



## ECONOMIC AND SOCIAL COUNCIL

Resumed Forty-third Session  
OFFICIAL RECORDS

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at 10.50 a.m.

NEW YORK

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*President:* Mr. Milan KLUSÁK  
(Czechoslovakia).

*Present:*

Representatives of the following States, members of the Council: Belgium, Cameroon, Canada, Czechoslovakia, Dahomey, France, Guatemala, India, Iran, Kuwait, Libya, Mexico, Pakistan, Panama, Peru, Philippines, Romania, Sierra Leone, Sweden, Turkey, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United Republic of Tanzania, United States of America, Venezuela.

Observers for the following Member States: Brazil, China, Denmark, Greece, Ireland, Italy, Japan, Nigeria, Norway, Trinidad and Tobago, Uganda, Yugoslavia.

Observer for the following non-member State: Switzerland.

Representatives of the following specialized agencies: International Labour Organisation; Food and Agriculture Organization of the United Nations; United Nations Educational, Scientific and Cultural Organization; World Health Organization; International Bank for Reconstruction and Development.

The representative of the International Atomic Energy Agency.

## AGENDA ITEM 6

Reports of the World Bank Group and of the International Monetary Fund (E/4431 and Add.1, E/4432 and Add.1, E/4433)

1. Mr. WOODS (President of the International Bank for Reconstruction and Development) stated that during the financial year ending 30 June 1967 IBRD and the International Development Association (IDA) had committed over \$1,200 million for economic development projects in forty countries, or \$100 million more than for the preceding financial year. Disbursements had reached an all-time high, exceeding \$1,000 million. The investments of the International Finance Corporation (IFC) had totalled \$50 million. That trend was continuing during the financial year 1967-1968, since IBRD and IDA had already committed about \$450 million and IFC had made investments totalling \$27 million.

2. Although the World Bank Group was still mainly financing infra-structure projects, efforts were being concentrated on the three priority sectors of develop-

ment, agriculture, industry and education. In the case of agriculture, more than eighty projects were under study, and since 1 January 1967 about \$200 million had already been committed in that sector. Whereas, initially, most of the Bank's direct assistance took the form of loans for irrigation and flood-control works, in the past two years it has been financing more projects having an immediate impact on the farmers and the land. It was trying to take into account the varied circumstances of the countries assisted. In Uganda, for instance, the Bank was helping to finance a programme to expand tea production in smallholder areas, while it was assisting the expansion of a large-scale plantation programme in Cameroon. It was devoting special attention to providing farm credit, particularly for medium and small farms. It sought to mobilize local capital and also, where it was feasible, to draw in private banking systems. A co-operative relationship in assisting Governments in project identification and preparation had been established with FAO in 1964. As part of that co-operation, forty UNDP pre-investment studies which were being carried out by FAO had been identified for special attention to assure that they would be considered promptly for financing.

3. IFC had been giving particular attention to the possibilities of expanding chemical fertilizer production within the developing countries themselves. That increase could have far-reaching results, as the case of India illustrated. In order to feed its population in 1977, India would have to double its present grain production, which would call for a considerable increase in the production of fertilizer, involving 8 million additional tons of nitrogen, 4 million additional tons of phosphates and 2 million additional tons of potash. That operation would require investments of \$2,000 to \$3,000 million, the resultant increase in grain tonnage would have a value of approximately \$5,000 million a year, while the total value of the additional grain produced over the ten years allowing for the build up period, would be about \$30,000 million. With regard to the question whether the fertilizer plants should be in the public or private domain, he was convinced that, in view of the magnitude of the capital requirements, it was unlikely that the developing countries could approach the production targets they had set themselves without the co-operation of the major international mining, chemical and fertilizer companies.

4. During the past year the World Bank Group had committed over \$400 million for a broad range of industrial projects and for development finance companies. The Group had committed in that field about \$650 million to private development finance companies, to finance both medium and large industries.

5. Another type of co-operation had been established with UNESCO in education, a sector which was par-

ticularly important since it was the basis for improvement in productivity. In that field the Bank was concentrating its resources on the implementation of projects which would make a relatively direct impact on the economic development of a country. It was therefore concentrating on the expansion of secondary education and technical training in industry, commerce and agriculture. One of the most difficult problems related to teaching curricula. The Bank was trying to persuade the recipient countries to adopt a diversified and modernized curriculum. Greater productivity in educational systems was also needed, especially through the adoption of new teaching methods such as television.

6. The Bank was also devoting a part of its activities to technical assistance. It had already financed, or carried out for UNDP, thirty-seven feasibility studies. Those studies, which had cost some \$15 million had already led to more than \$450 million of investments. Pre-investment studies were extremely complex. Among other things, it was important to realize their institution-building potentialities. Pre-investment studies were, in fact, far more valuable where the country assisted was left with a staff trained to carry out similar pre-investment activities in the future.

7. Wide interest had been shown in the establishment of the International Centre for Settlement of Investment Disputes Under the Convention on the Settlement of Investment Disputes between States and Nations of other States<sup>1/</sup> by both investors and Governments, and the Bank was now discussing a scheme of multilateral investment insurance.

8. Another of the Bank's non-financial activities was aid co-ordination. It had organized co-ordinating groups for nine developing countries, in addition to the India and Pakistan consortia. Those groups were benefiting from the participation of nineteen exporting countries and UNDP. Both groups of countries would certainly gain a greater appreciation of the problems from that type of co-operation.

9. The Economic Development Institute, which was now in its twelfth year, had already more than 700 graduates occupying responsible positions in the various Member States.

10. The Bank and the International Monetary Fund (IMF) had recently undertaken an analysis of the problem of stabilizing the prices of primary products and of the possible role the two institutions might play in finding a solution for that problem.

11. He emphasized that one of the main obstacles to the extension of the activities of the World Bank Group was political instability. The slow increase in the volume of export earnings of the developing countries was another barrier. Not only should the developed countries open their markets more liberally to imports from the developing countries but also the developing countries should adopt economic policies favouring export industry and subsequently assuring foreign markets of a continuous supply of goods of uniformly high quality. Finally, there was the basic problem of public development finance from abroad. He had recently advanced the suggestion that the leading

experts should meet to study the consequences of twenty years of aid to development and to propose measures which might be more effective for the future.

12. Regarding the Bank itself, its bond issues had been well received by investors, but bonds could be offered only with the consent of the Government in whose markets they were to be sold. During the last financial year out of \$282 million obtained through the sale of long-term IBRD bonds, only \$32 million had been raised outside the United States. It should be added, however, that in October bonds amounting to \$14.5 million had been sold on the Swedish financial market. Other bond issues would probably be offered during the coming winter and spring in several European capitals and he hoped that, if successful in Europe, the Bank would obtain permission to sell a large issue in the United States before the end of the present fiscal year.

13. With regard to IDA, the negotiations begun for the replenishment of its resources had been disappointingly slow. IDA's lack of resources was hampering the financing of many worth-while projects. He concluded by expressing the hope that an agreement to replenish IDA at a much higher level than in the past would soon be reached. The support given to IDA would be a test of the dedication of the various countries to the cause of development.

14. Mr. RANKIN (Canada) thanked the President of IBRD for his statement and said that the high level of commitments of the World Bank Group was evidence of the major contribution which it was making towards solving the problem of economic development. The Bank had had long experience of that problem and its studies and advice were extremely useful, particularly to the Canadian Government, which drew on them for its own programmes of development assistance. The Bank had concluded co-ordination arrangements with various Governments and agencies for the purpose of assisting the developing countries to determine their problems and their priorities. Those agreements, which had a considerable influence on aid programming, obviously varied from country to country, according to their special needs.

15. In the past the President of the Bank had stressed the importance of regional co-operation. The Canadian delegation also thought that that was an area full of possibilities. The Bank continued to combine the funds which it received from private sources with those provided by Governments. More and more, it was assuming the additional role of economic and technical adviser to the Governments of developed and developing countries. But if it was to continue to play an effective role it must have sufficient resources. Recently, however, it had been experiencing increasing difficulties in selling its bonds.

16. There was no doubt that the funds available to IDA would be a determining factor in the contribution which the World Bank Group would be able to make to those countries whose debt servicing burden was already very heavy. Canada was concerned about the difficulties experienced by IDA in replenishing its resources and continued to believe that they should be substantially increased. The terms of that replenishment might perhaps have to include certain safeguards

<sup>1/</sup> United Nations, *Treaty Series*, vol. 575 (1966), No. 8359, p. 160.

concerning the balance of payments, although Canada had never advocated any; it would probably not oppose such safeguards, however, provided that they were based solely on a concern to maintain the stability of the balance of payments.

17. Sir Edward WARNER (United Kingdom) welcomed the annual reports of the IBRD and IDA (see E/4431 and Add.1) and of IFC (see E/4432 and Add.1). As the President of IBRD had indicated, the most urgent problem which the Group had to face during the coming months was the second replenishment of IDA's funds. The Minister for Overseas Development had recently announced that the United Kingdom Government had indicated its intention to the President of IBRD of inviting Parliament to make provision for a proportionate British contribution to the replenishment of IDA at double the present level, subject to satisfactory conditions.

18. The United Kingdom delegation noted with satisfaction the new impetus given to the expansion of IFC's activities by the extension of the IBRD line of credit. Furthermore, it welcomed the conclusion of the Convention establishing the International Centre for Settlement of Investment Disputes<sup>2/</sup> which was designed to encourage the flow of private investment.

19. The United Kingdom delegation, however, noted with concern that, as the President of IBRD had said at the joint meeting of the Board of Governors of IBRD and IMF at Rio de Janeiro in September 1967, almost half the burden of debt servicing was related to suppliers' credits which very often had not yet borne fruit at the time they fell due. It was clear that, on the one hand, care must be taken not to assume an excessive debt servicing burden and, on the other, efforts must be made to provide external financing for development on realistic terms.

20. In conclusion, he noted with satisfaction the increase in the membership of IBRD and of IDA.

21. Mr. SHAHI (Pakistan) welcomed the noticeable broadening of the scope of the activities of IBRD and its affiliates. Although it continued to emphasize the development of infra-structure, the Bank was now more aware of the need to build on the existing infra-structure in order to accelerate the economic growth of the countries of the Third World. It was natural, in the circumstances, that it should attach increased importance to the key sectors, namely, agriculture, industry and education. The Pakistan delegation was grateful to the Bank for the flexibility which also characterized its activities in the field of technical assistance. The Bank's expert missions played a very useful role in helping Governments to formulate their development programmes. He especially welcomed the expansion of the Bank's activities in the field of development planning and the granting of credits by IDA for the preparation of projects. With regard to the Economic Development Institute, he thought that training in project evaluation should be intensified.

22. The efforts made by the Bank in co-ordinating development assistance had greatly helped both donors and recipients. The Pakistan delegation had also

followed with interest the experimental arrangements concluded by the Bank with a view to combining its own loans with bilateral export credits. It hoped that the report on the next financial year would contain more information on that subject and that it would be possible to determine whether such a combination had succeeded in eliminating the negative aspect of export credits.

23. The Bank should study the possibility of concluding a co-operative agreement with UNIDO similar to those concluded with FAO and UNESCO. On the subject of co-operation, he thanked the Bank for the part it had played in organizing the Pakistan Consortium as well as in executing the project for the construction of the Tarbela dam.

24. His delegation noted with concern that sales of the Bank's participations and portfolio assets had shown a further considerable decline. The report emphasized that that trend, which had been maintained for the fourth consecutive financial year, was mainly due to the high interest rates and to the placing of restraints on foreign investments by some capital-exporting countries. He expressed the hope that the developed countries concerned would take the necessary fiscal and monetary measures to correct the situation.

25. It was all the more urgent to increase the Bank's resources since the stagnation in the flow of capital to the developing countries continued, despite the fact that the latter were in a better position to absorb external resources. The report pointed out that debt servicing payments (interest and repayment of principal) had increased by 10 per cent annually during the period 1962-1963 and that certain countries were now devoting up to 20 per cent of their export earnings to it. Many countries had been obliged to reschedule their debts and he hoped that the draft resolution recently adopted by the Second Committee<sup>3/</sup> on the outflow of capital from developing countries would be borne in mind in the future. The maintenance of the current terms of financial aid might create obligations which the developing countries might no longer be able to meet. The Pakistan delegation supported the proposal of the President IBRD that a group of experts should be asked to study the results of twenty years of aid to development. It hoped that the developed countries would give that suggestion all the consideration it deserved.

26. In conclusion, he appealed to all the countries concerned to reach agreement as soon as possible concerning the replenishment of the resources of IDA.

27. Mr. LAVALLE (Guatemala) asked that the text of the statement made by the President of IBRD should be circulated to the Council.

28. Guatemala welcomed the loan of \$15 million—the first since 1955—which IBRD had just granted to it for the electrification of the country. He hoped that it would be the beginning of continuing financial assistance.

29. For twenty-one years, the Bank had been endeavouring to serve the cause of development, with imagination and courage, by giving the less favoured countries

<sup>3/</sup> See Official Records of the General Assembly, Twenty-second Session, Second Committee, 1145th meeting.

<sup>2/</sup> Ibid.

access to the capital markets of the developed countries, by serving as a channel for the flow of capital for development, and by promoting private foreign investment. To that must be added the studies made and the information provided by IBRD, as well as its collaboration with UNDP.

30. There was no need to stress the importance of technical skills and their dissemination. In that area, the Bank was pursuing an excellent policy and had considerably increased the amount of its loans to the educational sector since 1964. Guatemala hoped that the Bank would adopt a favourable attitude to the financing of the important technical education project which it had drawn up.

31. The Guatemalan Government was deeply concerned at the increase in interest rates on loans and at the increase in the public external debt of the developing countries both of which tended to restrict their capacity to absorb the external aid necessary for development and emphasized the need for the immediate replenishment of IDA's resources.

32. In conclusion, he noted with satisfaction that the President of IBRD believed that external financing should supplement, and not replace, measures designed to increase the export capacity of the developing countries.

33. Mr. ZAMORA (Mexico) was sorry to read in the annual report of IBRD and IDA (see E/4431 and Add.1) of the slow pace of progress in all the developing countries, the stagnation of agricultural production, the political instability of developing regions and the diversion of available resources to non-productive activities. That situation no doubt had been aggravated even more because the level of external financing had hardly changed since 1961. Anti-inflationary measures supposedly meant to limit capital inflows and outflows in the industrialized countries were tightening the world capital market and lending terms had hardened. The real interest payable by the developing countries had risen to 8 per cent, a rate comparable to that of commercial loans, often considered too "hard". Moreover, through various subsidy devices, countries extended suppliers' credits at interest rates 50 per cent lower than the aforementioned rate.

34. In addition, there could be discerned a negative attitude toward comprehensive programmes; international financing was generally devoted only to programmes which did not meet the infra-structural needs of the developing countries.

35. While the Bank received increasing demands for credit, international resources were not increasing correspondingly; the Bank thus favoured investments in industry, while agriculture and the infra-structure were relegated to a secondary role despite the need for modernization in those sectors. Mexico was seeking, with some measure of success, to help other developing countries in that sphere.

36. In connexion with the Bank's research activities, it was important to note that it was co-operating with UNCTAD in the study of suppliers' credits and the establishment of a supplementary financing scheme. Co-operation between those two international institu-

tions was essential for the advancement of the developing countries and he hoped that it would continue.

37. The developing countries were concerned over the lack of IDA resources. Efforts to replenish them had thus far not elicited a favourable response from the developed countries, which maintained a negative attitude toward certain recommendations of the Final Act of the first session of UNCTAD.<sup>4/</sup> It might be desirable for the Bank to try harder, in its efforts to co-ordinate foreign aid to developing countries, to enlist the help of governmental and private economic development institutions.

38. Turning to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, his delegation still believed that there was no need for international instruments to guarantee foreign investments: the recipient countries' guarantees alone should suffice, it being understood that those investments were to supplement domestic investments and were not to seek preferential treatment.

39. In extending technical and financial assistance, the Bank did not attach any conditions as to the origin of goods and services, thus avoiding the extra expense of tied aid. That factor was very important when one realized that, although the nominal interest rate on IBRD loans was 6 per cent, and in some cases would rise to 7 per cent at the end of 1967, the real rate the developing countries paid was 8 per cent and was due to rise even more by 1968.

40. In comparison with the 1965-1966 financial year, the increase in IBRD's total commitments had unfortunately been accompanied by a decrease in the average total credit granted to each project. The need to increase the volume of financial aid to developing countries and to reduce its cost was all the greater because those countries themselves financed a high proportion of the investments in their economy. In Mexico, only 10 per cent of the investments made during 1966-1967 came from abroad.

41. International co-operation in trade and financing should be intensified, broadened and diversified. To that end, IBRD should become a world development bank with the task of meeting only the needs of the poor countries. It was inadmissible that the developed countries with access to international capital markets should still obtain credit from the Bank while granting commercial loans to the developing countries. The terms and conditions of IDA loans should be extended to all international financial transactions with the Third World countries. Moreover, there should be no interruption in the aid granted by the Bank and its affiliates. His delegation endorsed the supplementary financing scheme and believed it should be implemented immediately. He recalled the terms for the participation of Latin American countries in that plan set forth in the Charter of Tequendama.

42. His delegation had studied with interest the report of IFC (see E/4432 and Add.1), an agency which played a major role in the dissemination of technical data and the industrialization of the develop-

<sup>4/</sup> See Proceedings of the United Nations Conference on Trade and Development, vol. I, Final Act and Report (United Nations publication, Sales No.: 64.II.B.11).



ing countries. It would be desirable to enlarge the Corporation's international advisory panel with representatives of the developing countries, as the panel at present included representatives of the private sector of the developed countries alone.

43. Mr. BERTRAND (United Nations Educational, Scientific and Cultural Organization) said that the important place IBRD's President ascribed to education—a keystone of economic and human development—showed that education was expected to meet the demands its role imposed upon it. That was a constant concern of UNESCO's Director-General. A bold outlook in that area was even more imperative since co-operation between the Bank and UNESCO demonstrated what two organizations sufficiently different to be complementary could accomplish by pooling their resources and energies.

44. Mr. VARELA (Panama) welcomed IBRD's growing involvement in the agricultural sector. That was a realistic attitude, since the population of the developing countries was predominantly rural. He was pleased to note that after helping to build up basic social capital, the Bank was now financing rural electrification and was extending credit to small and medium-sized agricultural projects. The developing countries had deceived themselves considerably as to the scope and advantages of industrialization. History had shown that industrialization had to come after agricultural development, which was essential to the establishment and expansion of the domestic market. He hoped that the Bank would continue to work along those lines in co-operation with IDA and the regional development banks.

*The meeting rose at 12.40 p.m.*