



ECONOMIC AND SOCIAL COUNCIL

Resumed Forty-ninth Session
OFFICIAL RECORDS

Friday, 13 November 1970,
at 10.50 a.m.

NEW YORK

President: Mr. J. B. P. MARAMIS (Indonesia).

AGENDA ITEM 2

Reports of the World Bank Group¹ (E/4927)

1. Mr. McNAMARA (President of the International Bank for Reconstruction and Development) said that the preceding year had been a very active one, in which the Bank's new loans, credits and investments had totalled \$2,300 million, as compared with \$1,900 million in 1969 and \$1,000 million in 1968. Although its expanded operations had entailed rising administrative costs, it had nevertheless ended the financial year with a net income of about \$213 million, of which about half had been kept in the Bank to support future concessionary lending and \$100 million had been transferred to the International Development Association (IDA).

2. As everyone knew, however, the whole situation could not be summed up in the results of any one fiscal period, and the Bank took the view that long-range goals were needed which could serve both as objectives and as guidelines by which to measure year-to-year effectiveness. With that in mind, the Bank had, two years previously, established a five-year programme whose objective was to double the Bank Group's operations in the period 1969-1973 as compared with the period 1964-1968. In order to reach that objective, the Bank would have to approve approximately \$12,000 million worth of loans, credits and investments in the period 1969-1973, which would help finance development projects costing approximately \$30,000 million. The programme had been in operation for two years, and its interim objectives were being met. He remained convinced that the over-all goals could also be achieved.

3. Although those goals were stated in financial terms, their importance was not solely, or even primarily, quantitative. On the contrary, their overriding significance would be qualitative. The Bank's purpose was not simply to lend money but rather to assist less-advantaged countries to develop as quickly and effectively as possible, in accordance with their own aspirations. Over the past two years, the Bank had made certain shifts in emphasis with a view to serving those aspirations better. It had, for example, enlarged the geographical scope of its operations, its objective being to bring assistance to a greater number of developing countries, with special emphasis on very small and very poor countries. In both 1969 and 1970, it had

aided approximately sixty countries, which was a 75 per cent increase over the number of countries aided in an average year in the period 1964-1968. Perhaps even more significantly, it had served fourteen countries which had received no loans or credits at all during the previous five-year period.

4. The Bank had greatly expanded its financing of education projects in the years 1969 and 1970, there having been more lending for education during those two years than the total of all the prior years combined. At the specific request of certain countries, work had been initiated in the field of population planning. In fact, more countries had asked for assistance in that area than could be served by the Bank's present staff, but plans were under way to make the Bank more able to meet such requests.

5. The Bank had broadened and accelerated its work in the agricultural sector; agricultural projects financed in the twenty-four months ending 30 June 1970 represented half the entire total of such projects during the previous history of the Bank. The Bank's objective was not only to help countries grow more food for their expanding populations and to encourage agricultural exports, but also to provide a stimulus for industrial growth. The Bank had tailored its financing so that its funds would reach more beneficiaries. More than 20 per cent of the Bank's commitments had been made to intermediary institutions, especially industrial development banks which financed medium-sized and smaller industrial enterprises and to agricultural credit agencies serving small farmers. The Bank had made progress towards enlarging the concept of development beyond the limits of economic growth, which, although necessary, remained precarious and sterile without corresponding social improvement.

6. While the Bank Group had been expanding its lending activities, it had at the same time been broadening its financial base and in the two preceding years had raised nearly \$2,000 million through the sale of bonds and notes in more than forty-five countries. He was particularly glad to report that the process of adding to the resources of IDA was at present very well advanced. The first replenishment had provided for a 60 per cent increase in IDA's commitments; the purpose of the second replenishment had been to raise those commitments another 60 per cent; and at present, subject to the necessary parliamentary action, the eighteen nations which contributed the bulk of IDA's resources had agreed on a third replenishment, providing for contributions of over \$800 million a year for three years beginning 1 July 1971, or double the previous amount.

7. With regard to the Bank's future operations, there were a number of new developments, five of which he would like to mention. First, a new division had been established for

¹ International Bank for Reconstruction and Development—International Development Association, *Annual Report, 1970* (Washington, D.C.); International Finance Corporation, *Annual Report, 1970* (Washington, D.C.).

the consideration of urban development projects. Although the urban problem was certainly not confined to the developing countries, it was especially acute in them because of their high rates of population increase, exacerbated by rural migration. In cities in the developing world it was not unusual for a fifth, and in some cases half, of the population to live in squatter towns, for a third or more to be without water facilities and for as many as four out of five families to live in a single room. Such conditions bred disease, low productivity, social tension and political unrest. Up to the present the Bank had attacked urban problems on a project-by-project basis, but it now sought a more comprehensive approach. As a first step, it had organized a mission to make a study of Bombay and was attempting to decide which approach or combination of approaches would best assist the rational growth of that city. If the Bombay study was successful, it would be followed by similar analyses of cities in other regions with a view to drawing up guidelines for future urban development financing in various parts of the world.

8. Secondly, the World Bank Group had increased its activities to provide agricultural development. In nearly all low-income countries, sustained economic and social progress required that rural areas should be able to produce a surplus, which could form a basis for savings and for investment in over-all development. The developing countries as a whole were far from achieving that goal. Recently, IBRD had been carrying on discussions intended to lead to the formation of a consultative group, or some similar mechanism, in support of agricultural research programmes of an international character. Such a group would be sponsored jointly by FAO, UNDP and the Bank and would be composed of Governments, international organizations, regional development banks and interested private foundations. Its primary functions would be to identify priority needs for international programmes of agricultural research and to serve as a clearing-house of information. Preparatory work on the group was now almost complete, and a preliminary meeting to discuss terms of reference and organizational arrangements would be held early in 1971.

9. A third concern of the Bank was with the deterioration of the environment. Development finance institutions had to determine whether and how they could help developing countries to avoid or mitigate some of the damage that economic development could do to the environment without slowing the pace of economic development. The Bank had recently established a small unit to consider the environmental consequences of development projects proposed to the Bank. Even more important, the Bank wanted to work towards concepts that would enable it and other developmental financing agencies to consider the environmental factors of development programmes in some kind of cost-benefit framework.

10. A fourth new development was the reactivation of serious discussions within the Bank's Board of Directors concerning the creation of an international investment insurance agency. Such an agency had been under consideration for many years but until recently governmental support for it had been insufficiently strong. Recently, however, the situation had changed, and a number of developed countries had signified their interest in participating in an international investment insurance scheme

provided that satisfactory arrangements could be worked out. A growing number of developing countries were also interested so that it could be hoped that the Executive Directors would be able to negotiate an agreement which could be submitted for governmental signature and ratification in 1971.

11. Finally, among new developments, he wished to mention the Bank's plans for its Economic Development Institute. The demand for enrolment in the Institute was at present much greater than could be met by existing staff and facilities. A long-range programme of expansion had therefore been initiated. It was planned to increase enrolment each year for the following six years, so that by 1976 the Institute would be offering twice as many courses and graduating twice as many fellows as in 1969.

12. Turning to the relationship of the Bank to the rest of the United Nations system, he re-emphasized the importance of the Pearson Commission's report.² Although the Bank had commissioned the report, it had done so on the strict condition that the Commission should work and report independently. It had been intended that the report should be directed not to the Bank but to the world at large and that its analyses and recommendations should encompass the entire development scene. Its chief value lay in its non-partisan and objective view of the leading issues in both the aid-providing and the aid-receiving nations. Although the report was not addressed specifically to the Bank, some thirty of its recommendations for action concerned the work of the Bank, and over the previous year he had submitted detailed analyses of those recommendations to the Executive Directors for their consideration. He had been in agreement with the vast majority of those recommendations and many of them had already been implemented.

13. The most significant recommendations made by the Commission had not been those directed to the Bank but those which concerned broader issues of development policy. Among the most important were those dealing with the organization of the international community as a whole. The Commission had given a good deal of attention to that matter and had dealt with various aspects of it in a number of specific recommendations, all of which dealt with the problem of the almost bewildering number of bilateral and multilateral organizations concerned with international development which had emerged since 1950. While recognizing the value of such institutions, the Commission had pointed out that the framework which had evolved suffered from four basic shortcomings: first, there was no process for authoritative monitoring and review of what was being done; secondly, the multiplicity of assistance-providing agencies was not matched by an effective mechanism to integrate their work; thirdly, there was, for the most part, a failure to relate development-assistance policies to trade and monetary policies; and there was insufficient unity of purpose for the system to become a rallying-point for public support in the industrialized countries.

14. The Commission had recommended that he should call an international conference on the problem of the organi-

² Commission on International Development, *Partners in Development* (New York, Praeger Publishers, Inc., 1969).

zation of the international development community; however, it would clearly be inappropriate for the Bank to follow that recommendation since the Economic and Social Council was the United Nations body with the prime responsibility for dealing with the problem and would be giving prolonged and serious attention to it in connexion with the Second Development Decade. The Bank would play its full role in whatever procedures the Council might establish to carry out the principles for review and appraisal as set forth in paragraphs 79 to 83 of the International Development Strategy for the Second United Nations Development Decade (General Assembly resolution 2626 (XXV)).

15. Meanwhile, he believed that the World Bank could contribute substantially to making the international development effort more rational and cohesive. It proposed to establish working relationships with other international agencies in order to make their common effort in the development field complementary rather than overlapping. In fact, an impressive pattern of interagency co-operation was already beginning to emerge. The Bank was establishing a series of co-operative understandings with the other agencies, which were aimed at a more efficient division of labour that would both economize on resources of professional talent and provide member countries with more coherent and effective development assistance.

16. The Bank's closest relationship was with the International Monetary Fund (IMF). In February 1970 he and the Managing Director of the Fund had signed a joint memorandum stating that the Fund and the World Bank should complement each other in every possible way. The staff of both institutions had been given firm and precise instructions to comply with that memorandum. Special mention should be made of the efforts to co-ordinate the scheduling of country missions by the two institutions and to reduce the number of separate requests made to Governments for economic and financial information.

17. Next to the IMF, the Bank's closest institutional relationship was with UNDP. The principal function of the World Bank Group was the financing of investment projects, and pre-investment and investment were, of course, two stages of a single economic process. Both UNDP and the World Bank Group had been going through a period of very rapid expansion, during which he had maintained the closest relationship with the Administrator of the UNDP. Building on their past experience, the two institutions had worked out a division of labour designed to make them complementary in fact as well as in concept. The Bank considered UNDP to be the primary United Nations organ for the financing of pre-investment studies. Consequently, it looked to UNDP for such financing, which it undertook itself only in those rare instances when UNDP was unable to meet a priority need.

18. On the other hand, when requested to do so by a Member Government, the Bank acted as executing agent for UNDP pre-investment projects. Moreover, at the request of UNDP, the Bank's technical staff reviewed all pre-investment projects under consideration by UNDP for financing. More recently, the Bank had been co-operating with UNDP to assist Governments in the preparation of programmes of pre-investment studies needed to prepare the ground for

later investments. Participation by UNDP Resident Representatives in Bank missions dealing with requirements for pre-investment was becoming an important feature of the Bank's field operations, and the reports of such missions were available to UNDP for use in discharging its own responsibilities.

19. With the United Nations Secretariat itself the Bank was developing close day-to-day relationships and a liaison committee had been established to avoid duplication.

20. The Bank had formal agreements with FAO and UNESCO, under which special units in the two agencies provided expert assistance in the identification and preparation of projects for Bank Group financing. Those agencies also gave frequent staff support for Bank economic missions concerned with education and agriculture. The Governors of the Bank and IDA had recently approved an expansion of the co-operative arrangements with UNESCO, including the establishment of several professional posts to provide technical support in the fields of educational planning and sector studies.

21. Discussions had recently been entered into with WHO in an attempt to conclude an agreement similar to the ones with FAO and UNESCO. Contacts between the Bank and the ILO had also increased, each body providing staff to help the other in connexion with country missions. Experts from the United Nations Industrial Development Organization (UNIDO) had participated in several Bank missions recently, and he expected that the Bank's growing involvement with industrial financing would lead to further co-operation between the Bank and UNIDO.

22. The three major regional development banks were at different stages in their growth, and the Bank's operational relationships with them differed accordingly. Although there could be no clear line of demarcation between the kind of project financed by the regional development banks and the kind financed by the World Bank Group, the Bank's relations with those institutions were designed to avoid overlapping or undesirable competition and to assist in the formation of a more consistent policy. One example of such co-operation was the attempt by the World Bank Group, the Inter-American Development Bank and the Inter-American Committee on the Alliance for Progress to establish a fully co-ordinated schedule of country missions and country programme reviews.

23. The Bank had also established informal but effective working relationships with other regional organizations such as the European Investment Bank and the European Development Fund. The Development Assistance Committee of OECD, although not a United Nations organization, was playing an increasingly important role in co-ordinating the development assistance policies of the major capital-exporting countries. The Bank maintained very close contact with the Development Assistance Committee and was actively supporting the Committee's effort to work out a general agreement among the donor countries for the untying of official development loans.

24. Another way in which the Bank Group was seeking to contribute to the rationalization of the international development effort was through its expanded programme

of country economic missions. The basic purpose was to produce current, comprehensive and objective data and analyses concerning each of the Bank's developing member countries. The programme was designed, on the one hand, to assist the Government of a country in planning and implementing its national development strategy and, on the other, to help interested multilateral and bilateral aid agencies to tailor their assistance to the requirement of that strategy. As the programme gained momentum, it was planned to schedule regular annual reports on about thirty countries which contained more than 80 per cent of the population of the Bank's developing member countries, and biennial or triennial reports on the remaining sixty countries.

25. Such economic missions would not be staffed exclusively by the World Bank Group. UNDP representatives would take part and would play a leading role where technical assistance and pre-investment were concerned. The other United Nations specialized agencies would also co-operate. After review by the collaborating agencies and the Governments concerned the reports of the missions would be submitted to the Executive Directors of the Bank and then made available to UNDP, other concerned agencies in the United Nations system, the appropriate regional economic commissions, development banks and bilateral donors.

26. As a further contribution to a more coherent international development endeavour, the Bank had organized aid co-ordination groups, which provided for regular consultations between each major developing country and the various development assistance agencies interested in helping it. That mechanism provided a means for review of a country's programme and policies and a way by which a common understanding could be reached on the financial and technical assistance requirements of a satisfactory development effort. At present, some fourteen formal aid co-ordination groups had been organized. The Bank also played an active supporting role in similar consultations on Latin American countries organized by the Inter-American Committee on the Alliance for Progress. Because of the importance of pre-investment, UNDP participated regularly in the meetings of the groups, and when sectoral problems were discussed in any detail, the relevant specialized agency was invited as well. More needed to be done and new groups should be formed where the need existed. The Bank was, in fact, in the process of organizing new groups for several countries. Existing groups should meet more regularly and the Bank intended to encourage the creation or strengthening of local co-ordinating mechanisms where they were needed and could be utilized effectively.

27. Four different kinds of result could reasonably be expected from the type of collaboration he had outlined. In the first place, everyone working in the development field would have up-to-date socio-economic information and analyses of the problem of the developing countries. Secondly, it would be possible to look at all the interrelated aspects of development at one time, thus enabling Governments to make more rational decisions on priorities and putting the international community in a better position to help Governments by illuminating the choices open to them. Thirdly, such collaboration would make it easier for the various aid agencies to avoid inconsistencies and,

finally, it should make it possible to curb an inordinate growth in the number of separate missions with which Governments had to deal.

28. He was far from suggesting that progress was being made toward a neat, tidy system of international development assistance, which would be an unrealistic goal in the present-day world. He felt, however, that the adoption of the International Development Strategy for the Second United Nations Development Decade had been a step in the right direction, and he believed that the United Nations agencies were beginning to lay the foundation for a more cohesive and coherent international development effort in which the entire development community could work more effectively towards the implementation of a rational and realistic development strategy for each developing country. The achievement of that objective would contribute immeasurably to the success of the Second Development Decade.

29. Mr. VIAUD (France) said that, although the last years of the First United Nations Development Decade which was coming to a close had been marked by considerable progress in the pace of development in the third world, there had been some deterioration in international economic co-operation which might jeopardize the results achieved. Against that background, the dynamism of the World Bank Group gave reason for hope.

30. From 1968 to 1969, the growth rate of the gross national product of the developing countries as a whole had risen from 5.9 per cent to 6.7 per cent, although the rate of growth in some areas, such as Africa, was far below that in others. The Bank was careful to evaluate progress in each country or region separately and showed a welcome tendency to adapt the conditions of its aid to the real situation and needs established by an on-the-spot diagnosis. It was important to maintain the rate of growth achieved in 1969, a rate which was reassuring in connexion with the targets set for the Second Development Decade. However, the level of foreign indebtedness of the majority of the developing countries and the volume of their foreign-currency resources were discouraging factors. The indebtedness of the developing countries as a whole had almost doubled in five years and the charges on their balance of payments resulting from debt servicing had increased in the same proportion. Such a situation could lead to a slowing down or even to a halt in the development process.

31. It was therefore important to increase the foreign currency resources of the developing countries by a more rapid improvement of their foreign trade and by more generous aid policies. The developing countries' share in exports had decreased once again, from 18.5 per cent in 1968 to 17.7 per cent in 1969. The total volume of aid from the industrialized countries had increased at a much lower rate than the gross national product of those countries so that the target of 1 per cent was still remote. At the same time, the proportion of private aid had increased very much more rapidly than that of public aid and within the latter category the amount of donations had tended to diminish in absolute value. Aid had therefore not alleviated the burden on the developing countries resulting from their foreign indebtedness, but had in some cases had the short-term effect of aggravating it.

32. Two important decisions taken by the international community should, however, if properly implemented, remedy the situation: the adoption of a system of generalized preferences and the adoption of the International Development Strategy for the Second United Nations Development Decade. It was to be hoped that, as a result of a considerable increase in their export earnings and an increased flow of foreign capital, the countries of the third world would in the near future be able to maintain or even accelerate their rate of development. He was sure that the World Bank Group would continue to contribute towards that end.

33. The volume of loans granted by the World Bank Group had once again shown a remarkable increase, 25 per cent over that for the previous financial year, and the International Development Association alone had shown an increase of 60 per cent. The recent agreement on the third replenishment of IDA's resources ensured that that agency would be able to continue to expand its activities, a fact which was particularly welcome at a time when, in view of the current financial situation, the Bank might have difficulty in extending loans on terms compatible with its mission and when it had had to raise its interest rates.

34. The policy of redeploying the World Bank Group's activities on both a geographical and a sectoral basis, which had been mentioned by the President of IBRD the previous year, appeared to have been followed with determination and caution. There had been a considerable increase in the volume of resources allocated to Africa, although Africa's share in the Group's operations for 1969/1970 as a whole was still only 19 per cent, which represented only a slight increase over the previous year. In that connexion, he welcomed the statement by the President of the Bank that the latter sought to aid a greater number of small, very poor countries, which had been the subject of great concern in many bodies, including the Council itself and UNCTAD.

35. With regard to sectoral redeployment, the Group's activities in the agricultural, industrial, educational, population and tourism sectors had been continued or intensified and activities had been undertaken in new areas such as urban development. The Group's activities during the previous year had benefited mainly the traditional sectors, such as transport and public services, rather than the newer sectors, such as agriculture, education and industrialization. That was understandable, of course, since transport facilities, electric power and telecommunications remained the basis for development.

36. His Government hoped that the Bank would intensify its activities designed to stabilize primary commodity prices. The first decisions which had been taken in no way covered all the field of action open to the Bank and to IDA and more detailed studies were necessary, particularly on possible ways in which the Group could help to solve the financing problems resulting from the initiation and operation of commodity agreements.

37. He recognized the importance of co-ordinating as closely as possible the efforts of international institutions in the field of development. It was also essential that the aid policies of Governments should not compete with each other. The co-ordination of national policies raised delicate

problems outside the scope of development proper. The first step towards their greater harmonization could be carried out within the mechanism for review and appraisal to be set up for the Second Development Decade. That mechanism should enable some progress to be made towards making national aid policies and the programmes of international institutions more effective. He was therefore particularly glad to note that the Bank would play its full role in whatever procedures were established.

38. In conclusion, he emphasized the complementary nature of bilateral and multilateral aid. The former was often a product of history and introduced a personal element into international co-operation, whereas multilateral aid introduced into international co-operation a certain equality of opportunity and of burden and a degree of discipline which were equally necessary. The two forms of aid should therefore be more closely associated in the pursuit of the same objectives and sometimes in the execution of the same project. His Government therefore welcomed the fruitful contacts which had been established between the French authorities concerned with co-operation and the Bank Group and proposed to continue and strengthen that collaboration.

39. Mr. OGISO (Japan) expressed his delegation's satisfaction with the expansion of the activities of the World Bank Group during the fiscal year 1970 based on its five-year programme for a doubling of its operations during the period 1969-1973. He was particularly pleased to note that the World Bank's activities in the sectors of agricultural development, educational reforms and population planning had increased considerably over the past two years and that it had been acting as the executing agency for technical assistance studies financed by UNDP. He fully supported the line of action which the Bank was proposing to follow in establishing close and complementary relations with UNDP since such relations would help to make the development efforts of the United Nations system more effective.

40. The Japanese Government was determined to intensify its assistance efforts during the Second United Nations Development Decade and to endeavour to reach the target of 1 per cent of its gross national product by 1975. It was planning to put into effect the generalized system of preferences in favour of the developing countries during the first half of 1971 and, with the other members of the Development Assistance Committee, was making progress towards promoting a general untying of aid so as to increase the effective use of aid funds.

41. Convinced that the role of multilateral aid through international organizations should be further strengthened, his Government would increase its support of the organizations in the World Bank Group and would increase its share in the total contribution to the replenishment funds of the International Development Association. As a tangible way of expressing its support, Japan had given financial support of more than \$360 million to the World Bank since September 1969.

42. Japan attached particular importance to the smooth and sustained flow of private capital into the developing countries to assist development and therefore commended

the proposal concerning the establishment of an international investment insurance agency to protect, guarantee or insure private investment in the developing countries. Such an agency would encourage private investment and thus help to meet the needs of the developing countries. He hoped that the proposal would meet with the support of both the developing and the developed countries and that it could be implemented as soon as possible.

43. Mr. SKATARETIKO (Yugoslavia) said that, although the conclusions of the Pearson Commission had already exercised some influence in the field of development financing, he hoped that further consideration would be given to possibilities for the practical implementation of its recommendations. If that was to be done in any meaningful way, it was essential that at the same time the policy measures included in the International Development Strategy for the Second United Nations Development Decade, especially those relating to financial resources for development, should be implemented. With the acceptance by the developed countries of the concept of the transfer of 1 per cent of their gross national product to developing countries by 1975, the financial resources available for development should increase substantially and it was to be hoped that the developed countries would make every effort to raise their official development assistance to a level of 0.7 per cent of their gross national product in accordance with the Strategy. He commended the Bank on having been able to increase considerably the volume of lending, especially during a period when conditions had been far from favourable.

44. The developing countries were, however, dissatisfied with the decision of the Management of the Bank to postpone consideration of a supplementary financing scheme proposed by UNCTAD. His delegation appealed to it to reconsider that decision and to initiate a study of such a scheme which would be of great importance in ensuring a steady growth in developing countries.

45. The International Development Strategy for the Second United Nations Development Decade was an extremely valuable document for practical action not only by Governments but also by international organizations, including the Bank. Adaptability and imagination, as well as bold and far-sighted action, would be required during the Decade to meet the growing needs of the development countries but the past activities of the Bank and the personal commitment of its President offered a guarantee that the Bank's contribution towards that endeavour would be forthcoming.

46. He expressed his Government's satisfaction with the constructive relationship and co-operation established between his country and the Bank, and with the International Finance Corporation, which would help to accelerate the economic development of Yugoslavia.

47. Mr. JACOANGELI (Italy) said it was gratifying to note that during 1970 the flow of financial resources channelled to the developing countries through the World Bank Group had increased considerably in accordance with the Group's five-year programme. His delegation was convinced of the need to transfer an increasing volume of resources to the developing countries on a multilateral basis

and fully supported the proposal regarding an increase in the quotas and in the capital of the Bank. Even more important was the fact that the Bank intended to shape its programme of future activities according to the needs of the developing countries. The International Development Strategy for the Second Development Decade and the challenge of modern society should provide the main guidelines for the World Bank Group's activities for the coming years, with the Group playing a co-ordinating role.

48. His delegation fully approved the new developments in the Bank's activities. Urban development was of the utmost importance and Italy was ready to co-operate by placing its experience in that field at the Bank's disposal. With regard to the problems of the environment, it was important that a close connexion should be established between the Second Development Decade and action to combat the deterioration of the environment, and that every effort should be made to help the developing countries, in their development process, to avoid repeating the mistakes of the industrialized countries.

49. His delegation supported the proposal for the establishment of an international investment insurance agency. Although public aid to development had an essential role to play, the importance of private initiative and private capital should not be underestimated.

50. On the question of co-ordination, he agreed with the President of IBRD that the Council itself should deal with the problem and try to find appropriate solutions. His delegation noted with satisfaction the relationship between IBRD and UNDP, particularly the manner in which the Bank carried on the investment-project studies made by UNDP.

51. In 1969, Italy's net economic aid to the developing countries had amounted to \$848 million, or approximately 1 per cent of its gross national product, but a great proportion of that assistance came from private sources. It would like to increase the participation of the public sector and had recently prepared a programme which had been submitted to the appropriate governmental organs. Italy's current internal situation prevented it from complying with the General Assembly's recommendations within the Decade but it hoped that its objectives would be attained as soon as possible and that by the middle of the Decade at least 60 per cent of its economic aid to developing countries would be provided by the public sector, 20 per cent of that amount being channelled through multilateral agencies.

52. His Government would intensify its co-operation with the World Bank Group in order to help to find the best solutions to the problems confronting the world.

53. Mr. BRADLEY (Argentina) said that his Government was keenly interested in all activities concerning multilateral aid to development, and therefore followed the expansion of the Bank's work with close attention. It was encouraging that the total amount made available by the World Bank Group during the past year had been over \$2,000 million. That reflected the Bank's efforts to make capital available to the developing countries in what had been a rather difficult year in the capital market.

54. He was pleased to note the Bank's interest in agriculture, as indicated during the past year by an increased number of agricultural projects and the inclusion of additional countries in agricultural programmes. The Bank had taken a realistic view in supporting not only projects to increase food production, but also projects to increase export capacity and encourage new industrial enterprises in the agriculture and fishery sectors, with a view to making it easier to overcome balance-of-payments problems. He also welcomed the Bank's emphasis on irrigation projects, whose importance Argentina, with its extensive experience in agricultural development, fully appreciated. In addition to increasing food production they might also serve a useful purpose subsequently in relation to electric power schemes.

55. With respect to industrialization, the Bank had adopted a practical approach in making funds available through regional development banks that could distribute those funds in the light of their knowledge of local conditions. Development finance institutions also performed a useful function in that respect. The Bank had also done valuable work in the direct financing of industrialization, and he hoped it could continue to do so.

56. He was pleased to note that the Bank placed considerable emphasis on educational programmes, since without education there could be no sound development. The summary of the 1970 annual reports of the World Bank Group (E/4927) indicated that in 1969 \$82 million had been spent on education, while in 1970 the total was only \$80 million. That would seem to indicate a slight declining trend, but he had been informed that it was due entirely to a temporary falling off in requests for educational projects, and not to any reduction in the funds being made available for such projects.

57. Another most useful category of aid provided through the Bank was aid for public services. Such services were urgently needed in new countries, where there was a lack of experience in how they should be established and administered. Consequently, aid in organization was as important as financial aid. The Bank covered a wide range of categories, including transport, energy production, sewerage and water supply. Aid relating to urbanization problems was of fundamental importance to the developing countries. Those problems were felt more acutely when a more advanced stage of development had been reached, and Argentina, which was facing them in many of its large towns, was pleased that the Bank was devoting attention to the question.

58. He welcomed comments of the President of IBRD on the close co-operation between the Bank and UNDP. That was essential, because the Bank was concerned with technical assistance as well as pre-investment projects. He looked forward to continuing and ever closer co-operation between the Bank and such other bodies as FAO, UNESCO and UNIDO, especially in relation to the goals for the Second United Nations Development Decade.

59. The time had come for a review of the Bank's lending policies in order to establish a better international balance, particularly in terms of regions. There should be a revision of the criteria and methods for the transferring of funds to

the International Development Agency, since the existing system operated to the detriment of Latin America. The small share of that region in soft loans from IDA was made clear by the fact that during the past year the figures for such loans had been: Africa \$161 million, Asia \$433 million, and Latin America \$11 million (representing only four projects). The high price that Latin America had to pay for normal bank loans imposed strains on the balance of payments and held back development programmes. He was confident that the President and staff of IBRD, and the countries concerned, would give serious consideration to the problem and ensure a more equitable share of loans for Latin America. The Bank should also consider how national industries might be given greater consideration in the purchases financed with Bank loans, since he was convinced that in many developing countries the domestic industries were at a sufficiently advanced technical level to be considered as suppliers when such purchases were made.

60. Mr. FERNANDINI (Peru) expressed his Government's gratitude to the Bank for sending two experts on a mission to Peru in connexion with the earthquake disaster of May 1970. The Bank had also provided a loan of \$25 million, and Peru greatly appreciated the rapidity with which the loan had been processed, in view of the urgency of the situation.

61. It was encouraging that the Bank had been able to increase its operations substantially; that seemed to indicate the beginning of a new phase, and he hoped that there could be further progress during what remained of the period covered by the Bank's five-year plan. He noted that the Bank was giving due attention to industrial development, while not neglecting agriculture.

62. Peru was undertaking a land reform programme that, while bold, was not extreme. There could be no complete economic development without social improvements, and the Peruvian Government had taken certain risks because it held that belief. He had been struck by the reference to urban development in the statement of the President of IBRD. Peru had a UNDP housing project which had now reached the stage of execution, and which might be regarded as a pilot project for other developing countries. He had also been interested in the reference to investment insurance. That might solve the problem of giving security to investors while at the same time protecting the rights of sovereign nations to control their own resources.

63. He was pleased to hear the President of IBRD say that the closer co-ordination between United Nations bodies recommended by the Pearson Commission must be the responsibility of the Economic and Social Council. It was welcome news that the World Bank Group and UNDP had worked out a division of labour designed to make them complementary. The country economic missions were a useful instrument in that respect, and had the merit of representing aid that was requested by the country concerned, not something imposed from without, so that the full participation of the country itself was ensured.

64. Peru was going through a historic period of change, when there was a break with old patterns, and a restructuring of the country's organization. Diplomatic relations had been established with nearly all countries, and Peru was

prepared to enter into economic relations with all countries. To venture on basic reforms could mean a period of difficulty in the development process, but it should mean steady and vigorous economic growth in the near future. The reforms were being carried out in an orderly fashion, and had won the sympathy even of those sectors that might lose by their introduction. Hence the relations between Peru and the World Bank Group were specially important at the present juncture. He believed that what was happening in his country was worthy of the attention of all other Latin American countries, indeed of all the countries of the third world. The Government intended to co-operate closely with all those countries, in Asia and Africa as well as in Latin America.

65. If the necessary financing was provided by the World Bank Group, the developing countries should be able to achieve a much more vigorous growth. What the Bank was doing now was praiseworthy, but that did not mean that Peru or any other developing country felt they had reached the desired goals. He therefore looked for more support from the industrial countries, so that development could be accelerated, and the chances of international peace increased.

66. One matter of great concern in Peru was housing. The Government was striving to eliminate bad housing, but it needed more capital to carry on the work. In the countryside it was hoped that the land reform programme would lead to more decent living conditions for rural workers as well as stimulating development.

67. Peru believed that the key to rapid development was industrialization, and was pleased to note that the Bank was working closely with UNIDO. Peru had many great industrial branches, apart from its traditional fishing and mining industries, but its financial requirements exceeded its capacity for savings and investment. The country had therefore to rely on international aid in planning its industrial development; it did not wish the work to be undertaken by foreign capital, so that the profits were distributed outside Peru. Foreign participation was welcome, but as a partner in a co-operative effort, and not, as in the past, a dominant partner expecting a position of preference.

68. The developing countries had been saddened by the form of the resolution embodying the International Development Strategy; they felt that they had achieved little in the adoption of a text moulded by the hardened resistance of the developed countries, an attitude that had not changed much in recent years. However, he was very pleased to note that references by the President of IBRD to the Strategy seemed to imply a view that went beyond the text of the resolution. He hoped that attitude would spread from the senior officials of the World Bank to the Governments of the industrial countries upon which lay the responsibility for ensuring that economic development could be achieved soon, so that all countries could live together in peace.

The meeting rose at 1 p.m.