



## ECONOMIC AND SOCIAL COUNCIL

Resumed Fifty-first Session

OFFICIAL RECORDS

Thursday, 28 October 1971,  
at 2.45 p.m.

NEW YORK

*President: Mr. Rachid DRISS (Tunisia).*

## AGENDA ITEM 2

Reports of the World Bank Group (*concluded*) (E/5074)

1. Mr. DO RIO-BRANCO (Brazil) said that in 1971 his country's relations with the Bank had been characterized by an unchanging spirit of co-operation and that the Bank's financial assistance to it, particularly in the field of energy, would doubtless contribute to the expansion of Brazil's gross national product. However, his country viewed with apprehension demographic policies which purported to be applicable everywhere and in all circumstances. Population problems varied from country to country and should be dealt with accordingly, and in all cases by the competent national authorities. His country's point of view should not be construed as a criticism of the various methods of family planning and other measures devised to cope with the population explosion, but as a constructive approach to a diversification of demographic policies, in line with the demographic, economic and social conditions prevailing in the countries in which they were to be used.

2. Turning to the problem of pollution, he said that Brazil had been the first country to receive a loan for a pilot experiment concerned with pollution reduction. While his delegation attached great importance to the experiment, it agreed with the French representative (1802nd meeting) that no systematic policy of associating the concession of loans for industrial purposes with anti-pollution measures by the recipient country should prevail. That would make the already extremely difficult process of industrialization in developing countries almost impossible to carry on by increasing in an unforeseeable way both fixed and variable costs. The general principle of pollution control was an important one but it must be reconciled with the goal of industrial development.

3. Mr. MAKEEV (Union of Soviet Socialist Republics) said that the President of IBRD had defined the main aspects of the problem of economic development as population, nutrition and employment. He had characterized overpopulation as the most important, since it was a direct cause of insufficient growth in *per capita* gross national product, resulting in hunger and unemployment in both urban and rural areas. He had concluded that efforts to accelerate the economic development of developing countries should aim at controlling the birth-rate, and at implementing family planning programmes both at the national level and within the United Nations system. He had said that most developing countries must give the highest priority to such programmes and ensure that they received the necessary political support. He had, it was true, referred to other conditions for ensuring the development

of developing countries, but he had assigned them a secondary place.

4. The concept thus outlined was not a new one. It had much in common with the theory of Malthus, the only difference being that the latter had been advanced to explain the absolute and relative poverty of the working class and peasants in capitalist countries, whereas the aim now was to explain the widening gap in economic development and material well-being between the developed capitalist countries, on the one hand, and their former colonies, the developing countries in general, on the other. The old argument had been that the workers were poor because they had many children; now the same argument was used to refer to a whole group of countries whose exploitation, together with that of the labour force of the developed capitalist countries themselves, was the only source of capital accumulation.

5. His delegation was firmly convinced that the exploitation of the developing countries by monopolistic capital remained the decisive cause of the serious and in many cases deteriorating economic position of the developing countries. Its methods had been carefully worked out, and covered a wide range of both open and hidden forms, including opposition to the real industrialization of the developing countries, which was termed one-sided development, and the control of their economies by international monopolies such as the United Fruit Company, Firestone, Standard Oil, ARAMCO, Union Minière and others. More refined methods included tariff policies, limited quotas and unfair agreement based on one-sided political and economic terms such as the obligation to create favourable conditions for the private capital of the donor country and guarantees against the nationalization of foreign capital—in short, the whole arsenal of imperialist exploitation which was both the essence of the capitalist system and the material basis for its existence. Recently the interests of the developing countries had been still further damaged as certain major Western Powers attempted to transfer the burden of the current monetary crisis to others. The first victims of that policy were the developing countries which were being compelled to pay for inflation, the arms race and the aggressive war in Viet-Nam.

6. It was therefore clear that the key to accelerated economic development in the developing countries was not artificial reduction of the birth-rate, particularly under the auspices of organizations in the United Nations system; if such measures were necessary, they were the affair of the Governments of the countries concerned. His delegation was convinced that the main means of overcoming economic backwardness must be the mobilization of the internal efforts and resources of developing countries and the adoption of appropriate national programmes and progressive political, social and economic measures covering

all the major branches of the economy and production relations, including agriculture. The main content of such plans should be not birth control but far-reaching social and economic reforms, the introduction and improvement of planning, and budgetary and tax legislation aimed at progressively redistributing the national income and curbing the actions of foreign capital by making the private sector responsive to national interest. In that context, the main activity of the United Nations system in the economic and social field should be the adoption of practical measures aimed at introducing progressive principles into international trade and economic co-operation and at promoting social and economic transformations in the developing countries which would create conditions favourable to more rapid economic and social development and the strengthening of their economic as well as political independence. It was in such areas that the Bank should be active.

7. Miss LIM (Malaysia) said that her delegation had been impressed by the Bank's new dynamic approach to development and its emphasis on improving the quality of life within the over-all context of quantitative improvements. The human aspects of economic development had been overlooked for too long and her delegation was encouraged by the new trend. As a multiracial country, Malaysia was deeply concerned with the quality of life of its people and had stressed the human aspects of social and economic development in its own development plans.

8. Her delegation welcomed the help given to small farmers and the implementation of large-scale rural works programmes using an integrated approach to rural development. Since the greater proportion of the population and land resources of the third world was located in rural areas and problems of rural development were so complex, her delegation would like to see even greater priority assigned to efforts in that direction, for that would contribute immeasurably to socio-economic uplift of the workers and enhance the quality of life sought by all.

9. Her delegation wished to stress the need to accelerate the World Bank Group's development efforts and it welcomed the increasing interest of the United States in multilateralism which would help to divert more resources to the World Bank Group which proved its efficiency in the utilization of lending resources. Her delegation welcomed the assurance given at the preceding meeting by the United States representative that his Government would support the third replenishment of IDA resources.

10. Mr. AYOUB (Tunisia) noted that the commitment of the World Bank Group as a whole had increased by \$280 million over the past year, bringing the total figure for assistance provided by it in fiscal 1971 to more than \$2,500 million. The Group was thus clearly well on the way to achieving its target of doubling for the current five-year period the total of resources provided from 1964 to 1968. However, his delegation was not satisfied with the distribution of Bank loans and IDA credits among the various geographical regions as of 30 June 1971. It could be seen from the figures given that there was a regional imbalance, which should be corrected as soon as possible. It would appear that the Bank was aware of the situation, for resources allocated to Africa were increasing more rapidly than those for other regions; his delegation hoped that that trend would be maintained.

11. Although the five-year target of the Group was on the way to being achieved, the dates fixed for the third replenishment of IDA must be respected. In that context, his delegation noted with satisfaction that a number of countries had made contributions in advance, and it was to be hoped that other countries would follow their example as soon as possible.

12. The operations of the Bank Group had increased not only in volume but also in scope. In education, projects totalled considerably more than in the previous budget year. Tunisia, which was one of the first countries to have received an education loan, welcomed that trend. The increased attention paid to agriculture and demographic planning was also very welcome. The latter subject was of concern to many developing countries, and Tunisia had received a credit from IDA for activities in that field. The control of population growth was a concern not merely of Western intellectuals but also of many countries of Africa and Asia. His delegation also noted with interest the Bank's first project relating to pollution control and, in that connexion, endorsed the comment made by the representative of France to the effect that the approach to pollution control should differ, depending on the circumstances of the country involved.

13. In his statement, the President of IBRD had again stressed the need to consider the development process as a whole, in which economic and social aspects were closely linked. His delegation shared that view, believing that the progress of a people was manifested in many other and more complex ways than simply through increased production. It welcomed the increasing awareness during the past year of the need for international solidarity as well as the co-operation between economies at different levels. Regrettably, the current situation was much less encouraging. The increase in the net flow of capital to the developing countries had not been satisfactory as far as origin and composition were concerned. Public aid to development was at a level of only 0.34 per cent of the gross national product of donor countries, while the total level of aid was 0.75 per cent. The percentage of grants in the public aid category represented only 65 per cent of the total figure for that category. That situation was particularly disturbing in the first year of the Second Development Decade. His delegation was aware of the current monetary difficulties facing the international community, but did not believe that the developing countries should have to bear the consequences. The International Development Strategy (General Assembly resolution 2626 (XXV)) indicated the outlines of concerted action during the 1970s, and it must not be forgotten that concerted action involved negotiation and co-ordination, as well as action.

14. Mr. BOMÉLÉ (Zaire) said that his delegation welcomed the World Bank Group's increased activities in the field of loans for development since 1969. His Government felt that IBRD and its affiliates should strive to enable all the countries which received aid from them to make the best use of it and that, consequently, it would be desirable for the Bank to expand project evaluations by enlarging the scope of the studies and reports concerning its members.

15. The Group's concern over the foreign debt problem of developing countries was also to be welcomed. In the view

of his delegation, that involved two fundamental considerations. First, there was the question of the extent to which the recipient country was in a position to use the flow of finance to increase its productivity. It was difficult for most developing countries to increase their productivity, since development called for investment in undertakings which would not show immediate profits, such as schools, roads and health services. Second, there was the question of the extent to which the recipient country could convert the proceeds from capital investment into foreign currency in order to service its debts, and that depended on the possibility of implementing financially viable projects in the recipient country.

16. Moreover, the goods which developing countries were most likely to produce for international markets were precisely those in respect of which demand was not elastic or those which were subject to high customs tariffs. The problem could be solved more easily if the developed countries would grant some degree of preferential treatment to manufactured goods from developing countries.

17. His delegation was also concerned with the problem of increasing the net flow of capital from developed to developing countries. It had noted that public and private capital loans from developed countries and multilateral institutions had increased by more than 8 per cent during the last year. Virtually all the increase was in relatively "hard" official export credits and private funds to countries well above the lowest level of development. Resources directed to the poor countries of Africa and other developing regions had continued to decline, in absolute terms as well as total percentage. The global volume of grants, public loans and other categories of long-term aid to development had remained more or less at the 1969 level. That trend must change if developing countries were to attain the objectives of the International Development Strategy.

18. Mr. THAYEB (Indonesia) said that the tasks facing the developing countries in the coming decade seemed more formidable than ever before. In spite of all their efforts, the developing countries would still require external aid. One major problem facing developing countries was the increasing burden of debt repayment. In his delegation's view, the Bank Group should be enabled to provide assistance to the developing countries in local currencies for the financing of development projects; special attention should be paid to those countries seriously affected by the current monetary crisis.

19. His Government was confident that the projects it was conducting with the aid of the Bank Group would soon be completed and would contribute to Indonesia's economic development.

20. Mr. ODERO-JOWI (Kenya) said that his Government and the other members of the East African Community were grateful for the assistance provided by the World Bank to their development efforts in transport, agriculture and education. They would welcome further co-operation in those areas and in new areas such as exploration and exploitation of natural resources, including water development, mineral development and the development of energy resources.

21. To enable developing countries to achieve balanced development and meet the aspirations of their people for a better life, the Bank should promote rural development in such fields as water development, housing, rural industries and social development. Science and technology were vital to balanced development, and the Bank Group should promote the transfer of technology to developing countries and the expansion of technical education. Because of inadequate communications, Africa was still a divided continent. The Bank should assist in the construction of vital road or rail links such as the proposed Trans-Africa Highway. Those countries involved in the project would welcome advice and loans from the Bank and were confident that the highway would help speed up the process of economic integration of Africa. The countries of the East African Community were also grateful for the help provided by the Bank in strengthening the operations of the East African Harbours Corporation and the East African Railways Corporation.

22. Mr. SHAHI (Pakistan) said that it was heartening that the World Bank Group hoped to be able to more than double the volume of commitments during the current five-year period and he expressed the hope that the third replenishment of IDA would soon be approved by the Congress of the United States. He also expressed his delegation's appreciation for the offer of advance contributions by Canada, Denmark, Finland and the United Kingdom to forestall a disruption of IDA's operations.

23. It was gratifying to note the diversification in the activities of the World Bank Group, the breaking of new ground and the preparations for a combined attack on the staggering problems of population, malnutrition and urban and rural unemployment and underemployment. The lucid diagnosis by the President of IBRD of the difficulties facing the developing countries and the policies he had suggested to tackle them deserved close consideration by their Governments and required the reshaping of their development programmes. The promise of technical and financial assistance in those new areas was most welcome.

24. The Bank President's remarks concerning the gross national product as an indicator of economic progress was a timely reminder that concentration in development planning on growth alone could no longer be taken as the yardstick of progress. Distributive justice was another necessary element in the evaluation process. That timely evolution in the philosophy of the World Bank Group would doubtless increase the confidence of the peoples of the world in the United Nations system as an instrument for the betterment of all mankind.

25. The Bank President's remarks emphasizing the importance of rapid growth in the export of manufactures from the developing countries prompted his delegation to state that unless the richer countries allowed those manufactures broader access to their markets—for example, through the generalized scheme of preferences—those countries would find it difficult to increase their export earnings at an annual rate of 7 per cent during the 1970s. It was discouraging that the balance-of-payments difficulties of the United States had led to the adoption of protectionist measures, which would generate retaliatory action by its major partners and in turn work to the detriment of third world exports.

26. The mounting debt crisis facing the developing countries could be ascribed essentially to the terms and conditions on which most financial resources had been and continued to be provided. Renegotiation of debts by individual countries as the need arose was not a satisfactory solution; the problem of debt servicing was of such dimensions that it required a comprehensive solution on the basis of agreed and established principles. Debt relief was perhaps the speediest and most effective means of increasing the net flow of resources to the developing countries.

27. In view of the danger that the restrictive measures adopted by the wealthier nations during the current monetary crisis might be a chain reaction and plunge the world into a serious economic recession which could undermine the basic assumptions of the International Development Strategy for the Second Development Decade, it was of the utmost urgency that an international conference which would include the developing countries should be convened. The crisis not only showed the need for a realignment of currencies and wider margins for fluctuations of exchange rates; it also involved questions of competitive costs and the labour market. Lastly, he agreed with the President of the World Bank that the United Nations system should exercise a role of leadership in the search for new solutions to the problems of the third world.

*At the President's invitation, Mr. Joseph, observer for Australia, took a place at the Council table.*

28. Mr. JOSEPH (Observer for Australia) said his delegation wished to comment on the remarks of the representatives of France and Tunisia concerning the allocation of the Bank's resources to various regions. Australia was deeply concerned with the needs of Asian countries. Any comparison between regions should take into account such factors as population; India alone had more than twice the population of the whole of Africa. Admittedly, many of the African countries were among the least developed countries, but it should not be forgotten that many of the countries of Asia had extremely poor areas. In any case, it might well be that what the African countries required was more in the line of technical assistance and pre-investment to prepare the way for loans and investments. In that context, it should be recalled that Africa received a major share of UNDP assistance. His delegation did not deny that the needs of Africa were great, but as a donor to Asian countries it wished to emphasize that the needs of Asia and the Pacific were no less important.

29. In referring to those Governments which had made advance payments for the third replenishment of IDA, the representative of Pakistan had omitted to mention the Government of Australia, which had made an advance payment of \$16 million; it would be followed by two more payments at the same level.

*Mr. Joseph (Australia) withdrew.*

30. Mr. CARANICAS (Greece) said that there was a close relationship between population and development which required further study in order to ensure the attainment of the objectives of the International Development Strategy. He welcomed the World Bank's new approach to the question and was pleased that a World Population Con-

ference would be convened in 1974, which had been designated the World Population Year. The emphasis placed on population problems in the *World Plan of Action for the Application of Science and Technology to Development*<sup>1</sup> was also welcome.

31. Referring to the French representative's remarks at the preceding meeting to the effect that Africa did not receive a sufficient proportion of Bank aid, he said that the population statistics of the least developed among the developing countries must also be taken into account. India and Pakistan, which were the two major beneficiaries of annual assistance from official bilateral and multilateral sources, had *per capita* incomes which compared unfavourably with those of the least developed African countries. It would therefore be more logical in making comparisons to combine the least developed countries of Africa and South Asia; the gross flow of development aid in the form of loans and grants to those countries had declined from approximately one half of the total to one third between 1965 and 1970.

32. The study of the external debt of the developing countries in the Bank's report showed that the trend towards hard-term capital loans and fewer grants to developing countries had continued unabated during 1970-1971 and emphasized the need for softer loans and a shift from loans to grants. The rising burden of external debt on developing countries had become alarming during the past few years and in some countries the net outflow of investment income had exceeded net receipts of long-term capital and official grants. Furthermore, the effects of reduced imports on economic growth was an area for further exploration.

33. It was gratifying to note that the Bank was allocating more money for such sectors as urban water supply and sewerage and for non-project loans such as that granted to Nigeria for post-war rehabilitation. He also welcomed the Bank's first pollution control loan and agreed with the representative of France that the standards to be established for appraising the results of such projects must depend on the circumstances in the country concerned. He was certain that the Bank would take the right decision with regard to project and programme lending.

34. Mr. GATES (New Zealand), referring to statements to the effect that the proportion of loans granted to Africa was insufficient in comparison to other regions, said that a superficial study of the regional distribution of loans was a very poor basis for urging a change of the Bank's lending policies. The Bank must carefully assess the quality of projects submitted and weigh that assessment against the relative needs of the countries seeking financing. Greater difficulties might arise for the Bank if it deliberately emphasized assistance in certain large and highly disparate regions. In saying that, his delegation did not overlook the fact that many countries which were most in need of development assistance were least able to prepare good bankable projects for consideration. However, it did not follow that, because most of the least developed countries were in Africa, the African region as a whole should receive special consideration.

<sup>1</sup> See E/4962/Rev.1 (United Nations publication, Sales No.: E.71.II.A.18), chap. XIV.

35. With regard to the suggestion that the Bank should adopt a sectoral approach to development and, in particular, ascribe special importance to industrialization, he said that he was certain that the Bank would continue to take into account the priorities established by the developing countries themselves.

36. Mr. PALEWSKI (France) said that it had not been his intention at the preceding meeting to imply that poverty was more widespread in Africa than in South Asia. Population figures did not provide a valid basis for the grant of loans or credits, since poverty could be equally prevalent in countries with small or large populations. Gross national product was a more satisfactory parameter; particular attention, however, should be devoted to the economic infrastructure needs of the developing countries.

37. Mr. McNAMARA (President, International Bank for Reconstruction and Development) said that the Bank would take into account the remarks made during the current debate. He had been impressed by the emphasis placed by the representatives of France and Greece on the importance of soft loans and of raising the level of official development assistance to the developing countries. The target of 0.7 per cent of the gross national product of the wealthy nations was not being met. The World Bank Group, which fully shared the Yugoslav representative's concern at

the plight of the least developed among the developing countries, had substantially increased technical assistance to African countries to help them improve their ability to prepare projects in order to accelerate the flow of aid. He was gratified to note that the United States attached importance to the third replenishment of IDA.

38. Lastly, the Bank attached considerable importance to close co-operation between it and the Economic and Social Council and other organizations in the United Nations system which were concerned with development.

39. The PRESIDENT said that if there was no objection he would take it that the Council wished to adopt a draft resolution reading:

*"The Economic and Social Council*

*"Takes note with appreciation of the report of the International Bank for Reconstruction and Development and the International Development Association and of the report of the International Finance Corporation."*

*It was so decided.*

*The meeting rose at 4.10 p.m.*