



## ECONOMIC AND SOCIAL COUNCIL

Resumed Fifty-first Session

OFFICIAL RECORDS

Thursday, 28 October 1971,  
at 10.40 a.m.

NEW YORK

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

## AGENDA ITEM 2

## Reports of the World Bank Group (E/5074)

1. Mr. McNAMARA (President of the International Bank for Reconstruction and Development) said that, during the First United Nations Development Decade, the countries of the third world had succeeded in adding a substantial increment to their very low levels of material wealth and in increasing appreciably their average rate of growth. Paradoxically, however, in spite of that achievement the tasks that faced them seemed more, not less, formidable than before.

2. Presenting his report on the affairs of the World Bank Group, he observed that the Group was operating at a high level of activity, meeting and in some cases surpassing the goals set for the 1968-1973 period. In the fiscal year ended 30 June 1971, it had made loans, credits and investments amounting to the equivalent of \$2,600 million, as against \$2,300 million in 1970, \$1,900 million in 1969 and \$1,000 million in 1968. In order to finance disbursements and increase liquidity, the Bank had borrowed nearly \$1,400 million in 1971. Those figures meant, in fact, that for each working day of the year, the Bank Group, for economic development projects, had been paying out about \$5 million in cash, had been borrowing about the same amount and had been entering into new commitments amounting to \$10 million. Many of those commitments had contained elements marking fresh departures in the Group's policies and practices. For the first time the Group had made loans or investments for research (in agriculture), for para-medical education, for an institution created exclusively to develop a capital market in a developing country, for farmer-training mobile units, for a company to finance hotel construction and for a pollution-control project.

3. In a longer time perspective, the Bank Group had, in its Five-Year Programme launched in 1968, sought, as its over-all objective, to double the volume of commitments over the previous five years. He was pleased to be able to say that the commitments for the first three years of the period and the programme for the current financial year made it seem probable that the total target of \$11,600 million would be not only reached, but exceeded, in 1973. The Bank Group's plans to triple its finance for education and to quadruple it for agriculture for the five-year period were on schedule and being met.

4. The Bank Group had also decided to give more assistance to the very poorest among its member countries—those with *per capita* incomes of \$100 or less per year. According to the current estimate, the total number

of projects that the Group would have financed for that category of countries during the 1969-1973 period would be 215, as against 158 for 1946-1968, the first 23 years of the Bank's activities.

5. It was becoming increasingly clear that an index of gross national product, although it was one measure of progress, was an incomplete means of reflecting development. Development had to do with the whole shape and texture of human existence. The Bank Group was concerned not only with the size of a country's economy, but also with the quality of the life for each member of society. The pursuit of that objective had deep-reaching implications both for the developing countries and for programmes of external assistance, whether bilateral or multilateral. Growth of output, essential though it was, was no longer sufficient. Development should, instead, be seen as a composite of many factors which had to be brought into an effective relationship; that was a task of great subtlety and complexity and its importance could not be over-estimated. The United Nations system had particular qualifications for that task. It was, to be sure, imperfect in many ways and did not have great material resources, but it represented a wide range of technical expertise, and the countries and individuals in the system represented virtually the whole spectrum of the human condition and human experience. The United Nations system, potentially, had greater knowledge and higher moral authority than any other instrumentality for development that it had been possible to conceive. It could, and should, play a role of leadership in the search for new solutions to the problems of the third world, especially the problems of population, nutrition and employment.

6. Most of the countries of the third world, even those where the symptoms of overpopulation were not yet fully evident, should give population planning a much higher priority in their development programmes than at present. The reason was clear: much more time was required than was generally imagined for such programmes to bring about reductions in the birth rate to reasonable levels. It was becoming increasingly evident that, even with the requisite political support, even with expected advances in contraceptive technology and even with much improved administration of the programmes, decades would pass before the population growth rate declined to acceptable levels. In the meantime, the world was going to become immensely more populous than it already was. The latest demographic studies indicated that, even on very favourable assumptions concerning the rate at which population increase could be slowed down, the populations of the developing countries would quadruple to a total of nearly 10,000 million.

7. It was clear to everyone who was engaged in development that a twofold strategy was required. On the one hand, efforts should be intensified to encourage and assist

family planning, in order to shorten the time required to reduce the rate of growth. On the other hand, development programmes should be reshaped to take account of the fact that world population was going to continue to grow rapidly for some long time yet. The need for both those lines of action was urgent.

8. With regard to family planning, a more active role by the organizations of the United Nations system would be welcomed both by recipient and by donor countries. Of all the problems posed by development, fertility control was the most sensitive, and the motives of national agencies working in that field were easily misinterpreted and made the subject of controversy. The United Nations system, which could validly claim to be acting on behalf of the whole family of man for the well-being of that family, was not equally vulnerable to that kind of obstruction. Although the relevant activities of United Nations organs had so far been too modest and too fragmented, patterns of more effective action were beginning to emerge. It could clearly be foreseen that United Nations assistance would increasingly represent a truly combined effort, from the planning stage into financing and execution. The World Bank would certainly bend its best efforts in that direction.

9. For some time to come, however, excessively rapid population growth would greatly magnify and vastly complicate many other problems of development. Two of those problems—widespread malnutrition and unemployment—demanded attention with insistent urgency.

10. In the developing world malnutrition was a pervasive and dominant fact. Almost half the population of the globe lived in areas where protein deficiency, the most serious form of malnutrition, was prevalent. Malnutrition was a leading cause of infant mortality, and stunted the physical growth and mental capacity of hundreds of millions of those who survived. It was the most important single cause of disease among all sections of the population, and strangled the development of human beings and societies. It was a fantastic circumstance that in most developing countries that state of affairs was passively accepted or, at best, feebly resisted. There were deplorably few countries with meaningful population programmes. There were still fewer countries with effective national policies and programmes in nutrition.

11. While rising incomes and better income distribution would help to improve the nutritional standards of the inhabitants of those countries it would not solve the problem. In any case, one could not afford to wait for full economic development before attacking the problem. Every developing country, within the limits of its present economy, had the potential for feeding its population better than it did at present. The adoption of pricing policies that would encourage the cultivation of high-protein foods, the financing of research to adapt certain varieties of food of high nutritive value to local conditions of soil and climate, the organization of public programmes of food hygiene and assistance to manufacturers of fortified food products, were among the measures that could have favourable results without entailing substantial financial investment.

12. Malnutrition was a question that the Bank now intended to tackle at much closer range. It had recently

agreed to join WHO, FAO and UNICEF in sponsoring and financing the technical operations of the Protein Advisory Group as a means of improving its access to scientific knowledge in that field and increasing the chance of putting that knowledge into practice. By concerted action with other United Nations bodies, the Bank hoped, *inter alia*, to increase the sensitivity of Governments to that question and to help them to organize national nutrition programmes and to finance specific projects in the context of such programmes.

13. Despite the considerable economic expansion they had achieved in the past decade, very few developing countries had grown rapidly enough to absorb the growing increase in the labour force. No doubt most economists would believe that on reasonable definitions—including allowances for underemployment—unemployment generally approximated to between 20 and 25 per cent of the labour force in the developing countries. The extent and appalling consequences of unemployment in the cities were well known, but there was hardly any country in which the problem of rural underemployment was not numerically worse, and as it affected the poorest sector of a developing society it was all the more tragic. Typically, it resulted from the fact that large families shared the little work provided by tiny farms, or that agricultural labourers could find employment only during certain peak periods; that led to an immense waste of potentially productive resources. Underemployment was one of the major causes of the gap between urban and rural incomes. In most developing countries, the average income was much higher in urban than in rural areas. Many peasants preferred to move to the towns and wait there—even without work—in the hope of eventually finding a job, rather than endure the poverty caused by underemployment in agriculture. Solving the problem of urban unemployment therefore depended on solving the rural problem, and it was especially in the rural areas that a solution to the latter problem must be sought. In most countries it was futile to hope that new jobs would be created in the towns rapidly enough to absorb the underemployed manpower of the rural areas.

14. That imbalance between urban and rural incomes, with all its consequences, underlined the need for development policies aimed at greater employment and greater equality of income distribution. The last decade had shown that economic growth could not be depended upon to solve those two problems. In theory, fiscal systems could serve to redistribute the fruits of economic growth in an equitable manner but, in fact, that was rarely the case, since political pressures were too severe and tax collection practices were inadequate for that purpose. The only effective solution was to raise the incomes of the poorest groups by increasing the number of productive jobs available to them.

15. According to FAO estimates, 400 million jobs would have to be created in the agricultural sector alone by 1985. Action on several fronts would be required in order to attain that objective.

16. There would have to be important shifts in public policy away from investment programmes which favoured the urban areas and from all measures and policies which, directly or indirectly, restricted farm earnings. The green revolution would have to be sustained and broadened. If it

was to benefit farmers who had no possible access to irrigation, there would have to be research on new varieties of crops suitable for rain-fed farming. Together with FAO and the United Nations Development Programme (UNDP), the Bank had initiated a new type of effort designed to ensure that the necessary funds were available to continue and expand the work of existing international research centres and, perhaps, to establish new ones. Together, those three organizations had established a consultative group composed of representatives of Governments and of public and private organizations which were prepared to finance the experiment. The group was assisted in its task by a Technical Advisory Committee composed of distinguished scientists from a number of countries.

17. A further challenge was to ensure that the benefits of the "green revolution" accrued to the small farmers as well as to the wealthier farmers. In some cases a reasonable redistribution among agricultural labourers or small farmers of land currently held in large blocks would be desirable not only on grounds of equity, but on grounds of efficiency, too. It was all the more desirable that poor farmers should benefit from the increased output made possible by modern technology since an increase in the incomes and food expenditure of large segments of the population could have a favourable effect on the market and, consequently, on the whole drive towards greater production and employment. The countries concerned would thus also have an opportunity to utilize their unemployed labour on rural capital investment projects. The Bank was co-operating with various United Nations bodies which were endeavouring to solve the problems of the small farmers and had, for that purpose, recently financed certain projects directed expressly to small farmers and to an integrated approach to rural development. It was, however, still feeling its way in that field and further study and experimentation were obviously required.

18. Growth in the industrial sector, which was essential in the context of the Second Development Decade, would be particularly difficult for the developing countries. If the average rate of annual growth of their gross product was to reach 6 per cent, as provided for in the International Development Strategy (General Assembly resolution 2626 (XXV)), they would have to generate a steadily rising stream of exports in order to increase their export earnings at an annual rate of 7 per cent during the Decade. The developing countries could not, however, achieve that result without a very rapid increase in their exports of manufactured goods, since it was in that field that world demand was growing most rapidly. It would be necessary to reduce the relative importance of industries, usually operating with high tariff protection, which produced items that had previously had to be imported, since some countries had been obliged to adopt uneconomic measures in order to subsidize such industries.

19. In 1970, in an effort to show an inventive and creative spirit, the Bank had, with the assistance of the United Nations Industrial Development Organization (UNIDO), mounted a series of expert missions to survey industrial sectors and subsectors in its member countries and to help those countries to choose the most promising lines of industrial development. That effort had been concentrated mainly on the identification of industries offering a high

export development potential. In countries which had oriented their industrial production towards export markets the industrial growth rate—averaging at least 15 per cent—had been higher, and the expansion of employment had been substantially faster, than in countries where industry had been chiefly oriented towards import substitution. Exports of manufactured goods, which had reached \$7,000 million in 1970, would have to quadruple by 1980 if the targets of the Second Development Decade were to be achieved. To that end, the industrialized nations would have to accept competitive products from the less developed countries much more readily. It was ironic that high-income countries discriminated more against imports from poor countries than against those from developed countries, and the agreement in principle to grant preferential treatment to exports of manufactured goods from the developing countries was only beginning to be translated into action. He was not urging one group of countries to do another group a favour, but simply recommending that both groups should recognize where their true mutual interests lay and act accordingly.

20. In his view, the world community now had the best opportunity it had had since the Bretton Woods Conference to take a memorable step forward in the realm of international economic relations. The monetary question was a world problem and must be solved with the interests of all nations in mind. It was the fear of an adverse balance-of-payments position, even a temporary one, that lay behind the inequitable attitude of the high-income countries towards the developing countries. Despite the praiseworthy efforts of a few individual countries, the total volume of aid was approaching very slowly, if at all, the target of 0.7 per cent of the gross national product set for public aid. In absolute figures, the progress achieved was negligible in relation to the increase in the wealth of the high-income countries. The developing countries therefore had as strong an interest as the countries which were members of the Group of 10 in the adoption of measures to facilitate a steady growth of both trade and aid. Concrete measures must now be taken in that field, and he hoped that the flow of financial assistance to the developing countries and the international earning capacity of those countries would be protected from the vicissitudes and fluctuations caused by payments transactions between wealthy nations. He also hoped that direct or indirect ways would be found whereby the additional liquidity created under the new system could be made to work for the advancement of the poorer countries.

21. Some of the inspiration which had fired the early development effort had now given way to varying degrees of discouragement or indifference. It would be a serious misreading of history, however, to leave the task of development in the second rank of man's concerns. There was nothing modest about the tasks facing the United Nations and the United Nations should not be modest about what it desired to achieve.

22. Mr. PALEWSKI (France) reviewed the activities of the World Bank Group and noted with satisfaction that the volume of loans made by the Group in the past fiscal year had risen by 7.5 per cent to over \$2,500 million; he was aware that that was a less spectacular improvement than the unprecedented increases of the two preceding years but

considered that, after such a great step forward, it was already a remarkable success that the performance of the fiscal year 1969/70 should have been confirmed and even substantially improved upon. The capacity of financial markets to provide new capital under conditions that conformed to the Group's aims was not unlimited, any more than was the capacity of developing countries to absorb such capital under the conditions established by the Bank.

23. His delegation was concerned, however, that the volume of loans of the International Development Association (IDA) should have dropped considerably during the past fiscal year and, above all, that the agreement on the third replenishment of its resources should not yet have become effective owing to the failure to act of the principal donor country. It hoped that nothing more was involved than a delay and that the replenishment of the resources of IDA would soon take place in accordance with the principles and procedures that had been agreed upon jointly, since the prospect of a disruption or even a prolonged slowdown of the Association's operations jeopardized the Group's entire range of activities.

24. The direction which the Group's activities had taken had been marked by a diversification which was both deliberate and prudent, with the traditional sectors benefiting from the largest expansion, namely 35 per cent higher than the average for the two preceding fiscal years, and the new sectors—agriculture, education, industry and miscellaneous—taken as a whole showing an increase of about 12 per cent. With regard to the new types of operation of the Bank and its affiliates, his delegation had particularly noted the special financial assistance which certain Governments had received in the wake of natural disasters. It had also appreciated the fact that, for the first time, a loan had been made for pollution control; while the Group did not limit its action to such direct intervention but actually included a clause prescribing anti-pollution measures in the agreements with the borrowing countries, the French delegation was convinced that the Bank would refrain from imposing any uniform and rigid anti-pollution code on the countries it dealt with and would act advisedly and prudently in such matters without, however, abandoning the principle of combating pollution in all its forms.

25. Though he recognized that the way the Bank's operations were spread among the various sectors seemed to correspond to its purpose and to the interests of the developing countries, he deplored the fact that the same could not be said of their distribution among the various regions. Since the end of 1968, Africa's share of the total volume of loans provided by the Group had declined slowly but steadily each year, dropping from 20 to 19 and then to 18.5 per cent. Moreover, the loans received by the African continent during the past fiscal year had been barely higher than those granted to Europe, and equal to about two thirds of the loans to Latin America and only half of those to Asia; such a disparity was of considerable concern to the French delegation. He hoped that the Bank and IDA would take the necessary steps to correct the situation and, above all, that the programme of commitments for the following year would bring about the necessary adjustments, particularly in view of the special concern which the Bank should show with regard to all of the least developed among the

developing countries. Less and less aid from the industrial countries was going to that category of particularly underprivileged countries which, moreover, was the group most seriously threatened by the current monetary crisis.

26. Regarding aid from the industrial nations, he noted with regret that total government and private assistance to developing countries had virtually levelled off and that the slow upward trend of its stated value had been mainly due to circumstantial variations in the flow of private capital. For example, the aid provided by the industrial countries as a whole had dropped to 0.75 per cent of their gross national product, compared with 0.95 per cent at the beginning of the First Development Decade, which meant that they were now even farther away from reaching the target set by the Strategy for the Second Development Decade. The composition and quality of aid to developing countries, however, was almost as important as the actual volume of that aid as far as financial stability was concerned. Noting that private capital, and export credits, above all, were increasingly taking the place of government transfer payments, particularly grants-in-aid, he drew attention to the unfortunate consequences that might result from stepping up private aid, if anarchy was allowed to prevail. Given the fact that private funds responded first and foremost to considerations of profitability and solvency, they were naturally attracted to countries which had already reached a relatively high level of development and, above all, which possessed an adequate infrastructure; that, in his opinion, was why transfer payments to the least developed among the developing countries had dropped off and why Africa and southern Asia, where most of the countries in that category were to be found, now only received one third of the total volume of transfers from industrial countries whereas, five years before, they had received almost half, which, in absolute figures, represented over \$2 million for the current year which they would have otherwise received.

27. It was for those reasons that his delegation hoped that the World Bank and its affiliates would promptly adopt the appropriate corrective, even compensatory, measures.

28. Furthermore, the growing share of private funds in transfer payments resulted in an additional burden for the balance of payments of the recipient countries.

29. He therefore endorsed the conclusions contained in the Bank's report regarding the dangers that would eventually derive from unplanned management of the developing countries' external indebtedness.

30. He noted with regret that a prolongation of the current monetary disarray would not only endanger the achievement of the objectives of the International Development Strategy but, in the field of both trade and assistance, might even jeopardize the advantages that were already being granted to the third world. He hoped, therefore, that the measures of austerity that certain countries might have to adopt, or had already adopted, would not adversely affect expenditure on government aid. Over the past years, the French Government had ensured that that type of expenditure rose at least as fast as the budget as a whole,

and it intended to continue to do so, since it would be unjust to make the developing countries suffer the consequences of a crisis for which they were undoubtedly the least to blame.

31. Finally, he thanked Mr. McNamara for the World Bank's efforts to help the developing countries.

32. Mr. ZAGORIN (United States of America) welcomed the significant achievements of the World Bank Group and noted with satisfaction that, in terms of the level of investments for development, loans to the educational and agricultural sectors and aid to the poorest countries, its targets for the period 1968-1973 would not only be reached but, in certain cases, exceeded.

33. He emphasized that the Administration and Congress of the United States were increasingly interested in multilateral aid and that their change of attitude was largely attributable to the excellent performance of the World Bank Group. The latter should be congratulated not only on having managed to increase the volume of its aid substantially and introduce more efficient methods of operation but also for having widened its conception of its responsibilities as a development institution. It had come to appreciate that it was not enough just to be concerned with the size of a country's economy; it was also necessary to study such problems as population growth, malnutrition, and unemployment and underemployment in both the urban and the rural sectors. The United States Government was in full agreement with that new approach to development.

34. With reference to the third replenishment of IDA he said that his Government fully supported the activities of the Association and that it was working at present for early approval by the United States Congress of the financial provisions for a substantial American contribution to the third replenishment.

35. Mr. CABRIĆ (Yugoslavia) said that one of the vital preconditions for the fulfilment of the objectives of the International Development Strategy was that the proportion of the gross national product of the developed countries allocated to the developing countries should reach 1 per cent. In 1970, that figure had reached only 0.75 per cent and the share in official assistance had even fallen to 0.34 per cent. That situation might lead to serious and far-reaching consequences not only for the rapid develop-

ment of the developing countries, but also for stable development in general.

36. The World Bank Group had assumed a growing role in development financing, as shown by the fact that in the previous year it had given, in the form of loans, credits and investments, a sum of \$2,600 million. In that way, the Group had made significant progress towards attaining the quantitative goal outlined by the President of the World Bank in 1968, i.e., to double the amount of loans in 1969-1973 in comparison with the development objectives set for the 1964-1968 period. His delegation welcomed the fact that, in addition to infrastructure projects, the Bank had recently financed projects in industry, agriculture, education, tourism and even technical assistance. It also welcomed the undertaking, in the statement of the President of the World Bank Group, that in 1969-1973 the Bank would finance 215 projects in the least developed countries, whereas in the previous 23 years it had financed only 158 such projects. He was happy to say that relations between his country and IBRD were developing very satisfactorily, with regard both to the loans and to the various forms of co-operation.

37. What was needed by developing countries for long-term stable and more rapid development was an increase in their exports. Unfortunately, the developed countries were not always prepared to co-operate. That problem could only be solved through concerted action by the developed and the developing countries.

38. The developing countries had to face the problem of indebtedness caused by rapid development. It was essential to create conditions permitting repayments to be made in time. Unfortunately, such conditions did not exist at the moment, but if present trends continued, the problem threatened to increase and cause a new crisis in international economic relations. The problems of population, nutrition and employment, which had been extensively covered by the President of the World Bank Group, could only be solved in the long term, by the more rapid over-all economic development of the developing countries.

39. He wished to thank Mr. McNamara for coming in person to the Council to give such an enlightening and instructive insight into the activities of the World Bank Group.

*The meeting rose at 12 noon*