



ECONOMIC AND SOCIAL COUNCIL

Tuesday, 20 December 1966
at 10.50 a.m.

Resumed Forty-first Session

OFFICIAL RECORDS

NEW YORK

CONTENTS

	Page
<i>Agenda item 12:</i>	
(a) <i>Report of the International Bank for Reconstruction and Development and the International Development Association;</i>	
(b) <i>Report of the International Finance Corporation</i>	53

President: Mr. Tewfik BOUATTOURA (Algeria).

Present:

Representatives of the following States members of the Council: Algeria, Cameroon, Canada, Chile, Czechoslovakia, Dahomey, Ecuador, France, Gabon, Greece, India, Iran, Iraq, Luxembourg, Morocco, Pakistan, Panama, Peru, Philippines, Romania, Sierra Leone, Sweden, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Belgium, Brazil, China, Italy, Lebanon, Liberia, Libya, South Africa, Turkey, Yugoslavia.

Representatives of the following specialized agencies: Food and Agriculture Organization of the United Nations; United Nations Educational, Scientific and Cultural Organization; International Bank for Reconstruction and Development.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 12

- (a) Report of the International Bank for Reconstruction and Development and of the International Development Association (E/4272 and Add.1);
- (b) Report of the International Finance Corporation (E/4273 and Add.1)

1. Mr. WOODS (President of the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation), introducing the report of the Bank and IDA ^{1/} and the report of IFC ^{2/} pointed out that during the previous financial period, for the fourth year out of the past five, the total amount of funds committed by the World Bank Group had been more than \$1,000 million and that actual disbursements had continued to

^{1/} Annual Report, 1965-1966 (Washington, D.C.), and supplementary information for the period from 1 July 1966 to 31 October 1966, transmitted to members of the Economic and Social Council by notes of the Secretary-General (E/4272 and E/4272/Add.1-E/4273/Add.1).

^{2/} Tenth Annual Report, 1965-1966 (Washington, D.C.), and supplementary information for the period from 1 July 1966 to 31 October 1966, transmitted to members of the Economic and Social Council by notes of the Secretary-General (E/4273 and E/4272/Add.1-E/4273/Add.1).

increase. In recent months, the World Bank Group had extended its activities to projects relating to electric power supply, agriculture, tourism and education. Up to the present time, fourteen educational projects had received assistance from the International Bank for Reconstruction and Development (IBRD) and from the International Development Association. The World Bank Group had already invested more than \$1,000 million in agricultural projects; thirty other agricultural projects, involving investments of \$350 million, were in the process of appraisal or negotiation and fifty others were in preparation. In that connexion, he stressed the importance of co-operation between the World Bank Group and UNESCO and FAO and the increasing role of the offices which the Bank had established in western and eastern Africa in 1964 and 1965 respectively. A team led by a member of the Bank's staff had produced a study entitled Experiences with Agricultural Development in Tropical Africa which would shortly be published.

2. The International Finance Corporation had begun negotiations for the construction of fertilizer plants in the developing countries, in partnership with domestic firms and oil and chemical companies in North America, Western Europe and Japan. Two projects, one in Senegal and the other in Brazil, had reached the financing stage and about a dozen others were under discussion.

3. Progress in that field would have been more rapid if the developing countries realized more fully that the best policy was to create favourable conditions for foreign capital and technical knowledge. Otherwise, the danger of hunger would increase and the independence of the developing countries would be undermined since they would come to depend more and more on the rich countries for their food.

4. The World Bank Group always tried to encourage private initiative and investment; he indicated that since he had last spoken before the Council at its fortieth session (1407th meeting), the group had committed more than \$325 million for the financing of private industry in the developing countries.

5. After several years of preparation by the Bank, the Convention on the Settlement of Investment Disputes between States and Nationals of Other States had just come into force. Under that Convention, an International Centre for Settlement of Investment Disputes had been established to deal with disputes between States and foreign investors. The Administrative Council of the Centre was to hold its first meeting in six weeks.

6. The staff of the Bank had also prepared a draft of a multilateral investment insurance scheme which would be submitted to member States for review and comment. It provided for the insurance of private investments in the developing countries against risks

of a non-commercial nature. Although such a measure might help to remove some of the fears which inhibited the flow of capital to the developing countries, the beneficiary countries had the primary responsibility of creating a hospitable climate for foreign investment.

7. The reappraisal of development policies carried out at the end of the first half of the United Nations Development Decade had clearly shown the need for greater international co-ordination if overlapping of development assistance was to be avoided and if the available resources were to be used to the best effect. For its part, the Bank had tried to contribute to that objective by organizing consultative groups of donor countries for nine developing countries. The task of those groups was delicate and often difficult. In order for them to be effective, the developed countries, as well as the developing countries, must try to make a genuine contribution to the economic progress of the latter.

8. Greater co-operation was also necessary on the regional level. The Bank maintained excellent relations with the Inter-American Development Bank and the two recently established regional banks, namely, the African Development Bank and the Asian Development Bank. In view of the economies of scale which could be achieved and the heavy initial capital investment required by modern technology, it was questionable whether the smaller developing countries could hope to achieve a satisfactory rate of growth unless they participated in regional schemes for economic integration. The preparation of such schemes should be one of the main concerns of the new regional institutions.

9. There was one field for co-ordination in development assistance which was as yet untouched, namely, co-ordination between the countries of Western Europe, North America and Japan, on the one hand, and the countries of Eastern Europe, on the other. To the extent that bilateral assistance programmes were used as instruments of ideological, strategic or diplomatic rivalry, they did not contribute fully to economic growth. He saw no reason why that state of affairs should continue. Admittedly, there were many obstacles, but the benefits to be derived by the developing countries could be so great that every means of encouraging such co-ordination should be explored.

10. To continue its activities, the Bank must continuously borrow capital in the financial markets of the world; as a result of the general tightening of credit, the interest rate on new offerings and placements of bonds by the Bank had risen from 5.5 per cent in June to 6.5 per cent recently. The Bank continued to charge a standard rate of interest of 6 per cent on loans which it granted, but the position was being kept under review.

11. The situation of IDA was extremely critical: within a few weeks it would have exhausted all its resources and the talks with donor Governments over their replenishment were making discouragingly slow progress. Eighty-five per cent of IDA's resources were provided by seven Governments, some of which were now confronted with budgetary and balance-of-payments problems. In order not to compound those difficulties, he had proposed that the replenishment

of IDA's resources should only begin in three years time and should be spread over three annual instalments. That proposal had been formulated several months earlier and, in view of the slow progress of negotiations, it now seemed certain that IDA would have to interrupt its activities. It was only to be hoped that the interruption would not be prolonged.

12. The world was still confronted by the paradox of great poverty in a world of plenty. The industrial countries had never been as prosperous and yet, in 1965, for the fourth consecutive year, the proportion of international aid from public sources had decreased in relation to the national incomes of the capital-exporting countries. That trend would continue in 1966. It was time for the industrial countries to make a joint and thorough examination of the aid they were effectively providing to the developing countries and to try to give the proper priority in international affairs to accelerating the task of the growth of the developing countries. Such an examination should be undertaken by ministers in charge of foreign affairs and finance as well as ministers in charge of development and should not be limited to a general review of aims but should attempt to establish new goals and determine new means of assisting the developing countries, especially by giving a fresh impetus to the efforts of the industrialized countries. Such an examination could be the first step towards the formulation of an international policy for economic development of the kind which had been suggested in August 1966 by the Secretary-General of the United Nations Conference on Trade and Development (UNCTAD), namely, a policy which would embrace development finance, international trade and tariffs and which would ensure that the measures taken by the high-income countries and the developing countries would converge.

13. Mr. VIAUD (France) stressed the remarkable growth of the activities of the three institutions and recalled, in particular, that IBRD had granted more than \$9,500 million in loans since its establishment.

14. He noted with satisfaction that the Bank now attached great importance to agricultural problems, as shown by the increase in appropriations for agricultural activity to \$120 million, thus raising the share of agricultural projects among all the loans granted by the Bank to more than twice what it had been during the preceding financial year. That was a welcome development, which France had long hoped for and which it could not but approve, although it regretted that the Bank's contribution still remained modest in comparison with the magnitude of the needs to be met and the urgency of the problems to be solved.

15. The advances made in education were equally evident. The Bank was rightly devoting an increased share of its assets to the training of technicians who would form the cadres essential to the young nations. Thus, fruitful co-operation seemed to be developing between IBRD and UNESCO.

16. The entry into force of the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, whose main advantage was that it helped to overcome the reluctance of private capital and therefore encouraged investments

in the signatory countries, came at a time when the crisis in aid from public sources made it essential not to overlook any funds that could contribute to development.

17. However, the World Bank Group itself was suffering from the current shortages of international assistance. Those shortages were apparent both in the amount of assets made available to the developing countries and in the terms and nature of the assistance. Studies by the Secretariat showed that the assets made available to the developing countries had levelled off after 1961; even though there had been some increase in aid since 1964, financial assistance had unquestionably remained static in relation to the objective designated by UNCTAD of 1 per cent of national incomes.

18. The Bank had not escaped the effects of that development; its loans, which had amounted to well over \$1,000 million in 1964-1965, had dropped in the current year to \$839 million, in other words, by 20 per cent. If the repayment of earlier loans and the interest collected by the Bank were subtracted from that sum, the amount of new money contributed by the Bank was no more than \$110 million, a figure comparable to that of the preceding year. During the same time the credits granted by the IDA had decreased from \$309 million to \$284 million.

19. With regard to the terms of aid granted to developing countries, it should be pointed out that their supplementary indebtedness had practically reached its limit. Their external debt could be increased only slowly in future, so that the Bank's normal loans could no longer make more than a limited contribution to the financing of economic development. The rise in interest rates, which was due to the shortage of international capital, caused a scarcity of development finance. Thus, the amount borrowed by the Bank during the current year had been no more than \$80 million, in contrast with \$232 million in 1965. Sales of loan maturities had dropped from \$172 million in 1964 and \$106 million in 1965 to \$82 million in 1966.

20. Consequently, a continued increase in the ratio of loans to donations appeared to be unlikely. The developing countries must therefore be supplied with direct budgetary assistance.

21. France doubted, however, that financial assistance alone would be sufficient in future to ensure a satisfactory rate of development. It should be supplemented and strengthened by economic assistance resulting from a better organization of markets for primary commodities and stabilization of their prices. The recent setback in the cocoa negotiations between the producing and the consuming countries clearly showed the need for more systematic efforts to supplement the traditional type of assistance. To that end, the United Nations had the obligation to support, irrespective of their origin, the efforts of research and imagination without which the world would never triumph over misery and under-development.

22. Mr. PIÑERA (Chile) thanked the President of the Bank for his very humane description of the activities of the World Bank Group and recalled that Chile had

been one of the first countries to benefit from the Bank's programmes.

23. He had been pleased to find that the Bank, which had originally dealt mainly with industrialization problems, had now expanded its field of activity. It was now taking part in agricultural development programmes, and should also concern itself with the problems of land reform, which had vast political repercussions. Contrary to its earlier policy, the Bank was now intending to finance programmes involving petroleum and fuel oils. Chile, which had undertaken to exploit its petroleum resources without any intervention by the large international companies, frequently had to seek aid from organizations such as the Bank. The Bank had also been making social investments for a number of years: for example, it had already carried out eighteen educational projects, notably in Algeria and Chile. The Bank might also consider investments in the fields of health and housing, which would form part of the broader framework of structural reform.

24. He emphasized the importance of relations between the Bank and UNCTAD, specifically in the study of the world-wide problems of trade and transport; UNCTAD had undertaken the study of freight problems, which were retarding economic development.

25. It was regrettable that, at a time when the developing countries had made great efforts to submit well-conceived projects to the Bank, it lacked the necessary capital to carry them out. The institutions established twenty years earlier were evidently inadequate for the needs of world development; GATT (General Agreement on Tariffs and Trade) had not succeeded in solving the problems of world trade and now had to revise its basic position. That was why the Bank had created IDA, a non-banking organization, whose composition reflected the division of the world into two groups: the donor countries (able to grant very long-term loans at almost no interest) and the recipient countries.

26. With reference to the International Finance Corporation, it had long been claimed that development of the countries of the Third World would be made possible by foreign investments. That claim had ignored the political and social phenomena which militated against traditional foreign investments; the Bank had endeavoured to re-attract foreign capital to the developing countries on the basis of new principles and had tried to find solutions to the problem of guarantees and disputes. In Chile, for example, the Government now took part in the development and marketing of copper, which had previously been entirely in the hands of a foreign consortium.

27. He welcomed the dialogue initiated between the Bank and UNCTAD, particularly the study undertaken by IBRD, at the request of UNCTAD, on supplementary financing measures.^{3/} A reorganization of the markets for primary commodities was no doubt necessary, but it was a long-term undertaking, and in the meantime

^{3/} Supplementary Financial Measures, A Study Requested by the United Nations Conference on Trade and Development-1964 (International Bank for Reconstruction and Development, Washington D.C., December 1965).

the countries which exported primary commodities, such as Chile, needed measures which would guarantee at least a certain degree of stability in their export receipts. He believed that it was important to establish a United Nations capital development fund which could finance sectors such as health and housing, with which neither IBRD nor the regional development banks were concerned.

28. He had noted with satisfaction that the President of IBRD had not discussed demographic questions. Chile, which wanted to increase its population, believed that international organizations should look for ways to increase the world's resources, not ways to decrease its population.

29. It was true that the external debt of the developing countries would limit their economic growth during the coming fifteen years. When Chile had wanted to renegotiate its foreign debt, the Bank and the International Monetary Fund had listened to its request with sympathy, but in the end it had been forced to turn to the Group of Ten. It was necessary to establish a body which could help countries to refinance their external debt in keeping with the needs of their development programme; the role of the consultative groups would also have to be defined more precisely.

30. Considerable efforts should be made to promote the transfer of technical skills. The present rules governing industrial property did not favour the economic growth of the developing countries. It was not normal to treat man's technological achievements as mere articles of merchandise to be dealt with in contracts of sale or lease. Lastly, he deplored the relative decrease in the flow of capital to the developing countries, which could endanger the success not only of the first but also of the second United Nations Development Decade.

Mr. Fernandini (Peru), Second Vice-President, took the Chair.

31. Mr. ABERKANE (Algeria) said that twenty years after the establishment of IBRD and IMF, the balance-sheet of the world community's aspirations and achievements was far from positive. His delegation shared the feeling of disappointment which had been evident in Mr. Woods' statement; for, after twenty years of efforts by the two great international institutions, the world had still not resolved the fundamental problems of development. At the midpoint of the so-called Development Decade, the gap between the needs of the poor countries and the results achieved was still tremendous, while the disparity in the levels of development of the various countries and in their economic growth rates created a serious risk of international instability and aroused the greatest apprehension for the future.

32. Nevertheless, the assistance agencies had done their best. The World Bank Group, in particular, had been constantly extending the scope of its activities during the last few years and the Bank now provided aid to new economic sectors, such as tourism and education. It was gratifying to note the considerable resources which the Bank was now devoting to agriculture, at a time when world food stocks had reached the lowest level since the war. The Bank had sent 115 agricultural missions to the developing

countries during the last year and had already invested \$350 million in thirty agricultural development projects. Algeria appreciated especially the emphasis placed on the development of fertilizer production. It was also grateful to the Bank for having sent a study mission to Algeria in 1966; the report of the mission would be very helpful in drawing up Algeria's first three-year development plan.

33. His country had adopted in 1966 a new investment code which offered foreign capital a whole series of safeguards against non-commercial risks.

34. He noted with satisfaction the co-operation between the Bank and UNESCO and the fact that the Bank was increasingly delegating certain responsibilities to its subsidiaries and, in particular, to IFC, whose resources had been increased for that purpose. His delegation thought that the Bank might further expand the range of infra-structure projects which it financed and might also agree to assist certain State-executed industrial projects which were important for development, if they seemed well planned and financially sound. His country approved of the Bank's establishment of permanent missions at Nairobi and Abidjan and hoped that the Bank would assist in the launching of the African Development Bank.

35. The Bank had proved that it could play a very useful role in the training of cadres, in technical assistance and in economic studies. Unfortunately, it lacked the resources needed to cope with the tremendous tasks confronting it. Moreover, Mr. Woods had announced that IDA, which had been hailed at the time of its creation as especially equipped to meet the requirements of the developing countries, would very soon have to stop making new commitments, owing to lack of resources.

36. The developing countries' aid-absorption capacity was progressively increasing and the aid-giving capacity of the industrialized countries was increasing also, but the latter were becoming increasingly reluctant to supply aid. There was, however, no doubt that the industrialized countries, whose aggregate national income increased by \$40,000 to \$50,000 million annually and which devoted vast sums to military expenditure (\$100,000 million annually in the case of the two biggest Powers, while the gross national product of all the developing countries of Africa and Latin America was less than \$110,000 million) had the means to provide effective aid before a crisis occurred. Emergency measures were called for. Not only had the volume of total aid levelled off since the proclamation of the United Nations Development Decade, but the proportion of public aid to private investment had diminished. The lending countries clearly preferred tied bilateral aid to multilateral aid and they also preferred loans to grants. The cost of private capital had steadily increased, thus aggravating the burden of the repayment of external debt. It had been shown that the repayments currently being made by the low-income countries on loans from the Bank itself totalled more than the actual loans made by the Bank.

37. He thought that it should be possible to combine the efforts of the Bank and the Fund with a view to ensuring for the developing countries a continuous

guaranteed flow of resources at a low cost. The two institutions were also in a position to make available to the developing countries, the technical assistance and financial resources which played an essential role in their economic recovery and stability. However, IMF and IBRD were faced with a dilemma, because they had to provide both for the growing volume of trade, which required an increasing liquidity and for an acceleration of development, which called for increased investment.

38. With regard to the activities of IMF, Algeria noted with satisfaction the increase in liquidity due to the general renewal and the special increases in the quotas of member countries. The Fund's resources totalled at present \$21,000 million, in addition to the liquid assets created by the General Arrangements to Borrow. Moreover, in conformity with the wishes of UNCTAD, it had revised its system of compensatory financing. The measures taken were thus aimed at countering a rapidly deteriorating economic situation. Both the industrialized countries and the developing countries were encountering balance-of-payments difficulties, which were slowing down the progress of trade and development. The restrictive measures taken by the countries with currency reserves had resulted in a world-wide shortage of development capital and the highest interest rates in forty years. The Bank was having to pay an increasingly high price for the loans it floated on the capital market.

39. It was not merely a question of the existence or the lack of reserves throughout the world, but also of the distribution of reserves among countries. In view of the prospect of a shortage of international liquidity, which could lead to an intensification of the restrictions on trade and capital movements, it was hard to understand why certain countries were opposed to the creation of new liquidity. His delegation therefore welcomed the holding of joint meetings of the Executive Directors of IMF, representing all the countries members of the Fund, and the countries which were parties to the General Arrangements to Borrow, for the purpose of considering a possible international monetary reform. His delegation also agreed that additional liquidity should be considered in the context of the over-all requirements of the world economy, rather than that of the payments problems of individual countries. Algeria considered that the creation of new liquidity could contribute to the economic development of the under-developed countries, provided that it remained within the limits of real saving. In fact, everything would depend on the creation of that real saving in the rest of the world.

40. The financing of investment by monetary means was in no way incompatible with the basic function of the Fund, which was to meet balance of payment deficits. Such deficits were in fact often due to the purchase of capital goods, so that, aside from compensatory financing, the Fund was already financing investment. It would, moreover, be illogical for the Fund to act to cover a balance of payments deficit resulting from the import of non-essential goods and to refuse assistance when the deficit was due to the purchase of capital goods. The Group of Experts on International Monetary Issues of UNCTAD had sub-

mitted recommendations under which IMF or an affiliated institution would become a central agent for collective reserve units. The report of the Group of Experts of UNCTAD^{4/} had further recommended that the counterpart deposits obtained by the Fund under that project should be placed at the Bank's disposal, in exchange for IBRD bonds. That proposal, if adopted, would link the activities of the Fund with those of the Bank and lessen the effects of unequal distribution of the newly-created reserves, based on member countries' quotas, with two thirds of the new liquidity going to ten developed countries and the remaining third to ninety developing countries.

41. Sir Edward WARNER (United Kingdom) said it was clear from the reports of IBRD and its affiliates that, despite difficult conditions in international money markets, the past year had been one of solid achievement. He noted with satisfaction the Bank's increased emphasis on agriculture and education.

42. Because of present constraints on development aid, a question which continued to occupy the attention of both the developed and the developing countries was how to improve the effectiveness of available aid. The Bank's experience was particularly useful in that connexion. The country reports compiled by the Bank's economic services not only contributed to planning in the countries concerned but were valuable in the formulation and administration of bilateral aid programmes. The Bank's continued studies on debt servicing were adding to the knowledge of the problems of developing countries, and he was glad to note the growth of collaboration between IBRD and IMF in that sphere. Further progress had been made in co-ordination. The development of several more consultative groups under the aegis of the Bank was to be welcomed. However, the main purpose of such groups was to provide a forum for consultation between the main donors and the developing country in question. Although the creation of a group should prove generally beneficial to the climate for aid and investment, its basic function was co-ordination of existing aid flows. His Government was ready to participate in consultative groups whenever a general problem of co-ordination was involved.

43. Turning to the reference made by the President of IBRD in regard to the Convention on the Settlement of Investment Disputes between States and Nationals of Other States, he was glad to announce that the United Kingdom had ratified the Convention the previous day.

44. As regards the replenishment of IDA, he confirmed the high priority attached to IDA in United Kingdom aid planning. The United Kingdom Government welcomed the prospect of replenishment at a high level, and was ready to play its part along with other donors (part 1 countries)^{5/} in contributing to new IDA resources.

45. The Trade and Development Board of UNCTAD had approved the establishment of an inter-governmental group of experts to explore the proposals

^{4/} International Monetary Issues and the Developing Countries, Report of the Group of Experts (United Nations publication, Sales No.: 66.II.D.2).

^{5/} See International Bank for Reconstruction and Development and International Development Association, Annual Report, 1965-1966 (Washington, D.C.), p. 23.

for supplementary financial measures which the United Kingdom and Sweden had sponsored.^{6/} Given the goodwill of both developed and developing countries, it was reasonable to hope for a successful conclusion, which would be a step forward towards stabilizing progress of developing countries and giving them a firm basis on which to plan integrated development.

46. Despite those encouraging signs, his delegation shared the concern of the President of IBRD at the over-all prospect for development aid. The solution lay in the efforts of developing countries to mobilize their domestic resources and in the willingness of industrial countries to give a high priority to assistance for the under-developed parts of the world. Economic constraint in the donor countries inevitably had some effect on the flow of aid. His Government was confident that the measures it had taken earlier in the year would enable the United Kingdom to move into surplus during 1967; in company with other members of the international community, it looked forward to renewed efforts in the field of development aid. In that connexion, he was sure that most careful consideration would be given to the suggestion made by the President of IBRD.

47. Mr. KOTSCHNIG (United States of America) said that, over the past twenty years, the Bank had approached its task with exemplary vigour and imagination. In 1966, the Bank's commitments had exceeded \$1,000 million for the fourth time and it appeared that the current fiscal year could result in a new all-time lending record. The Bank's transfers of portions of its net income to IDA and the recent commencement of lending to IFC were indications of its innovational and flexible approach.

48. The new resources of IFC would enable it to diversify its activities, especially in agriculture. The Bank had increased its lending to agricultural credit institutions and his delegation was pleased to note the Bank's interest in stimulating that sector. Increased co-operation with the United Nations Development Programme (UNDP) was also encouraging. During the past fiscal year, the Bank and UNDP had refined their procedures to facilitate a more appropriate division of labour in the financing sector and feasibility studies.

49. His Government also supported the continuation of IDA credits designed to increase industrial capacity and to permit fuller utilization of existing productive enterprises. The World Bank Group's increasing awareness of the need to foster agricultural and educational development was heartening; successful co-operation with FAO and UNESCO should make prospects for intensified attention to those vital sectors even brighter.

50. His Government regarded the replenishment of IDA as an urgent task. It was actively pursuing ways and means of assuring an adequate supply of resources for the Bank and its subsidiaries. The establishment of new IBRD consultative groups was an encouraging development; he noted with satisfaction that a group had been formed for Korea and hoped the device would be extended.

^{6/} See Official Records of the Trade and Development Board, Fourth Session, Supplement No. 3, para. 31 and annex I.

51. The Convention on the Settlement of Investment Disputes between States and Nationals of Other States was a positive step, and studies being undertaken by the Bank on multilateral investment insurance, suppliers' credits and coffee production should contribute further to development techniques.

52. Mr. VARELA (Panama) welcomed the participation in the Council's deliberations of the President of an institution which was efficiently discharging its responsibilities in the sphere of international co-operation and playing an active part in the struggle against poverty. His Government, too, attached great importance to agricultural development which it regarded as the basis of integrated economic growth. Panama had had the benefit of the Bank's assistance in several branches of agriculture (building of roads and silos, marketing of agricultural products, etc.). His experience as Director of the Panamanian Institute of Economic Development had convinced him that the developing countries must endeavour to achieve balanced growth by a more rational division of national income and by progressive industrial expansion. An over-weighted agricultural sector restricted purchasing power and obstructed the development of an international market for industrial products. He welcomed the importance attached by IBRD to the integrated development of agriculture and hoped that the momentum the President of IBRD had generated would not be lost because of a decline in international co-operation.

53. Mr. Donald MACDONALD (Canada) said that the high level of commitments by IBRD and its affiliates bore testimony to the major contribution it was making to the attack on under-development. The Bank's studies and analyses, its advice and its leadership in co-ordinating aid were of benefit to the Canadian Government in evaluating its programmes of development assistance. Co-ordinating arrangements of the type sponsored by the Bank, which brought together various agencies and Governments for the purpose of discussing an individual recipient's problems and priorities, could produce a considerable improvement in the effectiveness of aid programming. The nature of those arrangements would vary according to the needs of the recipient and their membership would vary according to the degree of involvement and direct concern of the various donors.

54. The President of IBRD had proposed that the industrialized countries should thoroughly review the problem of aiding the developing countries and the question of priorities among the various objectives of national policy. His Government, which had carried out such a review in 1965, was prepared to endorse that suggestion. It agreed with the President of IBRD that the most must be made of present-day opportunities for increasing agricultural production. Canada had managed, by the use of insecticides and weed-killers and by sowing crops better suited to its climate, to increase its agricultural production by 50 per cent without bringing more land under cultivation. The President of IBRD had rightly stressed the importance of regional co-operation, especially among the smaller developing countries. He hoped that

such institutions as the Inter-American Development Bank and the Asian Development Bank would support joint projects and regional co-operation.

55. The Bank's effectiveness largely depended on the resources available to it. It had been having increasing difficulty in selling its bonds and that difficulty was related to important questions of national policy. The terms on which it was able to raise funds would depend on the fiscal and monetary policies of the developed countries, and methods must be devised

to enable it to secure a reasonable share of available resources.

56. The replenishment of IDA was one of the most immediate problems on the international agenda. His delegation noted with concern that the President of IBRD expected an interruption in the flow of IDA assistance, and hoped that the problem could be satisfactorily resolved in the near future.

The meeting rose at 1 p.m.