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Concluding part of the statement of Mr. M. SAIFUR RAHMAN, Minister for Finance at the joint annual discussion of the Boards of Governors of the World Bank.

We hope that the Task Force on Non-Concessional Flows set up by the Development Committee will also have important suggestions to make. But over and above all these, we look forward to the initiation of innovative techniques by the new President of the Bank who has vast experience in the handling of and raising international resources. As was recognised at the last Annual Meetings, the international financial institutions, including the World Bank, have a major role to play in the recycling of the international surpluses. The Fund has already taken a significant step by coming to an agreement with the Saudi Arabian authorities. We hope the World Bank will be able to come to some such arrangement to raise its resources for lending, in addition to exploring other means for increasing its resources by possible redesigning of the capital structure.

We remain concerned over the changes in some members' perception of the role of the World Bank. The World Bank has played an historic role in increasing the understanding between the developing and developed member countries. We do not take any doctrinaire approach and believe that the private sector can play important roles in the development of many economies. However, we remain convinced that it is not necessarily the answer to the problem in all cases, particularly in the case of the low-income countries. The World Bank should not close its doors to financing of infrastructure projects and other viable projects in the developing countries in fields which cannot be attractive for private entrepreneurs such as roads and highways, rural development, population planning, and human resource development. Public investment will have to play a predominant role in these areas. We must recognise that the World Bank is not a commercial bank and was never conceived of as such by its members. As has been described by Mr Clausen, the Bank and IDA have been playing a significant role in the nonfinancial field also, such as technical assistance and research and there is a strong case for expanding that role rather than reducing it.

If concessional resources are likely to grow only very slowly, as the trends seem to indicate, it will be necessary for the management of the Bank to consider innovative measures through appropriate selection of projects and financial mechanisms to channel IBRD resources to the low-income countries. We hope that under the leadership of the new President of the Bank, with his vast experience in international banking and finance, it will be possible to break away from the traditional concepts of creditworthiness, which have been mechanically applied and have resulted in the exclusion of a large number of develo... countries from IBRD resources.

We hope that the World Bank will continue to retain the leadership role it has established for itself in the field of development policy and in the matter of meeting basic human needs of the poor people in the developing countries through innovative project designs. While we are happy to note from Mr Clausen's statement that the Bank will continue to follow the priorities established in its lending operations over the years, giving adequate attention to the needs for agriculture and energy, it would be wrong in our view to cut down the share of social sector investments. We firmly believe that these institutions have genuine obligations for helping the developing countries to meet the basic needs of those living in absolute poverty and to continue assistance in these areas for development of human resources.

We are also encouraged to note in the statement of the President of the Bank the importance that will continue to be attached to the need for expanding energy production in non-oil developing countries. But we want to re-emphasize that an increase in the Bank's investments in energy production must represent a net addition to total available resources, unless the pattern of resource allocation set up over the years, to which I referred a little while ago, is to be seriously distorted. While all parties — developing countries, industrial countries, and oil surplus countries — recognise the need for such investment, it will be a pity if resource mobilisation measures suffer due to lack of agreement on an appropriate organisational arrangement for channeling such investment. In last year's annual discussions there was widespread support from the Governors for the establishment of an energy affiliate. We would strongly urge that the initiative earlier taken by the World Bank management be expanded and recommendations agreed upon between the concerned groups of countries for determining the optimum means of financing and the appropriate organisational mechanism for an expanded energy programme, including the possibility of an energy affiliate. In our opinion, the World Development Report has argued well why international financial institutions should play a significant part in the process of designing larger energy investments. While cooperation between such institutions and the member countries on the one hand and private energy companies on the other are most desirable, we would be hesitant to opt for any doctrinaire and generalised pattern for this purpose. After all, according to the Bank's own analysis, the bulk of the resources for energy investments will have to come from the private sector — with the Bank playing a catalytic role. Obviously, conditions will differ from country to country depending on the size of possible and probable reserves of energy resources, domestic needs, and possibility of exports. Before leaving this subject, we must reiterate our suggestion that if market-based resources are to play the major role in energy investments, special arrangements must be made for interest subsidy to the low-income countries.

The Annual Report of the Fund indicates that the institution and its Executive Board have been highly active during the year that is just over. We are happy to note that the financial activity of the Fund reached a new peak in terms of number of arrangements with members in the use of the Fund's resources.

We would also like to put on record our satisfaction about the coming into effect of the Seventh General Review of Quotas and steps taken to place in line the quotas of the People's Republic of China and Saudi Arabia. Though not fully meeting the expectations of the developing countries, the Executive Board's decision on compensatory financing of fluctuations in the cost of cereal imports to assist members encountering balance of payments difficulties is also a step in the right direction. We welcome the decision to establish a subsidy account in connection with the supplementary financing facility and hope that the resources of the subsidy account will be supplemented by donations and borrowing on suitable terms in addition to using a part of the Trust Fund repayments. We would like to congratulate the Managing Director for concluding a borrowing arrangement with the Saudi Arabian Monetary Agency. Short-term financing arrangements made with several central banks of industrial countries will also help the Fund in augmenting its resources. While these steps will enable the Fund to pay a suitable role in recycling international surpluses and to meet the increased borrowing requirements of its members over the next three years, we would urge caution in exploring the possibility of Fund borrowing from the private market and its possible impact on interest rate structure and Fund charges. It is in this context that we reiterate the need for expediting deliberations by the Fund Board on the Eighth General Review of Quotas.

We cannot help pointing out that though the financial activity of the Fund reached a new peak, the bulk of Fund assistance to the developing countries in recent years is characterised by high conditionalities, whereas the major part of assistance provided in the period 1974-78 was low-conditionality resources under the oil facility and compensatory financing facility. Also any concrete Fund action on the proposal in the Group of Twenty-Four Programme for Immediate Action for a new medium-term facility in the Fund, and a subsidy account for the enlarged access policy are conspicuous by their absence in the Fund Annual Report.

Simplification of the composition and characteristics of the SDR is welcome, but we regret that discussions concerning allocation of SDRs in the fourth basic period have not come to a satisfactory conclusion and have failed to take account of the overriding principle that the SDR should be the principal reserve asset in the international monetary system. It is disappointing that the Executive Board of the Fund has not concluded its deliberations and made any recommedations for submission to the Board of Governors for further allocation of SDRs at an appropriate and substantial level. We hope that the Fund Board will carry out the mandate from the Interim Committee without any loss of time.

We have noted with great interest the reference made to Bank-Fund collaboration in the statements of the Managing Director of the Fund and of the President of the Bank. Admittedly, adequate collaboration and cooperation are required and desirable between the two Bretton Woods institutions, but such cooperation should be wholly for the purpose of helping the developing countries in following adjustment measures with adequate financial support. We would also like to point out that collaboration between the two organisations should not mean or lead to reinforcement of stricter conditionalities which will put the developing countries in straight jackets with serious economic and social consequences and inevitable depression of their growth rates.

The developing countries have never opposed or refrained from adopting rational and realistic domestic policy reforms and changes. The growing relationship of the developing countries with our two institutions is clear evidence of this process. But one must not lose sight of the need for a realistic time frame for such changes so as not to upset the fabric of social equilibrium. For economic policies of nations, particularly the developing ones, cannot be considered in isolation from their sociopolitical realities, programmes and institutions. What is more important, policy reforms in most cases can be undertaken only in the context of adequate resource support from the international community — the industrial and capital surplus oil countries which have been subjects of intensive discussions in the last few days.

Developments in the industrial countries in the last year or so invariably give an impression that assistance to the developing countries is an item being relegated more and more to a lower position in the agenda of their international concern. This contrasts sharply with positions being taken on ideological considerations and massive planned expenditure on armaments both in the East and the West. We must not let this occasion pass without drawing attention to the fact that the centrally planned industrial economies have also not played their part in helping the developing countries. The projections about the growth prospects of these economies in this decade are, on the whole, more favourable than those for other groups of countries. It cannot be denied that these countries are benefiting from trade with the developing countries, the OECD countries, and also with the surplus oil countries. It will therefore be quite appropriate to urge them to take their legitimate share and make their legitimate contribution to the developing world in their efforts to improve the living conditions of their people.

During our discussions last year the recommendations of the Brandt Commission, aptly described as "A Programme for Survival," raised considerable hopes and, in our view, provided an opportunity for an exhibition of statesmanship and political ... by the leaders of the industrial countries. It clearly ...ght out that most econo... problems of the present ...d are interlinked, and ...l interdependence dic... that there can be no ...meal solutions to these ...ems. The report rightly ...ed that it is in the best ...sts even of the develop... ...rld to sustain and sup... ...he development of the ...ing world through a ... transfer of real re... and a restructuring ...national economic re...ips. We therefore sin... ...ope that the ensuing ... Summit, which was ...for by the Brandt ...on, will restore mo... ...the process of glo... ...ations which is now ...dstill position. In ... of this meeting ...rward to a consen... ...nneling more re... ...the developing ...ries if the drastic conse...ences of the "low-case" ...jections are to be avoided. ...e requirements for the ...gh-case" scenario as illus...ted by the analyses of the ...d and the Bank are cer...

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tainly not excessively demanding. Can the developed world, in all good conscience, suggest cutting down the flow of resources which is needed for investment to raise hundreds of millions of poor people from below the poverty line, raising their life expectancy, and educating their children? Whereas in the industrial countries per capita income increased from about \$4 000 in 1950 to over \$10,000 in 1980, and for middle-income countries it grew from \$640 to nearly \$1,600 in 1980, for the low-income countries the improvement was from an appalling figure of \$170 to \$250 — a gain of only \$80 per person in 30 years! Is it therefore too much to expect that a modest part of the increase (only 3 per cent of the increase) of the national product of the industrial countries be transferred to the developing countries in the rest of the decade?

I am about to conclude. In recapitulation I would like to make some observations on the issues of structural adjustments, conditionalities, and the role of private investment in engendering the development process. So much has been made of these during the past few days in this forum and also in the Interim Committee and Development Committee that I feel a compelling urge to make some reference on these much-debated issues. We certainly believe in the virtues of undertaking structural adjustments to put our economy on the right track of a sustenable development process, but it has to be appreciated that this process calls for massive investment and a reasonable time frame. Of late, however, our task has been made manifoldly difficult by the recession induced by the trade restrictive, and at times, incoherent, policies pursued by a number of developed economies with debilitating repercussions on our adjustment efforts. Would it not be unfair of the developed economies to remain insensitive to the consequences of their policies for weaker economies?

The idea of appropriate conditionalities is well understood. But mechanical enforcement of performance criteria, relying mainly on soulless data without adequate consideration of the underlying objectives which the conditionalities are meant to attain, may end in fulfilling the criteria and yet the attainment of the objectives may remain as elusive as ever. On the contrary, objectives may be realized even though the fulfilment of performance criteria may fall short of numerical targets. Should then a country, which under difficult internal and external situations attains the major objectives, be penalized merely because it falls short of meeting some performance criteria mechanically? In my own country, we have met the performance criteria on export expansion in volume but have failed to meet it in export earnings entirely due to the serious deterioration in the prices of our main export products. Should the jute farmers, the tea garden workers, and the fishermen of Bangladesh to produce more by toiling from dawn to dusk under a broiling sun for a miserable reward and wretched existence be further penalised for failing to meet the numerical targets of export earnings? They are not even aware that they are condemned to a wretched existence not because of lack of endeavour on their part, but because of the unfair and inequitable international economic relationship. The answer lies not in penalizing our farmers, workers, and fishermen, but in correcting the unfair international economic relations. The area of adjustment therefore lies beyond the borders of Bangladesh. Doctrines of exchange depreciation mechanically applied merely result in the transfer of resources from the developing countries to the developed countries through deterioration of the terms of trade.

Concerning the virtue of market-oriented private investment, let me remind the audience that as a general rule, the market smiles at the rich but frowns upon the poor — and we are poor and least developed. And yet, being in desperate need for investment resources, we have adopted a comprehensive set of policies to encourage and promote private foreign investment — but except to a limited extent we have not yet been taken as a desirable suitor since our environment is not as attractive compared with that of the middle-income and advanced countries. Let me assure you that we shall continue our efforts for attracting private investment. I wonder, however, whether the private investors would invest in small irrigation and rural development projects, construction of jute and fertilizer godowns, construction of primary and secondary schools, feeder rural roads and secondary roads, jetties and harbours, and other infrastructure projects. When we talk of private investmnet in least developed countries, could we lose sight of these compelling economic realities which certainly would not attract private investors?

What I want to say is that the doctrines of structural adjustment, conditionalities, and of private investment have to be pursued with caution and pragmatism. These doctrines should not be pursued in isolation from the economic realities in the low-income and least-developed countries, forgetting the millions of people living in subhuman conditions whose welfare is after all behind all our objectives and policies.

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