: by the New York Branch of Barclays Bank, D.C.O., and the New York Agency of The Bank of Nova Scotia.

OTHER ACTIVITIES • The Bank has agreed to allocate $200,000 to help meet the foreign exchange costs of a feasibility study of an urban expressway in the Kingston area.

In January 1965, a Bank staff member was assigned as Project Preparation Adviser to the Government.

MEXICO

TRANSPORTATION—ROADS

$32 million 20-year 5½% Bank loan of February 4, 1965, to Caminos y Puentes Federales de Ingresos y Servicios Conexos, and Nacional Financiera, S.A.

For many years Mexico has been improving the quality of its highway network and extending it to provide for safer, faster and more convenient movement of freight and passenger motor vehicles which now number about a million. The country now has about 30,000 miles of surfaced roads. Where traffic is especially heavy or the lack of bridges and ferries act as a bottleneck, limited access toll roads and bridges are being built. Earlier Bank loans totaling $95.5 million have assisted Mexico's highway program; the funds are being used for the construction or improvement of about 5,000 miles of roads throughout the country and for the construction of new toll facilities.

This year's loan will assist the further extension of the toll transport system in the central part of Mexico where the growth of urban areas has generated a demand for fast intercity bus and truck services and the increase in the number of vehicles has overloaded regular highways. The project includes the construction of four new toll roads, totaling 88 miles, three toll bridges, and additional lanes on an existing 130-mile road that is partly toll and partly free, the acquisition of accounting equipment and of miscellaneous equipment for the operation of toll booths. The new toll facilities will relieve congestion and provide faster service on sections of the main routes leading from Mexico City northward to Guadalajara and eastward toward Veracruz, the country's main port. A further benefit will be that some of the roads will encourage new economic activities to spread away from Mexico City, thus reducing urban congestion and the costs of supplying public services and facilities to the city's rapidly growing population. The project is scheduled for completion in four years at a total estimated cost of $78 million.

Participations totaling $2,533,000: by Girard Trust Bank, State Street Bank and Trust Company, Compagnie de Gestion et de Banque, S.A., The Northern Trust Company, National Bank of Commerce of Seattle, The National Shawmut Bank of Boston, The American Express Company, Inc., Wachovia Bank and Trust Company, Bank of America National Trust and Savings Association, Meadow Brook National Bank, Banco de Ponce, Fidelity-Philadelphia Trust Company, Grace National Bank of New York, Banque Lambert, S.C.S., Crocker-Citizens National Bank, and The First Pennsylvania Banking and Trust Company.

IFC COMMITMENT • $6,446,250 in Compañía Fundidora de Fierro y Acero de Monterrey, S.A., to assist in financing an expansion of steel production. $6,100,000 in the form of an underwriting commitment in connection with a new issue of shares by the company; $346,250 in the form of share capital resulting from IFC's exercise of rights as a shareholder of the company to subscribe to the new share issue.

NICARAGUA

The Bank has agreed to act as Executing Agency for a United Nations Special Fund highway and port survey of the Southern Atlantic Coast.

PANAMA

The assignment of a Bank resident adviser on budgetary and planning problems was completed in June 1965.

PARAGUAY

TRANSPORTATION—ROADS

$2.2 million 25-year 5½% Bank loan of December 16, 1964, to Paraguay.

In 1961 IDA extended a credit of $6 million to Paraguay for the improvement of 190 miles of the highway linking Asunción, the capital, to Encarnación, the second largest city, and for the improvement of maintenance on the primary road network. Since then the estimated cost of the road has been increased by $2.5 million to a total of $10.5 million. The Bank loan will provide the additional foreign exchange needed for completion of the project.

Among the factors contributing to the increased cost were unprecedented floods that necessitated a redesign of major portions of the road, calling for higher embankment, enlarged drainage and bridge works, and other preventive measures. Furthermore, traffic had increased at a much faster rate than had been predicted so that the road has to be built to higher standards throughout. The unexpectedly rapid growth of traffic gives promise, however, that savings to road users will be even greater than had been previously forecast, despite the increased costs.

The Asunción-Encarnación highway forms part of a triangle which encompasses the most densely populated and potentially rich agricultural land in Paraguay. Its development has been given top priority by the Government and a survey is being conducted by the United Nations Special Fund, with the World Bank as Executing Agency, to determine a network of feeder roads to open up the hinterland and thus increase the benefit of the trunk roads forming part of the triangle.

Participation totaling $60,000: by Bank of London and South America Limited.

PERU

AGRICULTURE—FARM CREDIT

$15 million 15-year 5½% Bank loan of June 3, 1965, to the Banco de Fomento Agropecuario del Perú.

The Banco is the major source of agricultural credit in Peru and has been an important factor in the increasing output of crops for both domestic and foreign markets in recent years. Three earlier Bank loans totaling $15 million have assisted the Banco's lending program and this year's loan will provide half the funds required through March 1967 for the Banco's medium and long-term loans. As in the past, the Bank funds will be used for such defined development purposes as farm water supplies, land improvement, agricultural machinery, livestock, fencing, tree and plantation crops, processing and storage facilities and farm buildings.

Continuation of farm credit from the Banco is essential to the implementation of the Government's agricultural policies for meeting the economic needs of the country. Per capita food consumption is rising with more and better food supplies and improved wage levels. While agricultural products comprise about a third of total exports, Peru is still importing substantial quantities of such foodstuffs as dairy products, cereals, meat and fruit. All these could be produced locally in much greater quantities with extension of cultivation to new lands and an increase in agricultural productivity. The capital investment required for further agricultural development considerably exceeds the farmers' own financial resources and cannot be carried on without agricultural credit. The Banco provides this credit and also comprehensive technical services in the course of its operations. Since Bank assistance began in 1954, the Banco has made over 14,400 medium and long-term loans to some 6,000 farmers. It is estimated that the gross value of increased production on farms which had received credit amounted to $44 million in 1963. The three-year program being assisted by this loan will require the equivalent of $30.4 million.

Participations totaling $750,000: by Meadow Brook National Bank, Fidelity-Philadelphia Trust Company, First Wisconsin National Bank of Milwaukee, National Bank of Detroit, The Philadelphia National Bank, The First Pennsylvania Banking and Trust Company, First Western Bank and Trust Company, Grace National Bank of New York, and The Northern Trust Company.

AGRICULTURE—LAND DEVELOPMENT AND SETTLEMENT

$11 million 20-year 5½% Bank loan of June 18, 1965, to Peru.

The loan will assist the third stage of the San Lorenzo project for the irrigation and settlement of once arid land on the coast of northern Peru—an area which may eventually involve about 125,000 acres. The project brings together irrigation, farm credit and a wide range of technical services for the purpose of increasing the output of food and cash crops, both for domestic consumption and export. Besides raising farm income and improving standards of living in its own area, the San Lorenzo project is serving as a model for similar developments in other parts of Peru.

In the first stage the Government built works to supplement water from the Piura River for irrigation. The second stage, which was assisted by an $18 million Bank loan, consisted of enlarging these works for the irrigation, development and settlement of the San Lorenzo area. Since then about 35,600 acres have been developed and settled.

The third stage consists of the development and settlement during 1965-67 of some 44,000 acres and the further improvement of lands already settled. Funds from the loan will be made available for medium and long-term credits to farmers for on-farm investments which include land development, housing, machinery, breeding livestock and tree crops. In addition, the loan will finance the foreign exchange costs of heavy mechanical equipment for the operation and maintenance of irrigation facilities and service roads and for the leveling and ditching of land; a comprehensive drainage and salinity survey of the entire project area; improvement of experiment stations; a training program for the maintenance of equipment; a study of marketing problems; and services and equipment for vocational and artisan schools. Bank funds will also be used for a study looking toward steps for the further development of water and related resources in the northwestern region of Peru. The total cost of the project is estimated to be $29.8 million.

Participations totaling $825,000: by First National City Bank, Irving Trust Company, Meadow Brook National Bank, The Citizens & Southern National Bank, The Marine Trust Company of Western New York, Crocker-Citizens National Bank, and Grace National Bank of New York.

OTHER ACTIVITIES • The Bank's Resident Representative completed his assignment in May 1965.

The Bank has agreed to help finance feasibility studies for three road construction projects at a total estimated cost to the Bank of $300,000.

A consultant engaged by the Bank carried out a preliminary survey of the capital market. His report was submitted to the Government in October 1964.

A 19-man mission organized by the Bank to review the Government's economic development program and policies completed its field work and is now preparing its report.

SURINAM

A transport study financed by the United Nations Special Fund and for which the Bank is Executing Agency was begun in December 1964.

The UN Special Fund has authorized a supplementary allocation of $77,000 to extend the mineral survey for which the Bank is Executing Agency. The total allocation for the survey is now $827,000 and the completion date has been extended to June 30, 1966.

URUGUAY

AGRICULTURE—LIVESTOCK PRODUCTION
$12.7 million 15-year 5½% Bank loan of March 30, 1965, to Uruguay.

Uruguay's chief natural resource is its extensive area of native grassland which is used for the production of sheep and cattle. Wool, meat, milk and by-products provide most of the country's export earnings. Because of the importance of livestock to the Uruguayan economy, the Bank made a loan of $7 million in 1959 for a pilot project to increase production by demonstrating the advantages of modern techniques of pasture improvement and management. The three to fourfold increase in livestock production from the improved grasslands over that of native pastures has attracted the attention of farmers everywhere in the country. About 1,400 farmers participated in the program and improved 360,000 acres of pasture land. In addition, farmers who cooperated with the program but arranged their own financing, improved an additional 170,000 acres.

This year's loan will assist in financing the second stage of the program which will require a total investment of $35 million over a four-year period. In this stage, individually supervised livestock development loans will provide 650,000 acres of improved pastures on 2,600 medium-sized farms. In addition, about 1,000 operators of larger farms are expected to participate on a cash basis to improve about 310,000 acres. As there are 37 million acres of native grassland capable of similar improvement, the program points the way to profound economic and social consequences for the nation as a whole. The program is designed to improve only part of a large number of farms and not the total area of a few, so in three years' time about a quarter of the grassland farmers of Uruguay will have the required experience to continue the development of their own properties and to extend advice to neighbors.

Participations totaling $100,000: by The First Pennsylvania Banking and Trust Company, and The Marine Midland Trust Company of New York.

VENEZUELA

ELECTRIC POWER
$14 million 20-year 5½% Bank loan of August 28, 1964, to Compañía Anónima de Administración y Fomento Eléctrico (CADAFE).

CADAFE, a wholly owned subsidiary of the national development authority, Corporación Venezolana de Fomento (CVF), was established in 1958 to extend power facilities to Venezuela's smaller cities and rural areas and to manage the separate power systems acquired by CVF. It now has 14 regional administrations serving some 500 communities and rural areas.

Demand for power in Venezuela is expected to grow at an annual rate of 14% over the next five years, and CADAFE is currently engaged in a program to extend and increase its service. The Bank loan will assist in financing an extension of its transmission facilities. A high-voltage transmission line, about 370 miles long, will be erected to connect the Macagua power station on the Caroní River with a substation near Caracas, several substations will be installed, and existing transmission facilities reinforced and interconnected. The project will enable CADAFE to realize substantial economies by concentrating its generating activities upon its larger and more efficient units, by pooling reserve capacity, and advancing the retirement of high-cost diesel units in areas to be served by the interconnected systems. The estimated cost of the project is $19 million.

Participations totaling $1,425,000: by the New York Agency of the Bank of London and South America Ltd., Girard Trust Bank, Meadow Brook National Bank, The American Express Company Inc., The Chase Manhattan Bank, the New York Agency of the Royal Bank of Canada, The Royal Bank of Canada Trust Company, Continential Bank International, Bank of America National Trust and Savings Association, Fidelity-Philadelphia Trust Company, Irving Trust Company, Manufacturers Hanover Trust Company, The First Pennsylvania Banking and Trust Company, Crocker-Citizens National Bank, The Marine Midland Trust Company of New York, and Grace National Bank of New York.

TRANSPORTATION—ROADS
$30 million 20-year 5½% Bank loan of August 28, 1964, to Venezuela.

This loan will assist in financing two roads, both of which form part of the trunk highway link between central Venezuela and the southwestern provinces, and two expressways in the Caracas area. One of the highways will extend 128 miles from Barinas to La Pedrera and will open up to development a large area with a rich agricultural and forest potential now accessible only by trails. The other highway will run 65 miles from La Pedrera to San Cristóbal, the marketing and communications center for southwestern Venezuela; it will also connect with the road which serves the State of Apure, the most important cattle producing region in Venezuela. The expressways will relieve the severe traffic congestion in Caracas. The focal point of the network of the city and suburban expressways in the Caracas area is a four-level interchange called "La Araña" (the Spider), on the western fringe of downtown Caracas. The expressways being financed are two of the four which will converge at La Araña. One will be a six-lane divided highway, 2.4 miles long, and the other will be a four-lane divided highway 2.7 miles long. Construction of the four roads is scheduled for completion in 3½ years at a total estimated cost of $65 million.

The road system in Venezuela is by far the most important means of transport. Since 1947 the public network has been more than tripled in length and now comprises about 17,500 miles, of which more than 7,000 miles are paved. The roads being built with the assistance of the Bank loan are of high priority in the Government's continuing road development program which calls for an investment of nearly $600 million in 1965-68.

Participations totaling $2,105,000: by Girard Trust Bank, Continental Illinois National Bank and Trust Company of Chicago, Bank of London and South America Ltd., The National Shawmut Bank of Boston, The Chase Manhattan Bank, Manufacturers Hanover Trust Company, Meadow Brook National Bank, The Bank of New York, First National City Bank, Irving Trust Company, The Marine Midland Trust Company of New York, Morgan Guaranty Trust Company of New York, Fidelity-Philadelphia Trust Company, The First National Bank of Memphis, Bank of America National Trust and Savings Association, The Bank of California National Association, The First Pennsylvania Banking and Trust Company, Crocker-Citizens National Bank, and Grace National Bank of New York.

OTHER ACTIVITIES • In March 1965 the Bank organized a mission to review the country's 1965-68 Development Program. The mission has completed its field work.

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