



ECONOMIC AND SOCIAL COUNCIL

Resumed Forty-first Session

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CONTENTS

	Page
Agenda item 9: <i>Basic programme of work of the Council in 1967 and consideration of the provisional agenda for the forty-second session (continued)</i>	61
Agenda item 12: <i>(a) Report of the International Bank for Reconstruction and Development and of the International Development Association; (b) Report of the International Finance Corporation (concluded)</i>	61
Agenda item 15: <i>Amendments to rules 20, 22 and 23 of the rules of procedure of the Economic and Social Council concerning the Vice-Presidents of the Council (concluded)</i>	65

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, 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, Jordan, Lebanon, Libya, South Africa, Turkey.

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

AGENDA ITEM 9

Basic programme of work of the Council in 1967 and consideration of the provisional agenda for the forty-second session (continued)* (E/L.1147 and Add.1 and 2, E/L.1148 and Add.1, E/L.1151)

1. Mr. MURGESCU (Romania) observed that the note by the Secretariat (E/L.1151) showed that provision had been made for a joint meeting of the Committee for Programme and Co-ordination, the officers of the Council and the Administrative Committee on Co-ordination to be held in the week preceding the forty-third session of the Council. He had the honour to announce that his Government invited the Council to hold that meeting at Bucharest and was prepared to

meet the additional expenditure occasioned by the organization of the meeting outside Headquarters or one of the regional offices.

2. Should the Council accept the invitation, his Government would work out the necessary technical and other arrangements with the Secretariat.

3. The PRESIDENT suggested that the Council should decide, in principle, to accept the invitation from the Government of Romania, subject to its formal acceptance by the Committees concerned, and that it should request the Secretariat to discuss the detailed arrangements for the meeting with the Romanian delegation and report to the Council at its forty-second session.

It was so decided.

4. Mr. AHMED (Pakistan) proposed, with reference to paragraph 10 of the draft programme prepared by the Secretary-General (E/L.1147), that the Council should include in its draft agenda for the forty-third session the question of a meeting of the Ad Hoc Working Group on the Question of a Declaration on International Economic Co-operation; that the Council should amend the title of item 5 in the draft agenda for the forty-third session to read "External financing of economic development of the developing countries" and should add under item 5 a sub-item (c) entitled "Outflow of capital from the developing countries". With reference to the suggestion made in the last paragraph of section (h) in part I of document E/L.1148, he proposed that the Council should use for the item in question the title of General Assembly resolution 2188 (XXI) and that, with reference to the suggestion made in the last paragraph of section (p) of the same document and the proposal already made by the representative of France (1456th meeting), the Council should include an appropriate item in the agenda for the forty-second and forty-third sessions under which it would consider the implementation of the recommendations of the Ad Hoc Committee of Experts to Examine the Finances of the United Nations and the Specialized Agencies.

It was so agreed.

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 (concluded) (E/4273 and Add.1)**

5. Mr. Amjad ALI (Pakistan) said that the most encouraging feature of the report of the International Bank for Reconstruction and Development (IBRD) and

*Resumed from the 1456th meeting.

of the International Development Association (IDA),^{1/} and the report of the International Finance Corporation (IFC),^{2/} was the marked flexibility evident in their recent operations. One example of the efforts of the Bank to adapt its policies to prevailing conditions was the departure from its original policy of lending for "bankable" projects only; IFC and IDA had, in fact, been set up as a result of the Bank's recognition of the needs of the developing countries for investment in education, agriculture, transport and communications.

6. The stark facts of the world food situation made the Bank's recent emphasis on agricultural projects all the more gratifying. It had become clear to the world community that, even if the developing countries succeeded in arresting population growth in the years to come, famine could not be avoided unless those countries' efforts to increase agricultural production were supplemented by external finance to enable them to mechanize and introduce modern farming methods.

7. As he had remarked at the 1456th meeting of the Economic and Social Council, the external finance required could come from only two sources: aid and trade. The developing countries were justifiably concerned about recent trends in aid-giving; such factors as the failure of the industrialized countries so far to replenish the funds of IDA and the continuing high rates of interest on bilateral and multilateral loans were discouraging. International efforts to improve the trade revenues of developing countries had also been disappointing: the failure to secure agreement on a stable and reasonable market price for cocoa was an example of the reluctance of developed countries to abandon the control they exercised, through marketing arrangements, over the lives and destinies of the primary producing countries. It was therefore regrettable that the international financial institutions, while prepared to help producer countries to overcome the disastrous effects on their economies of fluctuating market prices, considered that they were not empowered to invest in such undertakings as the proposed cocoa buffer stock, which would avert situations of that kind.

8. In conclusion, it was his delegation's hope that the industrialized countries would act on the suggestion made by the President of IBRD at the last meeting for a joint examination of their policies and priorities in the granting of development assistance.

9. Mr. MAKEEV (Union of Soviet Socialist Republics) said that the reports of IBRD and the International Monetary Fund (IMF) provided the clear picture of the international economic situation which United Nations bodies had come to expect in those annual reports. His delegation agreed with the general conclusion of both bodies that international conditions for the economic development of the developing coun-

tries had become less favourable in the year under review. One of the major reasons for that trend was the growing international tension caused by the war in South-East Asia: its effects on the world economy and on the capital market, in particular, were reflected in the decline in the developing countries' exports and in the flow of external resources to them.

10. The developing countries pinned their hopes on international financial institutions and it was disappointing that the level of IBRD and IDA loans—approximately \$1,000 million in the year under review—had not changed noticeably in recent years. On the other hand, repayments to the Bank, at \$328 million, and to its creditors had shown an increase, without any corresponding rise in lending.

11. The Bank defended the high cost of its credit to developing countries by asserting that, as one of many lending institutions, its policies had to be governed by the commercial and financial considerations affecting all banking operations. It was, however, also an organ of the United Nations system with specific responsibility for aiding developing countries and should therefore be expected to react to recent trade pressures by raising its rates on the international capital market rather than by increasing its interest rates on development loans from 5.5 to 6 per cent. Its reserves were, after all, sufficient for it to show restraint in such situations.

12. A number of developing countries were adversely affected by the Bank's continuing refusal to grant loans for State-owned or State-sponsored projects. Such a practice was surprising in an institution which had shown some readiness to change its policies in other matters, and it was to be hoped that pressure from its members would induce it to abandon that attitude in the near future.

13. The relationship of IBRD and IMF to the United Nations system required them to act in accordance with decisions and resolutions of the General Assembly and the Security Council. It was therefore regrettable that they had so far taken steps to comply with resolutions on assistance to Portugal; loans had, in fact, been granted to that country and were being used to sustain its colonial wars in Africa. Moreover, the General Assembly had adopted resolution 2158 (XXI) of 25 November 1966, which, *inter alia*, laid down guidelines for the operations of foreign investors in the developing countries. The co-operation of the United Nations financial institutions was vital in all such matters and the United Nations was entitled, under the respective articles of agreement, to demand it.

14. The development of a new compensatory financing scheme by IMF was encouraging, even if not a completely satisfactory solution to the problem. The recent limited participation of developing countries in the discussions on international monetary reform was also gratifying. His delegation believed, however, that the existing structure of the Fund was too rigid to allow the full participation of all countries in decisions on that subject and that only the United Nations Conference on Trade and Development (UNCTAD) provided the kind of representative forum required for the purpose.

^{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).

15. Mr. PARTHASARATHI (India) remarked that assistance from the World Bank and its affiliates was particularly valuable to developing countries because it was not tied to purchases in any single country. It was gratifying that the Bank had intensified and expanded its assistance in the farm sector and had sent 115 agricultural missions to member countries in the period under review. The stronger emphasis on education was also welcome. The inclusion of tourism in IFC activities was very timely in view of the fact that 1967 had been designated International Tourist Year, and the new arrangements for a Bank Loan to IFC would no doubt permit still further diversification of its activities. Four new members joined the Bank during the past year and Indonesia's decision to seek re-admission was welcome.

16. Another source of satisfaction was the close co-operation between the Bank and other United Nations organizations and specialized agencies, which would doubtless be extended to the United Nations Industrial Development Organization (UNIDO). A number of studies were being carried on at the request UNCTAD and constructive relationships had also been established between the World Bank group and the Inter-American, African and Asian Development Banks.

17. Emphasis had rightly been placed on creating capacity in developing countries for the large-scale manufacture of fertilizers. India had assigned the highest priority to the production of chemical fertilizers and had made firm financing arrangements, under which it had received the valuable support of the Bank and IFC for a number of projects which would meet its growing needs for chemical fertilizers in the next five years. In that connexion, the readiness of IBRD and its affiliates to consider financing certain Government-owned enterprises with a record of successful management was of particular importance, since the high level of capital and technical resources required left room for both public and private enterprise in fertilizer production.

18. The Bank had intensified its efforts to co-ordinate development assistance and a number of additional consultative groups had been formed. Although the work of those groups was sometimes difficult, misunderstandings could be eliminated if both developed and developing countries were genuinely committed to the achievement of economic progress and it was to be hoped that the Bank and the industrialized countries would take steps to correct the anomalous situation where donor countries insisted that the recipient countries should formulate longer-term development strategy and policies, while they themselves could make no commitment of aid beyond a period of one year.

19. The picture of trade and aid contained in part II of the report of IBRD was not encouraging: the growth rate of developing countries had been slow, their exports continued to lag, aid-flows were static and population growth and higher expectations had given a rise to increasingly urgent demands. In that connexion, the response of the developed countries to the imaginative request for a substantially higher level of replenishment of IDA funds would show how much faith they really had in the United Nations Development Decade. It would be a tragedy if the

response fell short of the high, but practical, level of replenishment requested. The development situation was indeed grim and required the mobilization of all possible resources. The initiative in development assistance clearly lay with the developed countries and it was therefore appropriate that the President of IBRD had suggested a thorough examination by those countries of the fair trade and aid policies.

20. Mr. BELEOKEN (Cameroon) commended the Bank on its efforts to accelerate the economic growth of developing countries. The intensification of assistance in the agricultural sector was particularly welcome, but it was regrettable that neither the Bank nor IMF was prepared to help those countries in the fundamental matter of stabilizing the export prices of their commodities. Because of the lengthy and difficult procedure of preparing and submitting projects, Cameroon had so far received little assistance from the Bank or the Fund, although as an essentially agricultural country it suffered greatly from fluctuations in commodity prices. The Bank and IMF should therefore review their statutes and policies so that, instead of asking developing countries to spend several years preparing and submitting projects, they could help to meet the urgent need to stabilize commodity prices and thereby to guarantee the financing of economic development.

21. His delegation was greatly concerned at the fact that during the recent negotiations on cocoa a paper had been circulated by IMF stating that the price of cocoa should be stabilized at eighteen or nineteen cents a pound. It was disturbing that IMF should have taken a position on the matter, particularly when the producers had rejected that low level as unrealistic. A representative of IMF should therefore explain the premises on which the conclusions of the paper were based and IMF's general position in connexion with the negotiations.

22. Mr. LOPEZ (Philippines) said that his delegation shared the concern expressed by the President of IBRD over the paradox of great poverty in the presence of great plenty. The prospects of receiving assistance from industrialized countries were indeed poor in that they were not even prepared to be generous in times of prosperity. Despite its commendable efforts and the record total of disbursements in 1965-1966, the Bank has been compelled to borrow in international capital markets at high rates of interest while IDA reserves were dwindling. Although the request for the replenishment of resources at a higher level was welcome, due account must be taken of the terms as well as the gross amount of assistance, and it was therefore disappointing that bilateral and multilateral assistance was becoming more difficult to obtain, although a few donor countries had taken steps to liberalize their lending policies.

23. The Bank could play a valuable role in co-ordinating aid from donor countries and the establishment of the new consultative groups was to be welcomed. The Philippine delegation shared the view that the providers of aid should give a reasonable indication of the level of assistance that might be expected during the period of the development plan for which the aid was to be used. The Bank should

also try to offer loans at lower interest rates, with longer maturity and grace periods.

24. It was to be hoped that the Horowitz Proposal^{3/} for an interest equalization fund subsidized by developed countries would win general approval, especially as the contributions required from the developed countries would be comparatively small.

25. Countries like the Philippines often found it extremely difficult to obtain external assistance because they were no longer in the first stages of development. Nevertheless, assistance was urgently required and a courageous and imaginative approach to development was needed.

26. Mr. CARANICAS (Greece) welcomed the intensification of the Bank's operations in both traditional and new areas. The formation of new consultative groups was a result of the desire of donor countries to internationalize aid and to spread the burden fairly. There was, however, no guarantee that an agreement to provide untied financial aid to a particular country on soft terms would not be upset by countries which were willing to finance their own exports. The difference between consultative groups and aid consortia was that the latter, which were generally preferred by recipient countries made specific pledges; however, Greece's own experience of a consortium had shown that the difference was not as great as might appear and that a consortium could become a vehicle for promoting its members' export trade. It was to be hoped that the consultative groups still in the formative stage would help to evaluate projects financed bilaterally and that the Bank would do its best to recommend better terms for aid and to co-ordinate assistance in particular sectors.

27. In view of the present high interest rates and the possibility of still further increases, the Bank might be advised to slow down its activities for the time being. A detailed study of the Horowitz Proposal would be valuable, despite the reservations of experts from some developed countries.

28. A serious problem was the mounting indebtedness of developing countries and a further hardening of loan terms could be expected. It was to be hoped that the Bank would therefore protect those countries from harmful fluctuations by tackling the urgent problem of stabilizing commodity prices. Despite greater needs and expectations, the developed countries were not giving more aid to the developing countries, and it was significant that there had so far been no response to the call for a higher level of replenishment of IDA resources. It was clear that the developing countries, which had insufficient resources to pay for all the imports they needed, must either add to their debt burden or cut back vital imports.

29. Although Greece had not yet received any assistance from the Bank, it looked forward to the start of its operations in Greece and hoped that the Bank's invitation to send a mission to Washington indicated that such assistance would shortly begin.

30. Mr. RAHNEMA (Iran) paid a tribute to the work of IMF and of IBRD and its affiliates. His delegation was particularly glad to note that the Bank had increased its activities in agriculture and education. At the same time, the failure so far to replenish the resources of IDA gave serious grounds for concern and he hoped that that problem could be solved as soon as possible so that there would be no lack of continuity in the operations of IDA. He agreed that the end of the General Assembly was not the best time to take up the reports of IMF and IBRD and that it would be better to discuss them at the Council's summer session.

31. Mr. WOODS (President, International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation) observed that the Council had held a useful exchange of views and that the World Bank group would take into account the comments made by the various delegations. He assured the representative of Greece that the Bank would closely examine the points he had raised; if the Bank had invited a mission from Greece to Washington, it was certain that Greece's request for a loan was being favourably considered. He agreed with the representative of Cameroon that the procedures of the Bank might seem somewhat strange and complicated at first sight, but he hoped that with closer contacts the new members of the World Bank group would come to understand its problems. He also assured the representative of Cameroon that the Bank was determined to expand its activities further in agriculture.

32. He hoped that the Economic and Social Council would be used to an increasing extent for an exchange of views between the World Bank group and both the industrialized and the developing countries. In particular, the Bank was prepared to contribute to a fuller discussion of international economic problems at the Council's summer session.

33. Mr. PIÑERA (Chile) agreed with the President of IBRD that the time had arrived for the industrialized countries to make a joint and thorough examination of what they were trying to achieve in their relationships with the developing world. He suggested that a summit meeting should be held between representatives of the industrialized countries and representatives of the Third World to discuss the paradox of poverty in the midst of plenty.

34. Mr. BELEOKEN (Cameroon) asked the President of IBRD whether the World Bank group had any plans for financing buffer stocks of primary commodities.

35. Mr. WOODS (President, International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation) replied that the officials of the Bank fully realized the importance of maintaining fair prices for primary commodities. He had discussed the financing of buffer stocks with the Secretary-General of UNCTAD and with the Permanent Representative of Pakistan to the United Nations but saw no point in repeating those conversations in the Council.

36. The PRESIDENT proposed that the Council should take note with satisfaction of the report of the International Bank for Reconstruction and Development and

^{3/} Presented by Israel to the United Nations Conference on Trade and Development, at its first session; see document E/CONF.46/C.3/L.5/Rev.1.

of the International Development Association, as well as the report of the International Finance Corporation.

It was so decided.

AGENDA ITEM 15

Amendments to rules 20, 22 and 23 of the rules of procedure of the Economic and Social Council concerning the Vice-Presidents of the Council (concluded)* (E/4291, E/L.1150)

37. Mr. LOPEZ (Philippines) introduced draft resolution E/L.1150 which had been agreed upon during informal consultations. The words "concerning the Vice-Presidents of the Council" should be deleted from the title of the draft. The new text differed from the one put forward by the Philippines (see E/4291) in that rule 20 now stipulated that each of the Vice-Presidents should be Chairman of one of the sessional committees. Also, an annex had been inserted setting forth the principle of equitable geographical distribution and making clear the fact that each year one of the regional groups would not be represented in the offices of the Council.

38. Mr. RAHNEMA (Iran) said it had been agreed that Iran should be a sponsor of draft resolution E/L.1150. He recalled that before the election of the President of the Council in 1966, the Asian group had withdrawn their own candidate in favour of the candidate put forward by the African group. He hoped therefore that the office of President for 1967 would be given to an Asian country and announced that Iran would put forward a candidate.

39. Mr. MUZIK (Czechoslovakia) supported the draft resolution, particularly the procedure set forth in the annex thereto. During the informal talks, no agreement had been reached on the order in which the office of President of the Council would rotate among the various regional groups. That question was left open and the present wording would allow it to be solved at a later date. Nevertheless, the Socialist countries felt that one of them was entitled to the office in 1967.

40. Mr. MAKEEV (Union of Soviet Socialist Republics) thought that the procedure suggested in the annex to the draft resolution would encourage unnecessary rivalry between the various groups of States. The fact that every year one group would be excluded from the offices of the Council would

make elections very difficult. He therefore proposed that paragraph 2 of the annex should read: "The three Vice-Presidents of the Council shall also be elected on the basis of equitable geographical distribution from the regional groups other than the two regional groups to which the President and outgoing President belong." The order of the groups given in paragraph 1 of the annex was purely alphabetical and in no way prejudged the question as to which group would provide the President of the Council in 1967. He hoped that by the spring session of the Council a new edition of the rules of procedure of the Council would be published incorporating the amendments that had been made during 1966.

41. Mr. RAHNEMA (Iran) said he had no objection in principle to the amendment proposed by the representative of the Soviet Union to the annex but felt that, in the interest of flexibility, it would be better to retain the text as it stood.

42. Mr. LOPEZ (Philippines) agreed with the representative of Iran. The question of actual candidatures and the order in which the offices of the Council would rotate among the various groups should be left until later. The annex should therefore be kept unchanged with the list of States remaining in the English alphabetical order. The Council should adopt the draft resolution without change leaving the questions raised by the representative of the Soviet Union to be decided on in further negotiations.

43. Mr. ZOLLNER (Dahomey) supported the draft resolution as it stood in document E/L.1150 and felt that any change in it would upset the delicate compromise which had been reached during the informal negotiations.

44. Mr. BELEOKEN (Cameroon) said that he too could support the draft resolution without any changes. The inclusion of the Soviet Union amendment might make the text too rigid.

45. Mr. MAKEEV (Union of Soviet Socialist Republics) said he still felt that the formula he had suggested would avoid unnecessary dissension among the various groups but he would not press it to a vote.

46. The PRESIDENT invited the members of the Council to vote on the draft resolution submitted by Czechoslovakia, Dahomey, Greece, Pakistan, Peru, and the Philippines (E/L.1150).

The draft resolution was adopted unanimously.

The meeting rose at 6.30 p.m.

*Resumed from the 1455th meeting.