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Agenda item 5:

- (a) Report of the International Bank for Reconstruction and Development;
(b) Report of the International Finance Corporation;
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President: Mr. Alfonso PATIÑO (Colombia).**Present:**

Representatives of the following States: Argentina, Australia, Austria, Colombia, Czechoslovakia, El Salvador, Ethiopia, France, India, Italy, Japan, Jordan, 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: Albania, Algeria, Belgium, Brazil, Canada, Chile, Denmark, Indonesia, Israel, Morocco, Norway, Philippines, Romania, Sweden, Syria, Turkey.

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; International Monetary Fund; 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/3712 and Add.1);
(b) Report of the International Finance Corporation (E/3711 and Add.1);
(c) Report of the International Development Association (E/3710 and Add.1)

1. Mr. WOODS (President of the International Bank for Reconstruction and Development), speaking in his capacity as President of the Bank, of the International Finance Corporation (IFC) and of the International Development Association (IDA), recalled that the Bank, in its first year of lending for economic development, had made loans of \$16 million to the less developed countries, whereas in the fiscal year ending in June 1962, the Bank and IDA had extended loans and credits of well over \$1,000 million. A similar total was anticipated for the current fiscal year, and there was a continuing steady increase in actual disbursements by the Bank to its borrowers, which were likely to total more than \$600 million in the current year for the first time. During the year covered by

the reports (E/3710 and Add.1, E/3711 and Add.1, E/3712 and Add.1), Latin America had displaced Asia as the Bank's largest customer, but more IDA credits had gone to Asia than to any other region. While lending continued to be heavily concentrated on electric power and transport, there were two interesting developments in the operations of IDA: credits for agriculture had increased to the point where they accounted for one quarter of all IDA lending, and IDA had for the first time undertaken a commitment in the field of education, in the form of a credit to finance the building of new schools in Tunisia, linked with a study of methods of school design and construction which, it was hoped, would result in better and more economical school-building programmes, not only in Tunisia but elsewhere.

2. The remarkable increase in the volume of the Bank's financing was welcome in itself; but equally striking was the way in which the Bank had taken on new responsibilities and additional functions to help in accelerating the economic growth of its member countries. IFC and IDA had been set up, the former to provide more specialized assistance to the growth of private industry than was possible through the Bank itself, and the latter to help member countries whose balance of payments difficulties limited their ability to service development capital borrowed on conventional terms. The Bank had also co-operated with other lenders, for instance by sponsoring the consortia of countries and institutions helping in the development of India and Pakistan and, less formally, by organizing consultative groups of aid-giving nations and agencies for Nigeria, Tunisia and Colombia. With the same objective of co-ordination, the Bank had co-operated closely with the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD), which was playing an increasingly important role in helping its own member countries to make their bilateral aid programmes more productive.

3. The Bank's technical assistance activities, too, had the sole objective of making development aid more effective, and they had recently expanded very rapidly. Over twenty full-scale surveys of the development needs of different countries had been made, together with many smaller surveys, and resident advisers had been assigned to assist various member countries—always at their request—on major problems of development programming and economic and financial policy. Government officials dealing with those matters received training within the Bank, and a staff college—the Economic Development Institute—had been established and was still adding new courses to its schedule. With the help of the Rockefeller Foundation, approximately 100 libraries of works in English on economic development had been distributed throughout member countries, and preparations for similar libraries in French and, in co-operation with the Inter-American Development Bank, in Spanish and Portuguese were being made. Two important and

closely interrelated innovations in the Bank's technical assistance activities were in operation. The establishment of the Development Advisory Service, consisting of a permanent staff of highly qualified advisers available to serve for extended periods in member countries, had made it possible for the first time to meet calls for economic and financial advisers on a continuing basis, whereas in the past most of the Bank's development programming assistance had been provided by missions visiting the countries concerned for relatively short periods. The service was likely to be of particular value to the least developed countries, whose experience of development planning was often very limited.

4. The second innovation derived from the realization that over-all development planning in countries with limited resources was of little value unless it was solidly based upon knowledge of the resources available and of the technical and economic feasibility of particular projects. The Bank had therefore decided to offer greater help in organizing and financing feasibility studies, either of promising projects or of the development of specific sectors of the economy; the studies already undertaken, to the cost of which the Bank was contributing more than \$2 million, covered a wide range of projects. The Bank worked, not in competition, but in close co-operation with the United Nations Special Fund, and it was itself the executing agency for many Special Fund projects.

5. The scope of the Bank's economic research activities had also been widened. Their original function had been to provide the data needed to establish the creditworthiness of various countries and the priority of particular sectors or projects within those countries. While that task was still of fundamental importance, it was set in a much wider context of continuous research into more general aspects of the development process. For instance, studies of the current situation and future prospects of the more important primary commodities in international trade, such as coffee, rubber and cocoa, had assumed increasing significance, since those products made up the greater part of the earnings of almost all the less developed member countries and constituted, in a very real sense, the underlying security for all the lending of the Bank and its affiliates. As an example, a comprehensive study of the long-term trends of prices and output of extra-long staple cotton was being made by the Bank at the request of the International Cotton Advisory Committee.

6. Other subjects covered by the research programme included trends in indebtedness and in the international flow of capital, techniques of development planning, problems of economic forecasting, the order of priority among different projects for alternative uses of resources and the suitability of particular industries for countries at different stages of development. Economic studies were also undertaken of matters which emerged as being of importance to a broad range of member countries, such as African agriculture.

7. Although most of the Bank's lending was for infrastructure and its assistance in that connexion was directly primarily to Governments and public agencies, one of its basic objectives—and the primary objective of IFC—was to foster the growth of private shareholder-owned industry in the developing countries. It was important for the Bank and its affiliates to encourage private business; the less developed countries could not afford to waste resources, which included

the talent, energy and enterprise of private businessmen. The Bank itself had provided more than \$1,000 million in loans for private industrial projects, but the special instrument for helping the growth of private industry was IFC which, like the Bank, was changing and growing. It was now free to invest in capital stock or equities, and it also had primary responsibility, on behalf of the Bank group, for fostering domestic development banks, a function likely to become of central importance in its activities. Its new freedom enabled it to invest on the basis of sharing both the risks and rewards of an enterprise, although as a matter of normal policy IFC would take no part in management. Its investments would be more salable to private investors throughout the world, and it would also be able to join in underwriting offerings of shares to other investors. IFC had been increasingly successful in attracting participations by private investors in its own investments, thereby enlarging the flow of international private investment and freeing its own funds for use elsewhere. Private institutions which could help private industry with financial, technical and other services could play a strategic role in the process of economic development, and they had many advantages: they offered private industry a sympathetic understanding of its needs; they provided medium-term or long-term capital when it was scarce or otherwise unobtainable; and they acted as a link between domestic and foreign investors.

8. He believed that IFC would do much to help the growth of development finance corporations in member countries, as evidenced by the support it had given, in conjunction with the Bank, to the Private Development Corporation of the Philippines, which was being set up to support new and expanding industries by providing them with direct medium-term and long-term finance, by helping to market their share issues and by offering managerial and technical help when needed. IFC and the Bank had helped by sending exploratory missions to arouse interest in the idea of such an institution, by assisting a committee of local businessmen to establish its legal and organizational framework and by participating in its financing. The Bank was lending \$15 million and IFC, in addition to helping the corporation to interest a number of banks in Europe, Japan and the United States in becoming shareholders, was investing in the share capital and was underwriting a part of the public offering of shares in the Philippines. IFC and the Bank had given similar assistance to a development corporation in Morocco several months previously, and similar operations were expected in more than a dozen countries.

9. However, the amount of investment which the Bank and IFC could offer to private industry was dwarfed by the contribution that individual private investment might make. He had no doubt that the flow of private capital to the less developed countries would increase greatly if the fear that investments in many such countries might be threatened by expropriation without fair compensation or by other arbitrary government action could be overcome. There were several possible ways in which the Bank might use its reputation for integrity and impartiality to help in removing that impediment to international private investment. The most direct approach—and probably the most difficult—would be to establish certain rules for the treatment of foreign investment to which countries would agree to adhere, and to have some kind of international tribunal deal with violations. A second idea which had been studied by the Bank was a multilateral investment

insurance scheme. A third suggestion—more modest but perhaps more promising—being examined by the Executive Directors of the Bank, was the establishment of facilities, linked in some way to the Bank itself, available to foreign investors and host Governments wishing to have recourse to conciliation or arbitration in the settlement of investment disputes. An essential feature of the suggestion was that resort to those facilities would be entirely voluntary on the part of both the Government and the foreign investor; but once both parties had consented, they would be bound to carry out their undertaking and, in the case of arbitration, to abide by the award. Despite the difficult questions remaining to be solved, he believed that that approach deserved the support of both capital-importing and capital-exporting countries and that it warranted further constructive study.

10. In the meantime, the Bank continued to act as a bridge across which private capital could move from the developed to the less developed countries. Through the sale of its own securities, the Bank had raised over \$2,000 million; but less well known was the extent to which it had succeeded in establishing the credit of its borrowers on the open market, as evidenced by the sale to other investors of participations in Bank loans, which now totalled more than \$1,500 million. Such sales not only reinforced the Bank's resources, but also introduced many of the less developed countries to the foreign private investor for the first time. It was true that many of the participations and sales were of the shorter maturities, carrying minimum risks, and that some of the buyers were institutions in the borrowing countries themselves; but the fact remained that portions of Bank loans in all but five of the borrowing countries had been sold to other investors, and it was also a fact that, within the preceding five years, more than 200 new buyers had been found for portions of Bank loans, without any guarantee from the Bank. Those buyers had found that it was possible to invest in the developing countries without loss of capital and with a fair return on the investment, and while opening capital markets more widely to the less developed countries would continue to take time and perseverance, he was confident that the Bank could enlist further support from investors throughout the world and thus make gradual progress towards that objective.

11. During the preceding year, the ability of a number of the less developed countries to undertake new borrowing on conventional terms had continued to weaken, as their external debt increased and their capacity to earn foreign exchange did not improve. Consequently, if the pace of development in those countries was to be maintained without overloading them with external obligations, ways must be found to assist them increasingly with grants and with credits on lenient financial terms.

12. Clearly, an increased proportion of the Bank group's development financing should come from IDA; but it was expected that, by the end of June 1963, IDA's available convertible resources would have been reduced to \$200 million, or possibly less. Discussions were taking place concerning a second round of contributions to replenish the resources of IDA, and the decisions taken would largely reflect the confidence of member countries in the multilateral approach to aid. He felt strongly that, while bilateral aid programmes would undoubtedly continue to play a major role, more emphasis on an international approach to

the problems of economic development could greatly accelerate progress. The international administration of development assistance could surmount questions of national sovereignty which often hampered bilateral programmes; it could call on experience and resources throughout the world; it could achieve greater efficiency and economy of effort; and it could proceed more single-mindedly towards the goal of better standards of living. In that light, he was confident that subscribing countries would give further support to IDA.

13. He believed that the Bank had shown that the poorer countries were capable of achieving economic development and a decent level of living by their own efforts; that while they needed advice regarding capital and help in acquiring technical skills, they should not be regarded as objects of charity; and that in time they would take their place as full partners in the economic, as well as the political, life of the world.

14. Mr. UNWIN (United Kingdom) observed that there was no need to stress the importance of an institution which, in the year under review, had approved loans totalling more than \$880 million, soon to be converted into reliable development projects. The increase in the amount of loans for power and industrial projects admirably reflected the importance attached to those matters in the United Nations Development Decade. His country, whose subscription to the Bank amounted to \$2,600 million, was encouraged to see the able and efficient way in which the money was used and the increasing interest of the Bank in technical assistance, as evidenced by the work of its survey missions, ably backed by the Development Advisory Service and the Economic Development Institute. The projects undertaken by the Bank as executing agency for the Special Fund, and its growing interest in educational projects, were especially to be welcomed, as was the close contact which existed between the Bank and the Special Fund. The United Kingdom attached particular importance to the system of consultative groups which the Bank had sponsored and which could in the future provide practical and flexible arrangements for the co-ordination of aid.

15. Although IFC and IDA shared with the Bank its management and staff, they had specific and extremely important roles to play in the over-all framework. IFC, being concerned directly with the private sector and not requiring government guarantees for its loans, was admirably fitted to act as an investment catalyst and to stimulate the flow of private investment in the developing countries. That was an extremely important function, and his delegation hoped that private capital resources would play an increasing part in development; it therefore welcomed the improved rate of investment and the increase in the range of countries in which investments had been made during the past year. The fact that IFC had sold over \$10 million of its investments was gratifying proof of its success. IFC should be able to play a promotional role of very real significance to the developing world, with increased use of private capital—to the potential availabilities of which Mr. Woods had drawn attention.

16. IDA, although the youngest member of the Bank family, had already approved credits, as at 31 December 1962, to the value of \$367 million, and the loans in question had been made on extremely advantageous terms to the countries which needed them most. The United Kingdom's interest in the work of IDA was amply borne out by its subscription of \$31 million,

and he wished IDA continued success in its policy of making "soft" loans for hard projects.

17. Mr. FRANZI (Italy) said the three reports (E/3710 and Add.1, E/3711 and Add.1 and E/3712 and Add.1) before the Council and the statement of Mr. Woods showed that 1962 had been a record year so far as assistance to developing countries was concerned. It was as yet too early to comment on the geographical distribution of economic and technical assistance, which had to be studied over a span of several years.

18. As regards new developments, he noted that Austria had become a market for the Bank's securities, which had also been sold on the United States market after a two-year interval; loans to recipient countries in 1962 had been made mainly in dollars and repayments to the Bank in the same year had amounted to \$240 million, i.e., 37 per cent of the total loans granted in the same year. He noted that, at the end of December 1962, the Bank's reserves had been \$755 million and that IDA would probably have committed all its resources by the end of 1963. Those figures took on their full meaning when considered in the context of the world economic situation and of the needs of the developing countries. Most of those countries were no longer able to find foreign financing on normal market terms. Between 1955 and 1961, forty-four countries, comprising 70 per cent of the population of the less developed areas, had more than doubled their foreign indebtedness, while their foreign trade earnings had increased by only 15 per cent. In addition, the Development Assistance Committee of the OECD had been concerned to note that the annual debt service of the developing countries had more than doubled in the preceding five years, having reached a level of about \$2,500 million in 1962, almost a third of the new aid granted.

19. A reasonable rate of development could be maintained only if foreign financial assistance was increased and if it was made in the form of long-term low-interest loans. That meant that financial assistance must be provided mainly from public funds and preferably on a multilateral basis. In that connexion, he recalled that the Governor of the Bank of Italy had made the same point at the annual meeting of the three organizations in September 1962. He had added that such an arrangement would have two advantages: the exporting countries would have a better idea of the effect of foreign aid on available resources and the importing countries would be assured of more regular financing for their development plans. That statement was still perfectly true. It had been reaffirmed at the meetings of the OECD in Paris.

20. Turning to the proposal to increase the capital resources of IDA, he said that Italy had already agreed in principle, but it had reserved its position regarding the means by which the increase should be effected.

21. He welcomed the IFC's participation in the establishment or strengthening of development banks in three countries, the co-ordination by the Bank of the bilateral and multilateral aid provided by industrialized countries for development programmes, the technical assistance that the Bank was providing at the request of Governments, its increasing close co-operation with OECD and, lastly, the studies to promote the investment of private capital in the under-developed countries.

22. He paid a tribute to Mr. Eugene Black, the former President of the Bank, whose support during the dif-

ficult years of reconstruction had been much appreciated by Italy. The Italian Government had made good use of the assistance it had received from the Bank and as soon as its economic and balance of payments position allowed, it had been anxious to participate actively in the assistance to developing countries by increasing the quota it paid to the Bank and purchasing the Bank's securities.

23. Mr. KRISHNA MOORTHY (India) said that, in its work over the last decade, the Bank had given ample proof of its concern for the development of the under-developed countries and of its ability to abide by economic rather than political policies. It had adapted its loans and operations to suit the individual needs of the borrowing countries and had contributed to the adoption by them of wise economic policies and also, through its consortia activities and its co-operation with the Development Assistance Committee of the OECD, to convincing the developed countries that they must grant loans to the under-developed countries on increasingly easy terms. Its success was due to a combination of circumstances, which included the constant goodwill of the Bank's capital-exporting member countries, the willingness of the capital-importing member countries to trust the Bank, and a competent staff. The Bank had greatly expanded its assistance to emerging countries under Mr. Eugene Black and would doubtless consider to do so under its new President. It was essential that the Bank should continue to be an important channel of economic assistance to the emerging nations during the United Nations Development Decade, and that it should continue to exert its influence in order to induce the lending nations to liberalize their lending policies.

24. The Bank and IDA had both done well in the year under review. He welcomed the wide variety of their activities and their increasingly broad geographical coverage.

25. The figures showed that the problem of the economic growth of the developing countries was not yet solved. Given responsible political leadership and a responsive and dedicated citizenry, the growth of a developing country depended on three main factors: firstly, sound economic planning; secondly, the country's ability to mobilize its internal resources to the maximum; and, thirdly, its ability to import what it could not produce in sufficient quantity itself. It was the latter factor that had proved an almost insurmountable difficulty to the developing countries. Their exports were not increasing fast enough, even when their actual export capacity had increased, because foreign markets were becoming increasingly constrained by import restrictions and by open or disguised protectionist or preferential policies. The only solution lay in increased foreign assistance to cover the countries' development needs. What was required was not merely more money for sound development, but more "soft" money for such development.

26. IDA had been founded to meet that need. Its interest-free credits bearing a fifty-year maturity had met a need and it must increase its resources. If the momentum it had gained was lost, the undeniable wisdom of its past policies would be negated. He trusted that the new President would be successful in finding new resources to expand the capital of IDA and that continued success would attend the efforts of the three affiliated organizations to co-ordinate assistance through consortia and consultative groups and advice to countries providing the assistance. There had been

a steady increase in the technical assistance services rendered by the Bank through its Development Advisory Service and its Economic Development Institute, as well as through its special studies of economic policies in member countries. Such studies, and the economic and project-appraisal studies made by the Bank and IDA were as important contributions as the loans they had extended. The Indian Government attached great importance also to the trade studies carried out by the Bank and other international organizations which, because of their objectivity and the economic information they provided, could throw much light on the situation and make constructive suggestions. That was a field in which, in the past, it had often been difficult to reconcile national short-term objectives with long-term international growth. His delegation trusted that the Bank's efforts in that direction would be intensified.

27. The Indian delegation welcomed the fact that IFC had had a useful year. The charter amendment which would enable it to invest in equity had removed a factor inhibiting its growth, which should be sustained.

28. Mr. BAYONA (Colombia) recalled the historic link between the Bank and his country: the Bank's first economic survey mission had been sent to Colombia. His delegation had therefore been particularly interested in the reports of the Bank and its two affiliates and in the statement of Mr. Woods. It welcomed the recent expansion in the activities of the Bank, which proved that the institution was making an effective contribution to the economic development of its member countries. In 1961-1962, Bank loans had reached their highest level yet and there had been an increase in the technical assistance and advice provided. It was not the shortage of capital which was the main obstacle to the advancement of the developing countries but their inexperience and lack of trained manpower. The question of vocational training and the training of cadres was therefore particularly important; the members of the Special Committee on Co-ordination which had discussed activities connected with the United Nations Development Decade, had agreed that priority should be given to that matter. The Bank could help to improve the developed countries' understanding of the problems and aims of the developing countries and the newly established Development Advisory Service would play an important role in co-ordinating financial assistance for economic development plans.

29. Since the first economic survey mission had visited Colombia in 1949, the Bank had sent other missions to that country and the notable results they had achieved were one example of the contribution made by the Bank to the economic development of its member countries. The Bank had financed two important studies of the coal resources of the Cauca Valley and of transport in Colombia. A group of advisers had been sent to Colombia to co-ordinate the external financing of the country's economic and social development plan, and its recommendations had resulted in the best possible use being made of external financing for the development plan as a whole. The advisers had found that the production and investment targets were realistic and that the plan provided a good basis for the co-ordination of foreign aid. The plan's principal aims were to obtain a higher rate of increase of the gross national product, of public and private investment and of national savings and to achieve the diversification and expansion of exports. His Government was taking steps to implement all

the projects for which external financing had been obtained and, with the support of the Bank and other financing organizations, it should be possible to raise the economic and social level of living of the Colombian people.

30. Mr. MATSUI (Japan) welcomed the expansion in the activities of the Bank, IFC and IDA. During 1961-1962, the three organizations had made new investment commitments amounting to \$1,000 million, of which \$882 million had been made by the Bank, and the aggregate amount of loans authorized had been \$7,000 million by the end of 1962. He was gratified to note that the balance of loans to Asian countries had been \$1,877 million, or 28 per cent of the total balance, at the end of 1962. However, during 1962, actual loans to Latin American countries had increased from \$149 million to \$412 million, while those to Asian countries had declined from \$273 million to \$213 million, even excluding the decrease in the loans to Japan. He stressed the need for an equitable geographical distribution of the loans and expressed the hope that the three organizations concerned would in future give due consideration to the needs of Asian countries.

31. He welcomed the action taken by the Bank to co-ordinate the assistance rendered to developing countries through its consortia on aid to India and Pakistan, in which the Japanese Government had participated, and through the establishment of consultative groups and survey missions. The adjustment of the Bank's activities to take account of those of the Special Fund and the establishment of the Development Services Department also reflected a desire to strengthen its technical assistance activities. The Bank was to be congratulated on its efforts and should be urged to continue them.

32. The responsibility for seeing that technical assistance led to efficiency lay with the developing countries themselves. His delegation hoped most sincerely that they would make the best possible use of such assistance by formulating sound development plans and adopting sound financial and monetary policies.

33. Regarding Japan's own relations with the Bank, he said that during 1959, 1960 and 1961, which had been years of increasing economic growth in Japan, it had received loans of \$84 million, \$105 million and \$40 million respectively, which had been used in the rationalization and modernization of the Japanese economy. By the end of June 1963, the Meishin express highway, which had been constructed with a loan from the Bank, would be open to traffic. Japan was trying to achieve well-balanced expansion of both public and private investment in the modernization of equipment, but it hoped to receive continued co-operation from the Bank.

34. The revision of the Agreement allowing IFC to make equity investment, the establishment of the Development Bank Services Department, the formation of an international advisory panel and the encouragement of investment activities should accelerate the flow of private capital to the developing countries. Unfortunately, the activities of IFC were not so well known as those of the Bank and IDA; they should be given more publicity, as they were an inducement to private investors to place their capital in the developing countries.

35. The year 1961-1962 had been the first full year of operation of IDA, which had extended eighteen new credits during that period, bringing its total commit-

ments, as of 28 February 1963, to \$382 million. The new credits, which were mainly for basic projects in such fields as agriculture, transport and electricity, would contribute to the economic development of the recipient countries. He welcomed the fact that 76 per cent of the balance of committed credits had been granted to Asian countries, which greatly needed to improve their infra-structure.

36. The Government of Japan had already announced its decision to support the proposal to increase the capital of IDA; it trusted that the Board of Governors would be able to work out appropriate measures to achieve that purpose. IDA was designed to provide capital for development on much more flexible terms and for a much wider range of projects than the Bank. His delegation trusted that IDA would give priority to loans for the projects which contributed the most to the economic development of the recipient countries, thus ensuring the most effective use of its resources.

37. Regarding technical assistance to developing countries, he said that, although Japan's ability to export both public and private long-term capital might well be limited in view of its low per caput income (\$400), the heavy burden of reparation payments and other external debts, which had amounted to \$2,000 million at the end of 1962, and investment demands for the construction of such facilities as roads and harbours, his Government had made great efforts to assist the developing countries. It had, for instance, made contributions to the Bank and to IDA and provided additional capital for the Japan Export-Import Bank and the Overseas Economic Co-operation Fund. It would not spare its efforts to expand that assistance in the future within the limits of its own economic growth. However, it urged the developing countries to make the best use of external economic assistance through sound economic development programmes.

38. Mr. PAVICEVIC (Yugoslavia) said that his delegation would continue to give its full support to the Bank's constructive work to find practical solutions to the long-term financial problems of developing countries. It was glad that the activities of the Bank and of its affiliates had expanded to cover the economic and technical problems of planning and programming economic development. That trend should continue, since it reflected the preference of foreign capital investors for countries where a plan provided a favourable climate for investment. Although his delegation attached great importance to the development and financing of infra-structure, it thought that the Bank should devote more resources to financing directly productive projects in the developing countries. By extending its activities to industrialization, which was generally recognized to be the most dynamic factor in accelerating development, and by directing its credit policy towards the implementation of development plans, the Bank could make a great contribution to the progress of the developing countries. Its policy should be to grant credits primarily to countries with well-conceived plans. Such a policy would be in line with:

"international efforts to mobilize the potentially available assistance and to direct it where it is most needed and where it can be put to most productive use, in support of well conceived investment programmes and projects",

as was mentioned in the report of the Bank.^{1/} It would also help to give real meaning to the United Nations Development Decade.

39. The Bank should grant loans on easier terms for the developing countries, since the level of their annual debt service had more than doubled in the past five years. In that connexion, IDA played a useful role by granting loans on liberal terms which eased the pressure on their balances of payment. If, however, it was to continue and expand that role, the resources of IDA should be increased.

40. Mr. DUPRAZ (France) said that the recent expansion of the activities of the Bank showed that the economies of the developing countries offered sufficiently good investment conditions to justify loans from the Bank on normal market terms. The falling-off in that sector of the Bank's operations which had occurred at the beginning of the current financial year would probably be only temporary and the whole year should show results comparable to those of 1961-1962. The increase in the volume of loans was a natural consequence of the increase in the membership of the Bank, which would undoubtedly enable it to enrich its experience and improve the efficiency of its methods. In 1961-1962, for example, the Economic Development Institute had held a special course for French-speaking officials of less developed countries and it was planned to set up libraries of works in French on development problems.

41. It was not the purpose of loans from the Bank to replace any bilateral aid which might be received by the newly independent States, since bilateral and multilateral aid were not mutually exclusive. His delegation had noted that the system of consortia had been extended to provide services for countries in Africa and Latin America. France took an active part in most of the consortia and thus associated itself with concerted action in the field of development financing which furthered the interests of all. Since development capital was scarce, it should be used to the best advantage. The French delegation therefore welcomed the activities of the newly founded IDA. The resources of IDA would have to be replenished and the French Government was considering how that could reasonably be done. It should be remembered, however, that France already provided a considerable volume of multilateral aid which, in 1962, had amounted to \$115 million. The pace of IDA's activities would have to depend on the volume of resources which it could reasonably expect to receive from its main subscribers. As regards the volume of IDA's new resources, a more detailed examination should perhaps be made of the relationship which should exist between IDA and the Bank itself. The President of those two institutions should strive to achieve the same co-ordination between their resources as already existed between their loan policies. The IDA, which granted credits free of interest, would obviously never have sufficient resources to meet all the requests for financing submitted to it. That being so, it would perhaps be advisable to diversify the terms on which loans were made and, instead of the standardized terms at present applied, adapt the periods of repayment and periods of grace to individual conditions in the borrowing countries and to the nature of the projects financed.

^{1/} International Bank for Reconstruction and Development, *Seventeenth Annual Report, 1961-1962*, p. 7.

42. His delegation welcomed the increasing role being played by development banks in the activities of IFC. The IFC, which was an international institution with its own financial resources, was successfully combining private foreign capital with public capital and local savings for the industrial development

of the less developed countries. It was to be hoped that in 1964, IFC would be able to announce the first results of that new form of activity, which complemented so effectively the action of the Bank and IDA.

The meeting rose at 1.10 p.m.