



**ECONOMIC AND SOCIAL COUNCIL**

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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: Algeria, Bulgaria, Canada, Chile, Ecuador, Luxembourg, Norway, Romania, Ukrainian Soviet Socialist Republic.

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 Finance Corporation; International Development Association.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 38

- (a) Report of the International Bank for Reconstruction and Development (E/3836);
- (b) Report of the International Finance Corporation (E/3837);
- (c) Report of the International Development Association (E/3838)

1. Mr. WOODS (President of the International Bank for Reconstruction and Development), presenting the annual reports of the Bank, <sup>1/</sup> the International Finance Corporation <sup>2/</sup> and the International Development Association, <sup>3/</sup> said that the most outstanding event of the past year for the group of institutions affiliated with the Bank had probably been the decision

<sup>1/</sup> International Bank for Reconstruction and Development, *Eighteenth Annual Report, 1962-1963*, Washington, D.C. Transmitted to members of the Council by a note of the Secretary-General (E/3836).

<sup>2/</sup> International Finance Corporation, *Seventh Annual Report, 1962-1963*, Washington, D.C. Transmitted to members of the Council by a note of the Secretary-General (E/3837).

<sup>3/</sup> International Development Association, *Third Annual Report, 1962-1963*, Washington, D.C. Transmitted to members of the Council by a note of the Secretary-General (E/3838).

to carry on the work of IDA on an increased scale. When IDA had first been established, the contributing countries had subscribed about \$750 million to its resources in freely convertible currencies payable over a period of five years. The seventeen developed member countries of IDA, had already indicated their intention of contributing another \$750 million. Those new contributions would be payable in a period of only three years and would thus be available for new commitments up to the end of June 1966. That significant acceleration in contributions would enable IDA to make new commitments at the rate of \$300 million for the current year and to continue at that rate for an additional two years. At the same time, he appreciated that the funds available to IDA were not equal to the economically justifiable demand for the financing that the Association offered, and they would have to be administered with care.

2. In the fiscal year ending on 30 June 1963, the Bank, IDA and IFC had entered into commitments amounting to \$727 million. Since that date, new commitments for the three institutions had already grown by more than \$575 million, consisting of \$500 million in bank loans, \$65 million in IDA credits and \$10 million in IFC investments and underwritings. The Bank and its affiliates were continuing to widen their interests and break new ground. For the first time, the Bank had made a loan for a steel plant in Colombia; IDA had approved its second credit for the development of school facilities in Tanganyika and IFC had completed its first underwriting of a stock issue in Mexico. The development of transportation and power continued to be the backbone of the Bank's business, but IDA had continued to show a strong propensity for agricultural development as well.

3. A striking feature of 1963, nevertheless, was the extent to which new loans and credits had been made for the purpose of building a higher level of activity on existing foundations. A loan to the Pakistan Industrial Credit and Investment Corporation was the Bank's fourth to that enterprise. In Latin America, the Bank could count among its clients twenty-eight organizations created or brought into operation with the help of the Bank. In other ways, too, the activities of the Bank and its affiliates continued to reflect what had gone before: to mention one, the Bank had again served as chairman of groups of Governments and institutions supporting the five-year development plans of India and Pakistan. For the fourth year of the current Pakistan five-year plan, the share contributed by the Bank and IDA was \$80 million, i.e., one-fifth of the amount pledged by the Pakistan consortium.

4. The Bank, IDA, and IFC thought that private resources constituted the largest potential supply of finance that could be mustered for the cause of economic development. In that connexion, the Bank was proposing the establishment of a centre for the arbitration and conciliation of investment disputes arising between Governments and private foreign investors.

The proposal was now in the form of a draft convention. The draft would be discussed at a series of conferences of legal experts of the Bank's member countries, for which the four regional economic commissions of the United Nations would give administrative assistance. He hoped that in 1964 the executive directors would be able to recommend that the governors of the Bank should take concrete action on the final text of the convention.

5. The Bank fully appreciated that financing alone was not enough and it had therefore expanded its technical assistance activities considerably, particularly in the past two or three years. A great deal of that assistance was devoted to the formulation of over-all programmes. For more than a decade, the Bank had been organizing missions to help in drawing up programmes of that kind. The Bank also gave assistance in the preparation and execution of programmes by stationing in the developing countries resident missions composed of seasoned experts. Within its Economic Development Institute, the Bank was also trying to cultivate the abilities of the senior officials of developing countries themselves by the organization of seminars. One hundred and ninety-eight participants from seventy-one countries had already been trained in such seminars. In order that over-all development programmes might become a concrete reality, the Bank was organizing and bearing part of the cost of studies of promising projects. It co-ordinated that activity closely with the Special Fund and was continuing to act as executing agency for some of the studies financed by the Special Fund.

6. The Bank and its affiliates were themselves in the course of developing and were continually impressed by the urgency of the problems of the developing countries. They were constantly seeking new means for helping to deal with those problems. While the Bank intended to press ahead with the major public utility projects that had constituted most of its business in the past, he had recommended to the executive directors of the Bank and IDA that they should widen their efforts on other fronts, and, *inter alia*, should give more technical advice and assistance, especially to help in the formulation of development projects and programmes.

7. It was unquestionable that new efforts must be made to help agriculture. In the developing countries, agriculture was the biggest of all enterprises, employing from three-fifths to four-fifths of the entire labour force. Yet it was also the weakest sector in those countries. The Bank must now try to extend its support to the strengthening of agricultural organizations and to broad-scale programmes for increasing agricultural productivity. Local agricultural organizations might progressively become important channels for outside financing. Progress in the agricultural sector in the developing countries would be important for industrial growth also, since the market for industry's products would depend largely on the prosperity of the agricultural population that was its main customer. He hoped that the Bank would become more active in financing individual industrial projects and in helping, through technical assistance as well as finance, to develop industries of kinds new in the developing countries. The Bank was exploring the desirability of long-term financing for the import of equipment, components and spare parts, where the shortage of foreign exchange for that purpose had prevented the full use of existing industrial capacity.

8. He had also recommended to the executive directors that attention should be given to education, especially technical education at all levels and, where necessary, general secondary education. Vocational and secondary schools could provide both skilled labour and specialists. Lending for school facilities of high economic priority would enhance the Bank's ability to serve its members. The broadening of the Bank's activities in that way would offer new opportunities for co-operation with other organs of the United Nations family and for strengthening the already close relationships established with them. The aim would be co-operation and not competition.

9. Finally, the Bank was considering the possible modification, in suitable cases, of the terms of lending. In particular instances, it might be desirable to lengthen the grace period or to lend at longer term than the present maximum of twenty-five years.

10. The Bank was continuously concerned with the world economic situation. It was at present engaged on three studies undertaken as part of the preparatory work for the United Nations Conference on Trade and Development. Two of the studies were concerned with recent trends in international indebtedness. The third would be a far-reaching survey of the difficulties of developing countries whose earnings from exports of primary products had been growing only slowly; it would also consider how the Bank served or might in future serve to mitigate those difficulties.

11. In view of the very close connexion between the problems of trade and of development, the Bank was deeply interested in the subjects to be discussed at the Conference. Export earnings, rather than foreign assistance, financed most of the imports needed by the States members of the Bank to carry forward their development programmes. An over-all annual decline of as little as 4 per cent in the receipts of developing countries from exports of foodstuffs and raw materials would cost them more than \$1,000 million, about twice as much as the Bank had disbursed to them during the current year. The Bank was therefore vitally concerned with any measures that could effectively lessen the consequences of fluctuations in export earnings. The developing countries were also faced with long-term problems whose magnitude and effect on economic development plans underlined the importance of looking at the whole position and examining the possibilities of reducing the excessive dependence of so many countries on imports and of diversifying their production and trade.

12. He was more than ever convinced of the immense advantages to be gained in the field of economic development by co-ordinating and combining the efforts of countries and institutions through international agencies. The virtues of the multilateral approach had been proved in practice. Because the Bank had no political or commercial goals, it could act as "honest broker" when difficulties arose and could discuss and sometimes resolve problems that for reasons of mutual mistrust or national dignity might well have been insoluble in the framework of negotiations between Governments.

13. Another advantage of the multilateral approach was the avoidance of the difficulties associated with aid that was tied to the purchase of a particular country's products. It was unfortunately true that there had been an increasing tendency to tie aid to the procurement of goods produced in the lending country.

However, he recognized that the motives for such tying were generally respectable and that it was due more to a desire to reduce the balance-of-payments impact of an assistance programme than to a wish to favour particular commercial interests. The most obvious consequence of tied aid was that the developing countries often had to pay more than the market price for goods and services. The seriousness of the price differential depended to some extent on the repayment terms of the loan. If normal commercial terms were charged, the effect of a country tying its assistance to relieve its own balance-of-payments problem might be to aggravate the balance-of-payments problem of the borrower. Moreover, tied aid distorted the pattern of trade. It was, in fact, a form of protection whose effects ran directly counter to present efforts to increase the volume of international trade. Moreover, such protection was unnecessary, since, if a capital-supplying country's industries were normally competitive, they could hope for a fair share of the commercial activity resulting from development assistance even if that assistance was provided through a multilateral agency. From the point of view of the world as a whole, multilateral aid helped to encourage the most effective and productive international division of effort.

14. A familiar and probably over-employed argument against bilateral aid was that it exposed the recipient to political or economic pressures from the supplying country. That was bad, but to some extent unavoidable, since the aid effort was, whether one liked it or not, bound up with all kinds of non-economic considerations. The existence of such regrettable conditions was of less concern than the absence, in most bilateral aid agreements, of the conditions that ought to be imposed. It was very difficult for a bilateral lender to lay down and enforce conditions ensuring the effective use of a loan. It was almost equally difficult for a borrower to accept such conditions. The result was that development projects or plans often failed because some vital requirement was left unfulfilled.

15. The advantage of multilateral organizations was therefore very evident. Having no ulterior motives, the Bank and its affiliates could afford to stand by the principles which they considered essential. Member countries knew that conditions attached to the Bank's loans were designed solely to serve the interests of members and to make the assistance fully effective. In consequence, it was fairly generally recognized that the Bank's loans had been successful in achieving their purpose.

16. Above all, the great advantage of the multilateral approach, as the United Nations and the specialized agencies conceived it, was that it enabled the participating nations to concentrate on their fundamental long-range goal of improving the lot of mankind. It helped to strengthen them against political opportunism and enabled them, if they had the will, to make the most of whatever means they chose to devote to economic development. That was an advantage of great worth to the developed and the developing nations alike, and the Bank, in its own sphere of action, was ready to help press the advantage to the utmost.

17. Mr. VIAUD (France) thanked the President of the Bank for his statement, which had been particularly interesting in that it had been the fruit of reflection inspired by the problems facing the three institutions and had laid down the broad principles which should govern their programme of action.

18. The French delegation welcomed the recovery in the activity of the Bank during the last five months. During that period, the Bank had approved new loans amounting to \$479 million as against \$126 million during the corresponding period of the previous year, which amounted to a threefold increase. The decrease in the volume of financing by the Bank had been, if not compensated, at least appreciably mitigated by the expansion of credits granted by IDA. There had been not so much an over-all contraction of operations as a movement from the traditional loans of the Bank towards the credits of IDA, which were granted on more flexible terms. His Government saw no objection to such a development in the activities of the institutions which had been established by the Bretton Woods Agreements, in so far as it represented a necessary—and highly desirable—adaptation to the needs of the developing countries. However, the traditional terms for Bank loans should of course be maintained whenever circumstances justified.

19. His delegation noted with satisfaction that an agreement had been reached to replenish the capital of IDA, a step necessitated by the unexpectedly severe drain on its resources. The agreement ensured that the Association would be able to continue and expand the making of credits. The member States had agreed to subscribe an average of \$250 million a year for the coming period, whereas their commitments for the previous period had not exceeded \$150 million a year. In that connexion, France had increased not only its contribution but its proportionate share as well. He was gratified to note that there were twenty African countries, including eleven French-speaking States belonging to the African and Malagasy Union, among the members of the Association. Their admission to membership had resulted in the establishment of two new posts, for an executive director and an alternate director, which were held by Africans.

20. Some of the projects described by the President of the Bank had been undertaken as a direct result of the concern frequently expressed in the Council. The first related to the expansion of agricultural loans. Few institutions were willing to organize the distribution of credit to agriculture and fewer still were capable of doing so successfully. Consequently, the Council should welcome the expressed intention of the President of the Bank to develop the sector of agricultural loans, on which the standard of living—and sometimes the livelihood—of many developing countries depended. Projects of direct or indirect assistance to agriculture were no novelty for the Bank, but its operations in the agricultural sector had always been on a small scale and had represented an almost negligible fraction of the sums made available to the main borrowing countries. Hence the time had come to pay more attention to that sector of the Bank's activities, taking advantage of the experience acquired in the last few years not only by the Bank itself but by various other bilateral or multilateral aid programmes.

21. The President of the Bank had also expressed the intention to help finance school construction and thereby to co-operate with UNESCO in its educational work. While that was a branch of activity to which the Council normally gave high priority, the idea should be applied with caution. As the debates on the question of the campaign against illiteracy had shown, care must be taken to ensure that the burden imposed by that new activity did not exceed the capacity of the United Nations. Similarly, it was essential that the

role of the Bank and its affiliates in matters of education should be carefully considered and restricted. It should be made a condition that the only projects financed would be those likely to promote the effective and rapid economic development of the recipient country, taking into account its means and its needs. The Bank's aid to education would also enable it to strengthen its co-operation with the Special Fund. The Fund's experience in carrying out pre-investment surveys could be exploited on a large scale by finance agencies like the Bank in connexion with the financing of projects designed to accelerate the training of university and technical staff.

22. The President of the Bank had stressed the advantages of multilateral assistance over bilateral assistance. There was much truth in what he had said; no one could deny that it would be advantageous for the developing countries to be able to use the foreign aid available to them in the most effective way and in the regions of their choice. However, there were certain points on which some doubts might arise. While the transferability of assistance was considered an advantage by advocates of currency convertibility, it must, on the other hand, be admitted that it would be very difficult to make any real progress towards making assistance multilateral until the amounts contributed by the respective donor countries reached comparable levels; for example, in terms of their national incomes. In the meanwhile, any comparison between bilateral and multilateral assistance could only be academic.

23. In conclusion, he thanked the President of the Bank for his statement; it illustrated the co-operative spirit in which the Bank participated in the work of the Council.

24. Mr. CHAKRAVARTY (India) congratulated the President of the Bank upon his excellent statement. The Indian delegation particularly appreciated his analysis of the drawbacks of tied assistance and of the importance presented by the expansion of exports as a factor in the advancement of the developing countries.

25. The Bank now had a membership of over a hundred, as compared with thirty-eight when it had first been established at Bretton Woods. In a single year, more than twenty developing countries had joined, a fact which demonstrated their confidence in the Bank and its activities and which hinted at the nature and magnitude of the tasks ahead.

26. The current year had been marked by two major developments. The first was the decision to replenish the resources of IDA with a total of \$750 million payable by the group of developed member countries of IDA over a three-year period. That was a sizable amount and a significant contribution to the cause of development. However, the problem was so immense that that amount seemed inadequate even for the most pressing requirements. It worked out at no more than a few cents per inhabitant of the developing countries at a time when the industrial countries were advancing rapidly and when the population of the less developed nations was steadily increasing. If the latent resources and energies of the latter could be fully exploited, modern technology should make it possible for the whole world to live in relative comfort. But those nations had neither the technical knowledge nor the capital to make full use of their manpower.

27. India hoped that IDA would obtain even larger contributions in time to prevent an interruption in

development. The world had before it the experience of the Marshall Plan which, through a massive injection of capital had, within a short time, revitalized the economies of the countries of Europe to the point where they were now in a position to support the development efforts of other nations. The problems of the developing countries were more complex and their needs greater than those of the Europe of 1947, where there had been no shortage of skilled labour and where the level of development had been high before the war. Today the developing countries needed not only equipment and materials, but substantial funds for the training of essential manpower.

28. President Johnson had stated before the General Assembly the preceding day (1284th plenary meeting) that there was too much misery and despair in Africa, in Asia and in Latin America and that he had too often seen the ravages of disease in many children who had little health and no hope; he had said that the time had come for a new era of hope, but that higher standards of living could be achieved only through a peaceful revolution in which all had a part to play. The Indian delegation had been heartened by the assurances given by the President of the United States. Of course, the developing countries were doing their best to resolve their difficulties, but their capacity to do so was extremely limited.

29. In expressing its appreciation to the developed nations which had replenished the resources of IDA, India hoped that they could be further replenished well before the expiry of the appointed three-year period, so as to help the developing countries move forward with greater speed.

30. The second welcome development was the Bank's decision to extend its activities in new directions. India had long felt that an economy could not be developed merely by executing a number of new projects, however worthwhile they might be. The developed countries should take a much broader view of development needs and consider how they could be financed otherwise than by strict adherence to the project approach. The Indian delegation was glad to see that there was now a trend in that direction and that the resources mobilized by the Bank could now be utilized more effectively for economic development; it congratulated the President of the Bank upon that new departure.

31. Mr. LEKIC (Yugoslavia) congratulated the President of the Bank on his noteworthy statement describing the activities of the Bank, IDA and IFC, and thanked him for the Bank's co-operation in his country's efforts to develop its economy.

32. The Bank had contributed to the development of the developing countries both by extending credits and loans and by providing technical assistance. However, it was disturbing to note that the Bank's volume of operations had been much smaller in 1962 than in 1961, and there was no escaping the impression that more could have been done, especially since the needs of the developing countries had increased substantially in the meantime because of unfavourable trends in the markets for their commodity exports.

33. Nevertheless, the operations of the Bank and IDA during the past few years justified the optimism of their President and gave the impression that the pause in the Bank's activities would be only temporary. A more decisive change in that direction would undoubtedly be possible if the Bank expanded its activi-



ties and adapted its methods of work more closely to the needs of the developing countries. An expansion in Bank assistance to agriculture and new industry would strengthen two sectors of the economy which represented the present and the future of those countries.

34. Agriculture represented the present; it now engaged four-fifths of the active population of the developing countries and supplied the bulk of production for export, upon which imports and industrial development depended. Only modern organization could meet the requirements of those countries; in the circumstances, the proportion which the Bank set aside for loans to agriculture, namely, 7.5 per cent, seemed quite inadequate.

35. The industrial sector represented the future and, through its dynamic development, gave every indication of achieving spectacular results in a relatively brief period, both in accelerating economic development and in diversifying the economy. The developing countries hoped that the United Nations Conference on Trade and Development would remove the obstacles to their industrialization and that, as a consequence, industry would provide the main impetus for their economic growth.

36. The Bank's decision to undertake more intensive financing of industrial projects was most timely. Only recently, by its resolution 1940 (XVIII) on activities in the field of industrial development, the General Assembly had endorsed the conclusion of the Advisory Committee of Experts to the effect that the funds allotted by the United Nations to industrialization lagged far behind the needs of the developing countries. Yugoslavia hoped that by 1964 the Bank would be giving that sector a much larger share of its assistance than the present 16 per cent. In that connexion, his delegation supported the suggestion made by the President of the Bank concerning future methods of financing industrial investment. In its opinion, the social and economic development of the post-war period should be realistically taken into account, particularly the fact that, in addition to private firms, public enterprises were doing business effectively under competitive conditions not only in the developing countries but even in a number of highly industrialized countries.

37. His delegation also welcomed the President's statement that in specific cases the Bank would extend long-term credits to finance imports of industrial equipment and spare parts. Yugoslavia invested a considerable share of its national income in industrialization and knew from its own experience that long-term financing of imports of small equipment and spare parts was the most appropriate and perhaps speediest way to increase production and exports, and hence to improve the balance-of-payments situation.

38. Yugoslavia welcomed the statement on page 7 of the annual report of the Bank that, once an adequate programme of economic development existed, the Bank could "take a realistic measure of the external aid required" and "relate that aid to the economic priorities embraced" by the programme. It was extremely encouraging to note that the Bank saw in the existence of a plan an element conducive to investments and financing.

39. It was essential that the Bank should adopt an even more realistic attitude in view of the unfavourable tendencies observable in the field of international financing. After a relatively speedy increase in the

volume of international assistance from 1955 to 1961, such assistance, as the latest report of OECD showed, <sup>4/</sup> had remained stationary in 1962. Another disturbing factor was the unfavourable structure of the credits extended to the countries concerned, at high interest rates and for relatively short terms. At the last annual meeting of the Bank, Yugoslavia had had occasion to state its views on the matter. That situation could be improved and, since the Bank's reserves had reached a satisfactory level, it could waive its 1 per cent commission on loans, for which there was no need today. Similarly it could charge differential interest rates in keeping with the nature of the project, the ability to repay the loan and the balance-of-payments situation of the receiving country.

40. His delegation was also gratified that the President of the Bank had devoted a large part of his statement to the trading problems of the developing countries and that he had recommended efforts to find a multilateral solution.

41. His delegation attached great importance to the work of IDA which, by granting credits on liberal terms, was helping to solve the balance-of-payments problems of the developing countries; it welcomed the recent decision by a number of industrial countries to increase their contributions by a total of \$750 million during the next three years.

42. His delegation hoped that the Bank and its affiliates would take an active part in the preparations for the United Nations Conference on Trade and Development and that they would reappraise their policies and methods of work, in common with all United Nations organs and bodies concerned with trade and economic development in general and with the economies of the developing countries in particular.

43. Mr. OLARTE (Colombia) said that his country had had special ties with the Bank ever since the latter had sent its first study mission to Colombia in 1949. That mission's report had been the starting point of planning operations and financial co-operation which had proved increasingly beneficial to Colombia's development. Despite serious difficulties, especially the deterioration of its balance-of-payments position, Colombia had found the co-operation of the Bank, IFC and IDA extremely valuable. Unfortunately, the adverse effect of the terms of trade on the balance of payments was still greater, in terms of absolute value, than the beneficial effect of the financial co-operation extended by international organizations and friendly countries. His country therefore hoped that solutions would be found, in particular as a result of the United Nations Conference on Trade and Development. However, there could be no doubt that, had it not been for the considerable support given by those bodies, Colombia would have found itself in an extremely critical situation.

44. In the statement he had made to the Board of Governors, the President had indicated, to Colombia's great satisfaction, that the Bank was extending its operations in new directions. There could be no doubt of the need to include among the objectives financial and technical assistance to education programmes, for a rise in the cultural level was the sine qua non

<sup>4/</sup> Organization for Economic Co-operation and Development, *Development Assistance Efforts and Policies: 1963 review*, Paris, September 1963.

of increased productivity. There was also a vital need to grant assistance, on more favourable terms, to agricultural and industrial development projects. He earnestly hoped that those innovations would prove feasible despite the possible opposition of certain outmoded schools of thought still represented on the Board of Governors. During the last few years, financial co-operation had undergone striking changes, which had taken hold despite certain attitudes regarded in the past as orthodox and inviolable. It was, however, essential that that process should continue so that international financial co-operation might fulfil its purpose—that of contributing to the economic development of low-income countries—without necessarily keeping to the traditional methods; for in that field the tradition was to extend co-operation only where it was most profitable.

45. His delegation welcomed the recent increase in the contributions of the capital-exporting countries to IDA.

46. Lastly, his delegation hoped that the reduction in the total volume of loans granted by the Bank in 1962 had been purely fortuitous, that the Bank did not intend to hoard its resources and that the year 1964 would be distinguished by an impressive and unprecedented increase in the volume of its operations.

47. Mr. FRANZI (Italy) noted with satisfaction the recent reversal of the trend which had been observed towards a reduction in the total value of loans made by the Bank. Mr. Woods' statement gave grounds for hoping that the Bank would resume its operations as actively as in the past.

48. The delegation of Italy was glad to note that the reduction in the total value of loans was not due to the policy of the Bank but was the result of a reduction in applications by the countries themselves, and that the Bank planned to diversify its activities by increasing its assistance to agriculture and education without reducing its assistance to projects concerning transport, power and the various sectors of industry.

49. Assistance to education programmes was particularly important. The delegation of Italy had no doubt that the Bank would agree to consider education projects which came within the framework of development. In particular, it was essential that the efforts undertaken to combat illiteracy, at both the national and the international level, should be continued, for as Italy had been able to see for itself on its own territory, lack of education was a considerable obstacle to economic, and particularly industrial, development.

50. The delegation of Italy was happy to see that the Bank was increasing its activities in the field of technical assistance and increasing its contacts with the United Nations.

51. The changes in the conditions of lending which the Bank was considering making in certain cases was an interesting initiative. It would make it possible to offer the developing countries loans under more flexible conditions. It was advisable, however, to proceed with caution in that field. The delegation of Italy would follow the experiment with interest.

52. The delegation of Italy agreed with the remarks made by the President of the Bank, except for one point which it did not entirely endorse. However important multilateral assistance, which was the type of assistance preferred by the United Nations, might be, bilateral assistance should not be neglected since it

formed a useful complement to the other form of assistance. The bilateral assistance provided by many countries which were States Members of the United Nations and members of the Bank should not, therefore, be reduced.

53. He would like to draw the Council's attention to a recent publication by the Bank's information service which gave a historical survey of relations between Italy and the Bank. At the beginning, Italy had received assistance from the Bank. The situation had changed, however, and Italy was now happy to be among the countries making a contribution to the Bank. From 1 July 1962 to 30 June 1963, the Bank had made 8 per cent of its purchases in Italy. Since 1961, Italy had provided an average of 5 per cent of the supplies and equipment purchased by the Bank for investment projects abroad, without counting those carried out in Italy itself. Italy had participated in twenty-four projects and there were investment opportunities in Italy which the Bank should know about and exploit.

54. Mr. UNWIN (United Kingdom) said that the report by the President of the Bank showed that 1963 had been one of the most active and eventful years since the establishment of the Bank. Not only had the Bank and its affiliates maintained their traditional activities but they had drawn up plans to extend them; the Bank had begun to explore the possibility of undertaking new activities. IDA now had new and greatly increased resources and IFC had increased its assistance to industrial finance companies in the developing countries. In all their activities, those institutions had distinguished themselves by the interest which they took in the problems of the developing countries, the soundness of their financial practices and their freedom from any political prejudice, which enabled them to act with complete impartiality.

55. One of the most significant of the new developments during the past year was undoubtedly the increase in the Bank's membership. At the end of September, the President had welcomed the representatives of twenty new member countries, most of them from Africa, and a further country, Kenya, had submitted an application for membership. With 101 members, the membership of the Bank was almost as large as that of the United Nations and never had the title "World Bank", as it was often called, been more justified.

56. IDA, which had originally been set up to help the developing countries to bear the increasing burden imposed upon them by the repayment of debts—particularly short-term or medium-term debts—which they had contracted, had played an important role, but in 1962 it had become apparent that it had exhausted all its resources. The negotiations which had subsequently taken place had made it possible to bring about not only an increase in the contributions from economically developed countries but a sizable increase in the annual level of convertible contributions. Whereas the subscriptions for the first five years were at the level of \$150 million per annum, those for the subsequent three years would be at the level of at least \$250 million per annum, which was the equivalent of a 66 per cent increase over the previous annual level of contributions. The President of the Bank had even said that it might be possible to make commitments at the rate of \$300 million for the current year. Of that total, the Government of the United Kingdom had agreed to provide \$32.2 million per annum, thus remaining the second largest contri-

butor. That replenishment of IDA's resources was undoubtedly the most outstanding recent event. It would be wrong, however, to assume that those resources would be adequate to meet all the needs for multilateral assistance. The United Kingdom delegation was therefore pleased to recall that, at a meeting held in Paris in April, the members of the Development Assistance Committee of OECD had agreed to make it their objective to secure a significant degree of comparability in the conditions under which they provided aid. That implied an easing of the terms under which aid was provided by some member Governments. Although much of United Kingdom aid was in the form of grants, the United Kingdom Government had quickly responded to that decision and had already agreed to extend loans on favourable terms to India, Pakistan and Turkey.

57. IFC had also played a useful role in encouraging industrialization. Not only had it made investments itself, but it had encouraged private investors to take part in its operations. It had thus helped to strengthen the activities and effectiveness of the Bank.

58. Economic development was essentially a dynamic process. It was therefore important that the methods adopted to solve the problems of development should also be dynamic and that there should be a readiness to modify established practices so as to adapt them to the changing needs of the developing countries. The Bank had taken some interesting steps in that respect. The United Kingdom Government particularly welcomed the proposal that the Bank should provide loans not only for infrastructure projects such as roads, railways, ports and power schemes, but also for industrialization and agriculture. Industrialization and modern agriculture formed the economic superstructure that the developing countries were building on the infrastructure which the Bank, and more recently IDA, had helped them to create. It was essential that the agriculture of the developing countries, which employed about three-quarters of the whole labour force of those countries, should be modernized. That would release valuable foreign exchange with which those countries could purchase the goods and materials required for industrialization, which was the keystone of development.

59. The United Kingdom delegation was also pleased to note the expansion of the Bank's co-ordinating activities. The Indian and Pakistan consortia had continued to play a vital role in mobilizing the enormous foreign exchange resources required to finance the current five-year plans of those two countries. Furthermore, they had given an example of how two or more Governments could co-operate in order to obtain the maximum benefit from the natural resources which they shared. During the past year, the Bank had set up, at the request of the Governments concerned, consultative groups for Nigeria, Tunisia, Colombia, Sudan and Cyprus. The United Kingdom delegation hoped that the Bank would extend those arrangements to other countries, for it considered that a given amount of properly co-ordinated assistance made a much greater impact on a country's development than the same amount of unco-ordinated assistance.

60. There could be no doubt that assistance could only be really effective when countries themselves drew up comprehensive development plans for accelerating their economic growth. For that reason, the United Kingdom delegation was glad to learn that the Bank intended to expand its technical assistance ser-

vices to developing countries to assist them in drawing up over-all development plans which would serve as a framework not only for investment but also for the adoption of policies and the creation of institutions conducive to economic growth.

61. Many of the Bank's projects were still in the planning stage. He hoped that the plans would be implemented in 1964 and that the Bank would achieve new results in the fields of industry and agriculture and increase its technical assistance activities. His delegation would be glad to see projects relating to education, including university education, put into effect. It welcomed the full co-operation established in that regard between the Bank and other specialized agencies such as FAO, UNESCO and the Special Fund.

62. The most important event for all the organizations concerned with development would be the United Nations Conference on Trade and Development. The Bank would undoubtedly make an important contribution to the preparatory work with the reports it was preparing for the Conference.

63. Mr. CHIBA (Japan) said that his delegation welcomed the news that since April the resources of the group of institutions of the Bank had been increased and that the amount of its activity had expanded. The most notable event of the year, however, was unquestionably the decision to increase the resources of IDA by \$750 million in convertible currency in order to enable it to intensify its activities. Those contributions would be distributed over a three-year period and not, as previously, over a five-year period. That increase in contributions showed that the contributing countries were aware of the need to provide multilateral aid, and Japan, for its part, was glad to contribute to that increase.

64. The payment of the debts they had contracted would, however, remain a heavy burden on the economy of the developing countries. On the other hand, it must be recognized that the resources of IDA, even if the recent increase was taken into account, were far from sufficient to meet the demand for long-term low-cost loans. The Bank should therefore manage its available resources with prudence and discernment.

65. In order to encourage the flow of private capital, the Bank had endeavoured to establish a centre for the settlement of disputes arising between foreign investors and beneficiary Governments. The Japanese delegation was glad to learn that a draft convention on the subject had already been worked out and that a final decision might be taken when the Board of Governors held its annual meeting in Tokyo in 1964.

66. While the Bank had developed its activities, a tribute should be paid also to the work of IFC, which had distinguished itself by the good use it had made of its new power of investment in the registered capital of enterprises, the increased assistance it had provided to institutions for the financing of industrial development and the success of its efforts to encourage private investment to join in its operations. IFC had done a great deal to increase the flow of private capital, both in the countries themselves and abroad.

67. It would be wrong to restrict the Bank's activities to its financial operations. It was, in fact, taking an increasing interest in the needs of the developing countries in the field of education and vocational training, which was so important for their economic development. The Economic Development Institute

had greatly expanded its work, providing courses in more subjects, to more students and in more languages than ever before; the Development Advisory Service was sending an increasing number of experts to Member States. During the past year the Bank itself had furnished technical assistance for the elaboration of important development projects.

68. In conclusion, his delegation wished to pay a tribute to the vision Mr. Woods had displayed in his statement in emphasizing the value and importance of multilateral assistance. The Japanese delegation was convinced that the Bank and its affiliates would continue to develop and improve their activities, thus contributing to the advancement of the world's economy and the prosperity and happiness of mankind.

69. Sir Roland WALKER (Australia) expressed satisfaction at the continuance of the tradition of independence and frankness that was customary in the Bank's statements, even if certain points did not meet with general approval. He had been particularly interested in the remarks on multilateral assistance and the problems to which assistance that was tied to certain conditions gave rise.

70. The funds furnished under the multilateral assistance programme represented only 5 per cent of the total flow of capital to the developing countries. The role of the Bank was, however, much more important than that figure might suggest. The Australian delegation particularly appreciated the flexibility of financial means provided by the Bank, which not only made loans to the developing countries but promoted the

movement of private capital, either through the normal channels or through other channels. That assistance could also be provided through its affiliates. The Bank was at present contemplating further adjustments, in particular the development of some activities and a change in the terms of loans. It might, together with the Special Fund, study the ways of diversifying the international capital market.

71. Certain general principles should be observed in the granting of assistance: first, it should be known what type of activity and what sector should be developed, according to the particular needs of the countries; secondly, the technical assistance furnished by the Bank was certainly more effective if it was linked to profit-making activities.

72. The Bank could play a part in many fields, but the foremost need, as had been pointed out by the President of the Bank, was for the development of agriculture in co-operation with FAO. The diversification of industry could be assisted by the Bank with the collaboration of IFC. Education constituted a complex problem. In that sphere, the need for foreign exchange was less than in the sectors of economic development. It lay with the beneficiary countries themselves to decide whether they wished to allocate part of the assistance they received to education. If they did, it would seem advisable to favour technical education rather than general secondary education. The Australian delegation welcomed the co-operation between the Bank and UNESCO in that sphere.

The meeting rose at 1.10 p.m.