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President: Mr. Jerzy MICHALOWSKI (Poland).

Present:

Representatives of the following States: Australia, Brazil, Colombia, Denmark, El Salvador, Ethiopia, France, India, Italy, Japan, Jordan, Poland, Senegal, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Yugoslavia.

Observers for the following Member States: Argentina, Bulgaria, Canada, Czechoslovakia, Greece, Hungary, Indonesia, Israel, Netherlands, New Zealand, Norway, Pakistan, Peru, Philippines, Romania, Spain, Thailand.

Observers for the following non-member State: Republic of Korea.

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

The representative of the International Atomic Energy Agency.

AGENDA ITEM 5

- (a) Report of the International Bank for Reconstruction and Development (E/3570 and Add.1) (*concluded*);
- (b) Report of the International Finance Corporation (E/3571 and Add.1) (*concluded*);
- (c) Report of the International Development Association (E/3572 and Add.1) (*concluded*)

1. Mr. PAVICEVIC (Yugoslavia) said that the reports of the International Bank for Reconstruction and Development (E/3570 and Add.1), the International

Finance Corporation (E/3571 and Add.1) and the International Development Association (E/3572 and Add.1) and the statement by Mr. Black (1190th meeting) revealed a number of positive trends in the recent activities of those organizations. The Bank was to be commended for its approach in closely studying the long-term development plans of its members. His delegation also welcomed the close ties between the Bank and the Special Fund. The Bank's activities in the field of technical assistance were admirable, but he would like to see a liberalization of the criteria on which loans were made; the Bank should adapt its policy to the capacity for repayment of the less developed countries.

2. On the other hand, it was to be regretted that the Bank's contribution to industrialization in the less developed countries was still modest. In recent years industrialization had come to be recognized as the most dynamic factor in economic development, and it was to be hoped that the Bank's generosity to developing countries would be extended to that sphere too, especially through IDA. He emphasized that both that agency and IFC should recognize the desirability of granting credits repayable in the national currencies of the recipient countries.

3. Mr. WALKER (Australia) said that the three reports showed that substantial progress had been made in the past year. When the United Nations financial institutions had been established after the Second World War, great hopes had been placed in them, although later it had begun to be felt that the complex problems of economic development were perhaps not being tackled as effectively as they might be. The past ten years, however, had seen a remarkable expansion in the flow of money and services to the less developed countries through the Bank and its affiliated organizations. But more important than the expansion of their activities was the increased understanding by those organizations of the need for adaptability in approaching the complex development problems in countries with very diverse conditions. Whereas fifteen years previously they had simply lent money on good banking principles, their functions had now gone far beyond that.

4. His delegation had been particularly interested by two developments to which Mr. Black had referred in his statement: the establishment of the Development Advisory Service, and the provision of assistance to Governments in preparing studies preliminary to development plans. With regard to the first, one of the greatest needs of the less developed countries was for qualified people able and willing to devote years of their lives to international work of that kind. The provision of greater assistance to Governments in preparing their

development plans was equally important; conditions in the less developed countries were so diverse that no standard pattern could be applied. His Government was therefore following those two trends with the greatest interest.

5. Mr. ROUANET (Brazil) observed that the year 1961 had been a very auspicious one from the point of view of development financing: during that year, IDA had extended development credits totalling \$101 million; the Inter-American Development Bank had begun operations; and, following the conclusion of the Indus Waters Treaty, financial arrangements had been made to provide assistance to India and Pakistan to enable them to overcome foreign exchange difficulties in connexion with their five-year plans of economic development. The International Bank, which was constantly expanding its activities, was the largest single multilateral source of financing. Its total loans had risen from \$750 million in 1950 to some \$6,500 million in 1962, with an increasingly large proportion being devoted to development, and it was expected that even greater amounts would be allocated to that purpose during the coming United Nations Development Decade.

6. The under-developed countries faced a dilemma in their developmental efforts; on the one hand, they often suffered balance-of-payments deficits because of debt servicing costs, while on the other hand a failure to borrow abroad would retard the pace of their development and cause not only economic but also social and political difficulties. However, while previously the under-developed countries had either had to reduce their imports or increase their debt burden, a third possibility was now open to them: to apply to IDA and some bilateral assistance programmes for low-interest loans. While that possibility was still a limited one, it would undoubtedly increase in the near future. As the President of the Bank had said, a higher proportion of the long-term, low-interest loans which the under-developed countries needed to maintain their rate of development must be made available to them.

7. Brazil had, through multilateral sources, received eleven loans totalling \$292 million. Since the last loan, its economy had changed considerably: the national rate of growth had risen to 6 or 7 per cent; new industries had been founded; there had been marked diversification and industrialization of the economy; and the Government had taken effective measures to curb inflation and ensure price stability. He hoped that the Bank would send a team of experts to assess new developments in Brazil and to make recommendations regarding future co-operation between the Brazilian Government and the Bank — a course of action which would be mutually beneficial.

8. Mr. FRANZI (Italy) thanked Mr. Black for his interesting statement at the previous meeting.

9. His delegation had been glad to learn that Liberia had become a member of the three organizations whose reports were under consideration and that other African States would likewise soon be admitted. The interest shown in the International Bank by the younger States

demonstrated how little substance there was in the view expressed in certain quarters that the Bank was an instrument for exploiting the developing countries.

10. It was now some years since the Bank had passed from the stage of reconstruction to that of development; its efforts and those of its two affiliates to raise the economic and social level of the less developed countries were clearly reflected in the excellent reports of those bodies. Those efforts, however, were not to be measured merely by the sums invested or the number of recipient countries; what was most to be commended was the way in which those three bodies had taken account of the economic merits of the projects to which they gave their support — although such considerations could not of course be applied too rigorously in the case of the smaller countries. In that connexion he stressed the truth of Mr. Black's observation that aid to less developed countries must be tailored to match the internal development processes it was designed to stimulate; the validity of that observation had been borne out by the experience of his own country. On the other hand, the Bank should not simply wait for the countries concerned to adopt the necessary institutional and other reforms; for that reason his delegation welcomed the Bank's initiative in creating a special service to supply experts who would collaborate with the national authorities in less developed countries in drawing up and executing partial or general development programmes. Since that step had been taken, the Italian Government had decided to set aside a thousand million lire for the recruitment of experts to undertake studies in developing countries.

11. If rational economic programmes resting on a sound financial base were of prime importance in aiding developing countries, the nature of the capital used to finance such programmes was no less important. In that regard, his delegation was entirely satisfied by the information supplied by the Bank, particularly with the respect to the functions of its two affiliates. Now that IFC was authorized to buy shares, it would have at its disposal a more flexible instrument with which to promote industrialization, for such purchases could help to underwrite the risks attendant upon the initial phase of all economic activities, and it was to be hoped that its activities would be proportionate to its means.

12. At the other end of the financial scale, IDA was offering interest-free loans for up to fifty years with special repayment facilities. Although it had only been in existence some eighteen months, it already had commitments of about \$200 million.

13. He stressed his Government's appreciation of the valuable aid Italy had received towards the economic development of its more backward areas. When economic conditions had improved, the Italian Government, in its turn, had wished to make a contribution to the Bank's activities, and in July 1961 had authorized the Bank to issue 5 per cent fifteen-year bonds on the Italian market to the value of 15,000 million lire, or \$24 million.

14. Italy's aid to the less developed countries had increased steadily in recent years. To encourage the investment of Italian capital in those countries, a number of methods had been used. One such method was that

the State guaranteed the operations of Italian firms carried out on behalf of foreign Governments; in exceptional cases, such credits could be granted for a period of ten years, with guarantees covering the whole amount. The system of credit insurance could also be used to help in the economic improvement of backward areas in developing countries; in such cases it took the form of goods, services or technical assistance, payment for which could be made over a medium or long period. Moreover, the granting of such credits did not oblige the recipient to spend them with Italian firms.

15. Finally, the most recent step had been to give Italian residents the right freely to purchase bonds issued by international organizations to which Italy belonged. The amount of such investments was naturally not known, but it was clear that they represented a repayment of Italian debts to the international organizations in question.

16. The progress achieved by Italy in aiding the developing countries was the more striking since his country was at the same time committed to a programme which would absorb its best energies for several years: a profound reform of its economic structure, and a solution to the problem of different levels of development in the various sectors of the economy and in the different regions of the country.

17. Mr. JHA (India) expressed appreciation for the work done by the Bank and its two affiliates. In his thought-provoking statement Mr. Black had pledged the full co-operation of those three institutions towards the United Nations Development Decade. If the 1960s were to be a decade of development, the 1950s had constituted an era of "development awareness". During that time, the importance of developing the more backward regions of the world had become almost universally recognized, while the under-developed countries themselves had come to understand the need for sound economic planning and financial discipline. Their monetary requirements were now more fully appreciated, particularly as a result of the efforts of the three institutions now being considered by the Council. The Bank had done well to increase its resources, promote multi-national lending and help to solve problems of international friction in the economic or financial field. He was sure that the Bank would continue to keep in close touch with other sources of international aid, particularly the new bodies which were being set up for that purpose in Europe.

18. The Bank's establishment of a Development Advisory Service was most significant. There were many areas in which the experience of some of the developing countries could be of assistance to others and it was hence necessary that the composition of the new service should be as broadly based as possible. The Bank might also undertake a study of the vital long-term problem of how to expand the exports of the under-developed countries.

19. His delegation welcomed the expansion of IDA and, in particular, its entry into such important fields as water supply and education that had a vital bearing on development. The investment in that agency had been fully justified, but its funds would soon have to be

replenished. He hoped that the developed countries, following the example of Sweden, would contribute to it as generously as they had to the Bank.

20. His delegation agreed with Mr. Black that the Bank and its associated institutions had an important role to play in raising levels of living and in setting the under-developed countries on the road to self-sustaining growth. Much had already been done, but much more remained to be accomplished if human life was to be improved throughout the world. It was surely not beyond the capacity of the United Nations to find the financial resources that would make the 1960s a real decade of development, an aim in which the Bank could play a leading part.

21. Mr. LOBANOV (Union of Soviet Socialist Republics) felt that the three institutions whose reports were being considered by the Council had not developed fast enough to keep pace with the rising demands of rapidly developing countries. The Council had failed to exert the proper control over those institutions, and year after year had merely taken note of their reports without going carefully into their affairs and without making specific recommendations for improving their work. Not only was the name of the International Bank for Reconstruction and Development out of date but its activities, too, particularly in the field of industrial development, had been inadequate. According to a memorandum submitted by Brazil to the Committee for Industrial Development (E/C.5/21 and Corr.1/Rev.1), out of \$610 million loaned by the Bank in 1961, only \$48 million, or less than 8 per cent, had been reserved for industry. The Bank should give serious attention to that problem and consider how its industrial development assistance could be increased. Furthermore, its interest rates were too high. They were a burden on the under-developed countries and impeded rather than promoted their economic advancement. It was also hard to see why the Bank should reap such large profits. Surely, such an institution should be run on a non-profit-making basis. All those deficiencies might be remedied if the Council exercised a tighter control over its financial institutions, as it was fully entitled to do.

22. Mr. BLACK (President of the International Bank for Reconstruction and Development) said, in reply to remarks made by the Japanese representative at the previous meeting, that the Bank constantly kept under review the question of reducing its 1 per cent commission charge. It was not a simple matter. In fixing its commission, the Bank had to consider the size of its reserves, its ability to borrow from private investors and the general cost of money.

23. The French and Danish representatives had stressed the need for co-ordination in the provision of development assistance. The problem of co-ordination was indeed important, but it might be wiser to make the best use of existing machinery rather than set up new co-ordinating bodies. The under-developed countries needed more capital, more technical assistance and more training, not more competing financial agencies.

24. The Danish representative had suggested that the Bank should transfer some of its funds to IDA, either

by loans or grants. However, such transfers would be contrary to the Articles of Agreement of the Association and might even affect the credit standing of the Bank.

25. Finally, the Indian representative had suggested that the Bank might study the long-term trade needs of the under-developed countries and particularly the problem of expanding their primary commodity exports. That matter was of constant concern to the Bank and it would certainly see what further work it could do in that field.

26. The PRESIDENT suggested, in conformity with previous procedure, that the Council should adopt a draft resolution reading:

“ The Economic and Social Council

“ Takes note of the reports of the International Bank for Reconstruction and Development, the International Finance Corporation and the International Development Association.”

It was decided.

AGENDA ITEM 19

Creation of the Latin American Institute for Economic and Social Planning (E/3582 and Corr.1 and Add.1, E/L.936 and Add.1)

27. Mr. PREBISCH (Executive Secretary, Economic Commission for Latin America) noted with satisfaction that at its last session the General Assembly had adopted resolution 1708 (XVI) inviting Governments to establish development planning institutes, closely linked to the regional economic commissions. As a result of the deliberations in the Economic Commission for Latin America and its Committee of the Whole (E/3582 and Corr.1 and Add.1), the Latin American Institute for Economic and Social Planning had now become a reality. A special tribute should be paid to the United Nations Special Fund and the Inter-American Development Bank for their financial contributions towards the project. The Institute would work in close collaboration with ECLA, as provided in resolution 218 (AC.50) of the Committee of the Whole. It would submit a report to ECLA every year and, of course, ECLA's report to the Council would include a section on the activities of the Institute. A representative of ECLA would sit on the Governing Council of the Institute.

28. Mr. PATIÑO ROSELLI (Colombia) said that ECLA had made a remarkable contribution to the economic development of Latin America not merely by disseminating the results of its economic research but also by concentrating on such practical economic problems as the coefficient of investment, the product-capital ratio and the rate of growth itself. Above all, ECLA had brought home to the countries of the region the vital need for economic planning so as to ensure that resources were put to the best possible use and that sound economic projects were worked out on the basis of proper diagnoses. Many of the principles it advocated had now been embodied in the Charter of Punta del Este.

29. One of the most auspicious initiatives taken by ECLA was its decision, in resolution 199 (IX), to create the Latin American Institute for Economic and Social Planning in an effort to solve the important problem of the shortage of planning experts. His delegation welcomed not only the creation of the Institute, which would work in co-operation with the Special Fund and the Inter-American Development Bank, but also the decision of the Economic Commission for Africa to set up a similar institute. On behalf of the sponsors, he commended their draft resolution (E/L.936 and Add.1) to the Council's consideration.

30. Mr. RAFFAELLI (Brazil) noted that the Committee of the Whole of ECLA had unanimously agreed upon the creation of the Institute and that Brazil had been one of the sponsors of the proposal to that effect both in ECLA and at the sixteenth session of the General Assembly.¹ In the certainty that the Institute would be highly successful, he had co-sponsored the draft resolution now before the Council.

31. Mr. ITO (Japan) expressed his gratification at the establishment of the Institute, which his delegation had supported in the Governing Council of the Special Fund. In that connexion, he noted that, at its eighteenth session held recently at Tokyo, the Economic Commission for Asia and the Far East had decided to establish a similar institute at Bangkok which would have different functions but the same aim — namely, the economic and social development of the region. He paid a tribute to ECLA and to the efforts of the Governments concerned, especially the Chilean Government, to make the Institute a reality. His delegation whole-heartedly supported the draft resolution.

32. Mr. CVOROVIC (Yugoslavia) recalled that his delegation had supported the proposal made in the Governing Council of the Special Fund that the Fund should help in the financing of regional activities which contributed to the solution of economic and social problems on a long-range basis. The establishment of the Institute was evidence of an awareness that planning was the most appropriate method for the acceleration of economic development, and the Institute would undoubtedly prove of invaluable assistance to ECLA and to its member States in their national undertakings. His delegation would support the draft resolution and hoped that that useful and constructive example would shortly be followed by other countries in accordance with General Assembly resolution 1708 (XVI).

33. Mr. VIAUD (France) said that his country had also supported the request in the Special Fund for assistance to the Institute, which he was sure would do valuable work in the field of training and economic research. The establishment of the Institute afforded an excellent example for other regions to follow and he was glad, in that connexion, to note that other regional economic commissions had initiated negotiations on the subject. He therefore supported the draft resolution, not

¹ See *Official Records of the General Assembly, Sixteenth Session, Annexes*, agenda items 12, 28, 29 and 30, document A/5056, para. 41.

only because of its importance to the Latin American countries, but also because of its significance as a precedent. He hoped that the Council would closely follow the practical aspects of the Institute's future work.

34. Mr. KRISHNA MOORTHI (India) recalled that, at the sixteenth session of the General Assembly, his delegation had also been one of the sponsors of a proposal for the establishment of regional institutes for economic development and planning² which it considered absolute necessities. A functional distribution of work might be made between the regional institutes, which could devote themselves to the regional and inter-regional aspects of economic and social planning, and the Development Advisory Service of the Bank, which could provide the needed experts. His delegation would vote for the draft resolution.

35. Mr. FRANZI (Italy) said that his delegation welcomed the establishment of the Institute in Latin America and would favour similar proposals for other regions, because it felt that such institutes could provide Governments with much-needed advisory services, information and research.

36. Miss SALT (United Kingdom) stated that her delegation had high hopes for the new Institute and extended its best wishes to it in its future work.

37. Mr. KLUTZNICK (United States of America) observed that the United States had supported the establishment of the Institute in both word and deed and would support its work in the future.

38. Mr. PASTORI (Uruguay) recalled that his delegation had supported the establishment of the Institute from the outset. He hoped that the new body would assist the Latin American Free-Trade Association.

39. Mr. RIFAI (Jordan) welcomed the draft resolution and expressed his certainty that the new institute would greatly contribute to the progress of Latin America.

40. Mr. DELGADO (Senegal) strongly supported the draft resolution; its adoption would be the first step to the establishment of other regional institutes, which would give objective study to economic development problems and help Governments to take a rational approach to such problems. In the Economic Commission for Africa, Senegal had already expressed its sup-

port for the idea of the creation of an African development organization at Dakar.

41. Mr. NATORF (Poland) and Mr. CARRILLO (El Salvador) stated that they would vote for the draft resolution because they thought that the new Institute would prove highly beneficial to the Latin American countries.

42. Mr. LOBANOV (Union of Soviet Socialist Republics) recalled that his delegation had supported the idea of the Institute at the sixteenth session of the General Assembly because it had felt that the Institute could make a valuable contribution by facilitating an exchange of experience among developing countries and by the provision of experts. He hoped that the Institute would prove to be an effective instrument in achieving real economic and social progress in Latin America for the benefit of all its peoples.

43. Mr. WALKER (Australia) said his delegation was happy to support the draft resolution as it had, in the Economic Commission for Asia and the Far East, supported the establishment of a similar institution for the Asian region.

44. Mr. José Luis BUSTAMANTE (International Labour Organisation) stated that the ILO, like ECLA, believed that planning for economic and social development should be based on a co-ordinated effort of technical assistance and that the effective utilization of human resources, which should be based on a rational evaluation of labour resources and needs, was the essential factor in development. It was in that field that the ILO was in a position to make a perhaps decisive contribution. He recalled that the ILO had been asked by the Administrative Committee on Co-ordination to centralize projects for the evaluation of resources and needs in manpower, which it was now doing in co-operation with other specialized agencies. He was gratified that the Institute would provide not only training in methods of planning but also training in the planning of specific sectors of the economy, including the use of labour. He assured the Council that the ILO would actively co-operate with the Institute.

45. The PRESIDENT invited the Council to vote on the draft resolution submitted by Brazil, Colombia, El Salvador and Uruguay (E/L.936 and Add.1).

The draft resolution was adopted unanimously.

The meeting rose at 5.10 p.m.

² *Ibid.*