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President: Mr. Károly SZARKA (Hungary).

AGENDA ITEM 6

Reports of the World Bank Group (concluded)
(E/5216)

1. Mr. DRISS (Tunisia) commended the efforts made by the World Bank Group on behalf of developing countries; his Government was particularly grateful for the aid provided to several sectors of the Tunisian development programme. The re-election of Mr. McNamara for a further five years augured well for the future: under his leadership the Group had exceeded its targets with regard to the volume and diversification of aid. It was funding projects in a variety of new fields, including education, malnutrition and population planning. His delegation particularly welcomed the Group's activity in the last of those areas, since Tunisia had had a family planning programme for 10 years, and fully agreed with the President of the Group that population planning should be a first priority.

2. In his statement (1841st meeting), the President of the World Bank Group had attached the greatest importance to the relationship between social equity and economic growth. That point was extremely well taken, because progress could not consist solely of increased production. The relationship between the two would no doubt be more satisfactory if the developing countries received all the assistance they needed. However, the poor continued to become poorer as the rich became richer and the gap between them was therefore widening. The developed countries appeared reluctant to deploy their aid in the most effective manner; they were as yet barely half way to achieving the official development assistance target of 0.7 per cent of gross national product (GNP), and it appeared unlikely that they would reach that level by 1975. In view of the continuing practice of tied aid, there was an urgent need to review the terms and conditions of aid. It was the terms of aid, and of trade, which were primarily responsible for the mounting indebtedness of developing countries. They urgently needed to increase their exports, but the developed countries had not opened their markets; unless they took steps to redress the imbalance between their wealth and the poverty of others, development would not be achieved within an acceptable time-limit. In that connexion, his delegation hoped that the World Bank Group, as well as the developed countries, would lower their interest rates. The combination of the inadequacy of public aid, the debt burden and trade barriers made it very difficult for many developing countries to achieve the growth target of 6 per cent per annum, a level which, while necessary, was far from sufficient. Their development was thus retarded and the advance of mankind as a whole delayed.

3. Mr. MAKEEV (Union of Soviet Socialist Republics) said that, as in the past year, the management of the World Bank Group had included among its primary objectives the development of education, the struggle against poverty and malnutrition, and population control. The volume of activities conducted by the Group increased each year, as did the number of its special missions to developing countries.

4. His delegation did not consider that the high rate of growth in the rest of the world was an adequate explanation for the relative economic backwardness of developing countries. The Group was now advocating internal reforms which would alleviate the social causes of tension in those countries. While it was true that developed countries were well below the official development assistance target set in the context of the Second United Nations Development Decade and the external debt of developing countries was therefore increasing rapidly, the failure of the rich to assist the poor countries effectively was only one of two obstacles to the successful implementation of development plans in the latter; the second was that the developing countries themselves were not taking effective action to assist the poorest 40 per cent of their own populations. The President of the World Bank Group believed that the developed countries should remove their restrictions on exports from developing countries; while that was no doubt true of the Western capitalist countries, it should be borne in mind that the socialist countries had no such restrictions. The President of the World Bank Group had also referred to the fact that the developing countries should themselves introduce social and economic changes and had noted that not merely the rate but also the nature of growth was a critical problem for them.

5. At first sight, the new attitude adopted by the Bank to the solution of the economic and social development problems of developing countries appeared quite acceptable. However, a closer study of its plan of action, as outlined by the President, made it appear less commendable; the measures proposed seemed to be a palliative rather than a real solution and would not lead to success unless accompanied by democratic and profound social and economic reforms. That point had been made by the socialist countries in their joint statement of 21 September 1970 concerning the goals and objectives of the Second Development Decade,¹ and had been further referred to by the representatives of Chile, Peru and Pakistan, among others, during the previous meeting. The measures advocated by the World Bank Group would be successful only if they took into account the over-all development needs of developing countries, as well as the need to move ahead towards broad international co-operation on a basis of genuine equality in the economic, trade, scientific and technological fields.

¹ See *Official Records of the General Assembly, Twenty-fifth Session, Annexes*, agenda item 42, document A/8074.

6. Neither in the reports of the World Bank Group nor in the statement by its President at the previous meeting had any mention been made of the neo-colonialist policies of the major Western Powers in relation to developing countries, which involved exploitation by international monopolies for the purpose of reaping maximum profits, unfair terms of trade, plundering by international finance corporations and the erection of discriminatory barriers and obstacles to trade. The net result of those policies was to increase still further the external debt burden of developing countries. Moreover, no reference was made to the continuing wars of aggression which undermined the economies of the third world, or to the efforts being made to crush national liberation movements. The five-point programme outlined by Mr. McNamara was equally silent about the harmful effects of the arms race, which distorted the world economy, the politics of force and the violations of the principle of non-interference in the internal affairs of States. Unless such international violence ceased, all the efforts of the developing countries and international organizations would be endangered, and the strategy outlined by the President would be unlikely to produce its full effect.

7. If the World Bank Group was to become a really effective instrument of development and progress, both its activities and the principles underlying them must be radically revised. A number of speakers had rightly stated that the Group was an instrument for the penetration of foreign monopolistic capital into the economies of developing countries and that its resources were used to serve the political ends of certain States rather than development. A number of developing countries had pointed out that the terms of the aid offered by the Group were excessively burdensome. It was clear, therefore, that without a radical change in its policies the Group's contribution would remain in the realm of words rather than of action. The mere fact of recognizing that the development situation of developing countries was unsatisfactory was far from enough; practical conclusions must be drawn from that recognition and until that was done no mere expressions of good intentions would help the third world.

8. The real power within the World Bank Group was concentrated in the hands of a small number of Western capitalist countries, which defined the forms and methods of its activities and the countries in which they were to be carried out. The activities of the Group were thus markedly political, and it was even more important to change that situation than to modify the terms and conditions of assistance. It appeared from the documentation before the Council that the Group remained opposed to increasing assistance to the developing countries for industrialization. It was accordingly going against the views of the General Assembly, the Economic and Social Council, the United Nations Conference on Trade and Development (UNCTAD) and the United Nations Industrial Development Organization (UNIDO), all of which attached top priority to industrialization programmes. In supporting the boycott by some developed countries of those developing countries which had asserted their sovereignty over their natural resources, the World Bank Group was contravening both the Charter of the United Nations and numerous General Assembly resolutions. His delegation endorsed the comments of the representative of Chile in that connexion (1841st meeting), especially his reference to the Group's support for neo-colonialist policies. That attitude on the part of the

Bank must be condemned. His delegation also wished to draw attention to the fact that, in spite of frequent appeals by the General Assembly that specialized agencies should make every effort to promote implementation of the Declaration on the Granting of Independence to Colonial Countries and Peoples (General Assembly resolution 1514 (XV)), the Group had for 10 years been sabotaging that extremely important United Nations document on the pretext that it had a "special position" within the United Nations system. The conclusion was inevitable that the Group was content to pursue policies in line with those of the capitalist Powers and contrary to the interests of developing countries. His delegation hoped that the management of the Group would take note of its comments, not only in statements and programmes, but also in the action which it took to further the development of developing countries.

9. Mr. KARUNATILLEKE (Sri Lanka) said his delegation attached great importance to the activities and publications of the World Bank Group and welcomed the significant changes both inside and outside the Group which were referred to in the reports before the Council (see E/5216) and in the statement by the President of the Group at the previous meeting. His delegation had been impressed to hear a statement by Mr. McNamara which was very much in line with recent comments made by delegations in the Second Committee, where great stress had been laid on the subjects in which the Group took an interest, including disparities in growth rates and the problems of lower income groups in developing countries. It was thus clear that the policies of the Group took fully into account the real problems of developing countries.

10. His delegation particularly welcomed the fact that the Group had expanded its activities to cover such areas as urban development, population planning, nutrition, education and rural development. Such programmes were a welcome change from the past, when the Bank had primarily financed infrastructural investment. Its interest in population policies, which were an intrinsic part of the development process, were particularly welcome.

11. It was encouraging to note that, like many developing countries, the Group doubted the real usefulness of *per capita* income figures, both for individual developing countries and for those countries as a whole. The achievement of a 5 per cent annual growth in GNP at the end of the First United Nations Development Decade was of little significance, since that figure did not take into account the disparities in the income of different population groups and was heavily weighted by the rapid increase of GNP in the petroleum-producing countries or those possessing other valuable natural resources.

12. The welcome interest of the Group in income distribution in the developing countries might profitably be reflected in quantitative studies of the rate of change of income distribution. Such studies were being made privately in Asia, and the Bank, with its substantial resources, might well either carry out such studies itself or support them. Sri Lanka was one of the few Asian countries which had applied income redistribution policies long before the First Development Decade. During 1963-1972, income distribution had become so much more even, that such indicators as the Lorenze curve and the Gini coefficient had

dropped very significantly. In spite of its poor growth rate, Sri Lanka had effected significant structural changes in its economy through income distribution measures, including taxation and, most recently, land reform. His delegation accordingly welcomed the intention of the Group to support, where feasible, programmes for the reform of land taxation.

13. The report of the Bank (see E/5216) also referred to the problem of debt servicing. Sri Lanka had perhaps the heaviest external debt in Asia and believed that one desirable course of action would be for the Bank to initiate rescheduling operations with both institutions and countries, promote the granting of more soft loans, in particular International Development Association (IDA) concessionary credits, and induce donors to include larger grant components in their loans. The Group might also consider easing the terms of its own loans.

14. The Group's interest in financing urban development and housing projects was also particularly gratifying, because aid in that area led to greater economic and political stability. Sri Lanka had a backlog of some one million housing units as a result of population increase and the prevalence of substandard housing.

15. The table in the summary report of the Bank and IDA on lending to current borrowers, by area (see E/5216), indicated that lending to the South Asia area by the Group had risen to some \$651 million in 1972. That increase was welcome, but his delegation noted that lending to Latin America, which was divided into two subareas, had increased even more rapidly to \$956 million, while that to Africa as a whole had also risen rapidly. It appeared that resources had been diverted from South Asia, but there was no indication in the report as to why that had been done. Was it perhaps felt that development in South Asia was progressing adequately, and that resources should be diverted to areas where they were more urgently needed? His delegation would prefer to see aid to the South Asia area increase at the same rate as to the rest of the world.

16. His delegation welcomed the World Bank Group's active support for industrial development. However, credit made available for industrialization should be unconditional. Any conflict in the policies of the Group as between the needs of the developing countries and the interest of the developed countries which depended on them for raw materials must be avoided. The investment studies made by the Bank should be conducted in the light of national interests, rather than of purely economic criteria. More attention should also be paid to global co-ordination. One of the reasons for the deterioration in the terms of trade was the consistent fall in raw material prices. In that area, price stability depended on the ability of producers to balance supply and demand. The tea-producing countries, for example, had recently reached an informal agreement to limit production with a view to increasing prices. The Group and other international organizations should take such factors into account and avoid financing production in other areas of the world, leading to increased supplies and severely harming present producers of such commodities.

17. Finally, it was gratifying that the statement by the President of the World Bank Group had not referred to environmental problems. In his delegation's view, the Group should concern itself with development rather than with the environment; environmental

problems occurred for the most part in advanced countries which themselves possessed the necessary resources and technological means to cope with them.

18. Miss LIM (Malaysia) welcomed the fact that the World Bank Group's operations were to be expanded in scope and size and that there would be a greater shift of emphasis in the over-all lending programme into different sectors and different geographical areas. In 1972 her delegation had requested the World Bank to accord higher priority to the study and development of more effective institutions to help small farmers and implement large-scale rural works programmes, and to step up its lending operations in the agricultural sector. Accordingly, it hailed the news that the Bank's operations in agriculture had quadrupled and that its lending operations in general had doubled and were expected to increase further. The Bank should be urged to accord greater attention to the need to improve the quality of life of small farmers, and in rural areas in general.

19. The Bank's policy of supporting institutional reforms, such as land, corporate, tax, credit and banking reforms, in order to achieve better income distribution in developing countries was encouraging, given the need to adopt a more comprehensive approach to social and economic development.

20. The reports showed clearly that the Group had been able in 1972 to maintain, and even to increase, the flow of credits to the poorer countries because 15 Governments had made advance contributions to a third replenishment of IDA resources. Now that the third replenishment was a fact, the flow of credit to developing countries could be maintained.

21. The provision of development finance on softer terms would contribute substantially to development. The developed countries had to take significant and urgent action to increase the transfer of resources and liberalize trade. Her delegation shared the dismay expressed by others at the fact that official development assistance was declining and that it was expected to reach only half of the target set for the Second Development Decade. One result had been a dizzy rise in the developing world's burden of debt servicing.

22. The fact that roughly the poorest 40 per cent of the total population in all developing countries had not benefited from development was disheartening and posed a serious threat to stability everywhere. Her delegation was indebted to the President of the World Bank Group for focusing on that problem; both developed and developing countries should endeavour with greater urgency to solve those problems, bearing in mind national development priorities.

23. The developing countries had shown growing interest in the reports of the Group and many, including her own—through its new economic policy which contained measures relating, *inter alia*, to land distribution and the eradication of unemployment—had taken the necessary steps to achieve development objectives. However, the global concern needed to attain those objectives seemed to be lacking; it was to be hoped that the developed countries would take part in a joint effort, in which the developing countries must relate economic growth to social equity and the wealthy world must make a greater commitment to equity and to the developing world. Lastly, her delegation hoped that the matter raised by Chile at the preceding meeting would be settled.

24. Mr. WANG Jun-sheng (China) said that his delegation deemed it necessary to draw the Council's attention to General Assembly resolution 2758 (XXVI) in which the Assembly had decided to restore all its rights to the People's Republic of China and to expel forthwith the representatives of Chiang Kai-shek from the place which they had unlawfully occupied at the United Nations and in all of the organizations related to it. However, the World Bank Group and the International Monetary Fund continued to allow the representatives of Chiang Kai-shek to remain in their organizations; that was in utter defiance of the General Assembly resolution and reflected no honour on those organizations.
25. The Government of the People's Republic of China was the sole lawful Government of China, and Taiwan was an inalienable part of the territory of the People's Republic of China. The participation of the Chiang Kai-shek clique in the World Bank Group and the International Monetary Fund was illegal and those bodies must take measures to expel its representatives immediately and to sever all relations with it, so that the resolution referred to could be totally implemented.
26. Mr. PANGGABEAN (Indonesia) expressed deep appreciation to the President of the World Bank Group for serving as a spokesman of the developing countries. Indonesia was grateful for the assistance which the Group had extended to it in its development efforts. In particular, the family planning project would enable the Indonesian people to gain more experience in the handling, management and over-all execution of a project using modern techniques; the project clearly was to serve as a model for interagency co-operation in helping a developing country to carry out its development plan.
27. Indonesia's development efforts would be concentrated in three strategic areas: agriculture and agro-industries, population and family planning, and, later, education. Underemployment would continue to constitute a formidable problem, as a growing number of persons entered the labour market each year, while the market's capacity to absorb them was not expanding fast enough. To attack the problem at its source, many difficulties had still to be overcome in the matter of family planning, particularly with regard to long-standing attitudes and customs.
28. His delegation agreed that there was a danger that the objectives of the Second Development Decade would not be achieved. The developed countries had indicated at the third session of UNCTAD that they were not ready to enter into new commitments, and in some cases they had failed to honour principles to which they had been committed. Unless there was a radical change in those attitudes and a firmer assertion of political will, the development of the third world would be jeopardized.
29. On the other hand, it was heartening to note that the Group planned to expand its assistance to the developing countries and that greater use would be made of IDA credits. That would cushion the impact on the developing countries of the negative trends in trade and aid of the past few years.
30. He entirely agreed with the President of the World Bank Group that social equity should be the ultimate goal of economic growth. Indonesia would certainly consider how to strike a balance between them, taking into account prevailing realities.
31. Mr. ASHTAL (Democratic Yemen), noting with appreciation the remarks of the President of the World Bank Group at the previous meeting concerning social equity and economic growth, agreed that the two overriding reasons for the inadequacies of current development programmes were that the developed countries were not moving effectively enough to assist the developing countries and that the latter were not moving effectively enough to assist the poorest 40 per cent of their own populations. The five steps to combat the problems of mass poverty suggested by Mr. McNamara were reflected in Democratic Yemen's three-year development plan. Legislation on land reform had completely changed the counter-productive and feudal land tenure system, and the peasant masses had been supplied with a limited quantity of agricultural machinery through generous bilateral assistance from the socialist countries. Measures had also been taken to redress the conspicuous income inequities, caused mainly by the inflation of salaries prior to independence, and legislation had been adopted to improve the housing situation.
32. The execution of those progressive measures had required a severe shake-up in his country's political and economic structure, for it had been necessary to dispossess the affluent ruling class and eliminate social and economic inequity.
33. The developing countries also urgently needed the assistance of the developed countries. In addition to the fact that the latter were not moving effectively enough in that direction, assistance provided by the capitalist developed countries was politically, not economically, oriented. Consequently, the developing countries were being sabotaged and penalized, for they were deprived of economic assistance and even subjected to economic and political blackmail. In some cases, subversion and aggression were used to liquidate developing States which aspired to economic development through drastic measures of income distribution.
34. He earnestly hoped that all organs of the United Nations would take into consideration the income redistribution policies of States to which they provided assistance. Progressive economic and social measures in the poorer countries should be encouraged and supported by further aid from those sources.
35. Mr. ROUGÉ (France) said that the World Bank Group had brought some light into the gloomy picture of the current world financial situation. Mr. McNamara had rightly stressed, in UNCTAD and elsewhere, the enormity of the needs to be met and the inadequacy of the efforts made throughout the world in all sectors of activity. The reports before the Council (see E/5216) made it clear that the World Bank Group had taken positive steps to overcome the difficulties of the third world during the past five years. In his view, it was not for the Council to pass judgement on the management of the Bank or to establish guidelines for its future work: the Council's role should be to ensure that the action of the Bank was given its proper place in the implementation of the International Development Strategy for the Second United Nations Development Decade and that it was in line with General Assembly resolutions and Council policy.
36. He noted that the Bank attached increasing importance to the social aspect of growth. Mr. McNamara had stated (1841st meeting) that higher priority should be given to growth targets measured in terms

of essential human needs, such as nutrition, housing, health, literacy, employment. Similar ideas had been expressed by members during the Council's summer session.

37. A second point on which both the Bank and the Council were agreed was that it was essential to meet the needs of the least developed of the developing countries. His delegation had frequently pleaded the cause of those countries and had asked that Africa be granted a fairer share in the Bank's operations. His delegation was glad to note that the volume of loans to Africa in the coming five years would be three times that of the past five years, and that the volume of resources to be channelled to the least developed countries would increase fourfold.

38. A third point of agreement was that the Bank was co-operating in the field with other specialized agencies, the United Nations itself, the United Nations Development Programme (UNDP) and national bilateral aid organizations. He was glad to note that the problem of co-ordination was apparently being satisfactorily solved in a general spirit of goodwill.

39. The complex programme financed by IDA in Upper Volta was a good example of those three trends which his Government fully supported. Measures to improve the means of subsistence and health of the inhabitants of the south-west region of Upper Volta would lead to significant growth in the country's GNP. At the same time, the programme would eliminate onchocerciasis, a disease which left thousands of people in the region blind. Furthermore, the programme was being carried out in a very poor, land-locked African country, and involved close co-operation between IDA, WHO, UNDP, the French Fonds d'Aide et de Coopération and the United States Agency for International Development.

40. The World Bank could further help to solve the problems which concerned the Council by extending its studies—and, when the time came, its funds—to cover all matters connected with natural resources and raw materials. In his Government's view, the Bank should take a greater interest in financing stocks of raw materials, in accordance with the decision taken by UNCTAD during its third session at Santiago. If the General Assembly decided to approve the Council's proposal to set up a revolving fund for the exploration of natural resources, the Bank could make a valuable contribution towards organizing the fund and subsequently financing it. It was, as yet, too early for any decision, but some thought might be given to the matter.

41. The Bank could also make a useful contribution in the field of international financial law. At a time when disputes between States were on the increase, when it was frequently very difficult to reconcile the interests of debtor and creditor countries, when the principle of the permanent sovereignty of a State over its natural resources was giving rise to constant practical problems, the World Bank could and should act as a mediator. It could even assist in the setting-up of a new legal system better suited to modern times, through the International Centre for Settlement of Investment Disputes. Obviously that would be a very difficult task, but he hoped that Mr. McNamara would not neglect a field in which his predecessors had already rendered great service to the international community.

42. Finally the Bank could and should continue to channel an increasing volume of resources from the

industrialized to the developing countries, constantly improving its methods. It was regrettable that the Council's meeting was ill-timed. Members had not yet been informed of the results of the October session of the Trade and Development Board of UNCTAD or of the top-level meeting of the Development Assistance Committee of the Organisation for Economic Co-operation and Development (OECD), both of which had a bearing on the item before the Council. However, he hoped that the Governments of the industrialized countries would heed the appeal made by the representative of France in Washington to begin negotiations for a fourth replenishment of IDA resources immediately and to ensure that the new programme would cover a five-year period, so that IDA would have a solid basis for its medium-term growth prospects.

43. Mr. CARANICAS (Greece) said that, while efforts to find a durable and equitable world monetary system should continue, particular attention should be focused on the long-range problems of development.

44. Recalling the breakdown of the World Bank Group's commitments during the fiscal year 1972 given by the President of the Group at the preceding meeting, he emphasized that those commitments had brought the level of lending during the past four years to a total of \$10,000 million. Consequently, there was every expectation that the targets of the Group's five-year programme would be achieved as planned. The geographic objectives of the programme were also being met: lending to Latin America over the past four years had been 75 per cent higher and lending to Africa during the same period 130 per cent higher than the level of the previous five years. The figures showed that the lending targets for 1973 in both areas should be met. In terms of the volume of lending, the sharpest increases in World Bank Group commitments had been in industry, tourism, population and education, while lending to agriculture had remained at substantially the level of 1971. For the first time, the Group had provided loans for urbanization in the form of two IDA credits. Further details were provided in the Sector Working Papers published by the Group. The first five-year programme thus clearly had not been a plan merely to do more, but rather a plan to do more of what would contribute most to development. His delegation welcomed the Group's intention to channel more development financing through IDA.

45. The fiscal year 1972 had set an unusually high record for the Bank's borrowings, as could be seen from the 1972 reports of the World Bank and IDA, and from that of the International Finance Corporation (IFC) for fiscal year 1972 and the summary (E/5216). Japan had continued to represent the major single source of funds for the Bank. The Bank had tapped new sources of funds in Europe, including France, Belgium and the United Kingdom, and other major borrowings had taken place in Canada, Switzerland, the United States of America, the Federal Republic of Germany, and Kuwait.

46. The cost to the Bank of such borrowings was a major variable in determining its standard lending rate, and a built-in pressure was created towards an increase in that rate as the volume of Bank liquidity and related costs tended to increase. The liquidity policy of the Bank must therefore be geared to the appropriate level of liquid resources needed in the light of its lending commitments and disbursements. He was

certain that the Bank's administration felt that the Bank should take advantage of all borrowing opportunities so long as the terms and conditions were reasonable in relation to current conditions in the international capital markets. Perhaps, however, additional efforts could be made to determine a liquidity policy which better reconciled the various divergent factors.

47. Turning to the Group's activities in agriculture, he recalled that the Council had adopted an important resolution on land reform and redistribution at its fifty-third session (resolution 1707 (LIII)). The Bank, in co-operation with the other specialized agencies, could help the developing countries to extend the benefits of recent scientific and technological breakthroughs in agricultural production—so far mainly confined to wheat and rice—to other crops. The Bank's Sector Working Paper on agriculture was encouraging in that regard.

48. With respect to education, emphasis should be placed on literacy and the acquisition of skills. A move away from universities to primary schools and to vocational and adult training should be supported by the Bank, with a view to increasing job opportunities. So far, the results of rapid strides in education in the developing countries had been disappointing and, in the more developed among them, it was not unusual to see many educated unemployed.

49. His delegation fully supported the Bank's policies for attacking the problem of overpopulation. The developing countries were becoming increasingly aware of the threat to their welfare as population trends continued unabated. However, since the gravity of the problem varied from country to country, the degree of priority to be accorded to population planning must also vary.

50. The problem of balancing social equity and economic growth was clearly complex. As the Under-Secretary-General for Economic and Social Affairs had noted in his opening statement to the Second Committee,² the simultaneous pursuit of economic growth, along with a whole series of social objectives, raised difficult conceptual problems, and theoretical knowledge was as yet uncertain.

51. He noted that the expanded operations of the World Bank Group had in turn necessitated an increase of some 15 per cent in the professional staff in 1972. The Bank had continued to give attention to achieving a wide geographical representation among its professional staff, and the numbers of nationals from developing countries had almost tripled between 1968 and 1972. However, less than one fifth of the staff with the rank of Division Chief or higher came from developing countries, although the dearth of staff from developing countries could probably be attributed to the fact that few qualified professionals could be spared by their own countries to take up posts in the Group.

52. Finally, he felt that the complaint formulated by the Chilean representative at the previous meeting was unjustified. His Government had full confidence in the objectivity of the Bank, its President and its staff.

53. Mr. OGISO (Japan) noted with satisfaction that the volume of assistance of the World Bank Group had increased substantially over the past years and would

continue to do so. He welcomed the stress placed on the action taken by the Group to open up new fields of activities which would improve the quality of life for each member of society. He noted with satisfaction that the Bank had broadened the basis of its assistance to include new fields such as urbanization, population planning, nutrition, education and rural development.

54. His delegation shared the concern of the President of the World Bank Group regarding the difficulties encountered by the developing countries in achieving the growth target set in the Strategy, mainly as a result of the massive shortfall in concessionary aid. His Government would make a special effort to increase the volume of its official development assistance and to improve the terms and conditions of aid. It had pledged itself to endeavour to achieve the 0.7 per cent target for official assistance, although it would be far from an easy task.

55. His Government considered that the World Bank played an essential role in the economic development of developing countries and had continued to give its active support in order to strengthen the World Bank Group. In 1972 Japan had agreed to increase its subscriptions to the Bank's capital stock and had thus become one of the five largest investors. It had contributed \$144 million to the third replenishment of IDA and in March 1972 had signed an agreement with the Bank to lend approximately \$325 million. His Government intended to continue to contribute to economic and social development through its co-operation with the Group.

56. The PRESIDENT invited the Cuban representative to take the floor under rule 75 of the rules of procedure.

57. Mr. MORENO FERNANDEZ (Cuba) said that the statement by Chile at the previous meeting had created a precedent that no developing country, including his own, could ignore. The present state of international co-operation clearly showed that, since the adoption of the Strategy, the situation in the developing countries had deteriorated steadily. Exploitation by large foreign monopolies, unequal terms of trade, social injustices, structural imbalances and political dependence on foreign countries were important factors characterizing under-development, and the present situation in the developing countries indicated that the phenomenon of under-development could be attributed to one thing, namely, imperialism. The large multinational corporations were a new tool used by imperialist interests to perpetuate their exploitation of and control over developing countries. Chile had been subjected to an economic blockade merely because it had applied basic principles recognized by all Members of the United Nations, had exercised its sovereign right to use its own natural resources and had aspired to a better life for its people. In exercising prerogatives embodied in its domestic legislation, the Chilean Government had violated no commitment and had acted in accordance with many United Nations resolutions, whereas a number of international organizations, including the World Bank, openly violated the same resolutions. In its dispute with the Anaconda and Kennecott Corporations, the Chilean Government had acted within the law, but in so doing had set off a violent international reaction, mainly from the United States Government and the administration of the World Bank Group. The Group's discriminatory practices had been referred to by the Democratic Yemen delegation;

² *Ibid.*, Twenty-seventh Session, Second Committee, 1449th meeting.

the Group was also a political instrument used against developing countries. The Group had violated the basic principle of respect for the sovereignty of States over their natural resources. Its practices confirmed his country's reservations about the World Bank and its feeling that it should be unanimously condemned.

58. Mrs. THORSSON (Sweden) expressed her general support for the views put forward by the President of the World Bank Group in Washington and Santiago on the relationship of social equity to over-all economic growth. Her delegation had often contended that an equitable distribution of income was an important factor for the promotion of economic growth. It was important that the World Bank should take account of that consideration in its activities.

59. Her delegation shared the view that current development assistance was grossly inadequate. The annual report of the Bank (see E/5216) expressed legitimate concern over the limited total flow of aid to the developing countries. Today it was clear that many affluent countries would not even come close to the target of 0.7 per cent by 1975. In fact, the developed countries were currently providing only about half of that target in official development assistance. The President of the Group had pointed to a serious lack of balance in the increase of total GNP in the world. In the 1960s it had amounted to \$1,100 thousand million, and the countries with 60 per cent of the world's population had received only 6 per cent of that increase. It was indeed hard to see how any wealthy country could justify a failure to reach the 0.7 per cent target.

60. It was true that the developing countries had achieved an over-all GNP growth rate of more than the 5 per cent target by the end of the 1960s. However, statistics, particularly aggregate statistics, were quite often misleading. Although a high economic growth was a desirable and even necessary basis for further progress and development, that objective was now coupled with a number of equally important social and economic objectives. There was a growing awareness of the need to promote social development, as a prerequisite for economic expansion. Most important of all was the fact that the well-being of the individual was emphatically claimed to be the central goal to be achieved by development. There was now ample proof that the widespread and staggering poverty in which hundreds of millions of people lived today could not be taken care of by high growth rates, the benefits of which would eventually filter down to the masses. Even when countries had managed quite impressive GNP growth rates, large segments of the population continued to live in utter poverty, characterized by high unemployment, malnutrition, disease and lower standards of housing.

61. Her delegation agreed that measures were needed that would give direct assistance to the poorest segment of the population in all developing countries. Mass poverty continued to be the dominant feature in developing countries and the task facing the Governments of those countries seemed to consist of a reorientation of social and economic policy. Her delegation hoped that the World Bank Group would make every effort to join in the attack on mass poverty.

62. Her delegation noted with satisfaction that the Group was operating at a high level of activity and even surpassing the goals set for 1968-1973. The

broadening of development assistance to include such fields as urbanization, population planning, environmental aspects, nutrition, education and rural development was gratifying. While her delegation welcomed both the quantity of the increase and the broader scope of the Group's activities, it stressed the importance of never losing sight of the quality of assistance given. The statement by the President of the World Bank Group (1841st meeting) indicated that the new orientation of the Bank Group would bring about a further improvement in its activities. Her delegation supported those efforts and felt that increasingly closer links should be forged between the elements and ideas embodied in the Strategy and the policies of the Group as the time came to negotiate the fourth replenishment of IDA. The need for assistance of the kind provided by IDA was motivated by the serious problem of mounting external indebtedness. Debt service payments were estimated to be rising by about 18 per cent annually and the debts of developing countries stood close to \$75,000 million. In a situation where the debt burden was growing rapidly, greater IDA activity was particularly important. The present gloomy situation underlined the need to provide sufficient funds for the effective operation of IDA. It was regrettable that the coming into force of the third replenishment of IDA had been overdue by more than one year. The increasing needs of the developing countries would necessitate a further substantial increase in the volume of resources and consequently there was an urgent need to prepare the fourth replenishment as early as possible.

63. Her delegation had noted a trend among developing countries towards greater self-reliance and economic independence. Economic independence, imperative in itself, was an important prerequisite for political self-reliance. In many developing countries, measures were being taken to acquire more influence over the use of domestic resources and widen control over the foreign-owner sector. The Swedish Government considered that private foreign investment could contribute effectively to the economic and social progress of the developing countries. The effect of private foreign investment should, however, be judged only on the merits of each specific case. It was self-evident that each developing country should have the right to decide on the role and scope of foreign investment within its territory. At the multilateral level, investment disputes should be dealt with in the bodies specifically set up for that purpose and not in development financing institutions. There was no reason for an international development assistance organization to make its credits dependent on the payment of compensation to individual firms in capital-exporting countries, and interference in investment disputes might compromise IDA's role as the main multilateral institution for financing development in poor countries.

64. In conclusion, her delegation underlined the need for a positive response both from international organizations and from developed countries to the demands of developing countries in their new, energetic and vital efforts to change the present distribution of influence and power in the international community, including the World Bank Group. Her Government would continue to follow the trends in the Group with close interest and attention.

65. Mr. DEBRAH (Ghana) said that the developing countries were grateful to the President of the World Bank Group for his passionate and timely appeal to

the developed world to step up its international assistance to the developing world and for his assurance that the richer countries could indeed make available to them 0.7 per cent of their GNP by 1975 in the form of official development assistance. The developed countries were perhaps not convinced that their interests required that they should find ways and means of reaching that target. However, as the poorer countries developed, they would be able to increase their purchases of goods and services from the richer countries; the example of massive United States assistance for the reconstruction of Europe after the Second World War showed that an increase in trade and other economic contacts could be brought about by helping countries to build their economies. If the developed countries gave as massive assistance to the developing countries, the result would be to the mutual benefit of givers and receivers. The developing countries believed that the time had come for the richer countries to heed the repeated appeals that they should make a positive attempt to reach the target specified in the International Development Strategy.

66. In the context of international assistance, the developing countries wished to emphasize that it was not their intention to evade their responsibilities. They were asking for international assistance to buttress what they were doing for themselves, in a spirit of partnership, for the benefit of all.

67. The developing countries recognized that it was most important for them to pay particular attention to their agricultural sector and his delegation was pleased to note that the World Bank was devoting considerable sums to improving agriculture in the poorer world. However, the developing countries faced the problem of finding markets for their produce. If they were unable to do so, all the hard work and assistance which had gone into the development process, could be completely nullified. His delegation therefore hoped that the World Bank would continue to act as the advocate of the developing countries in the struggle to convince the developed world to open its markets to the products of the developing world.

68. The World Bank could also assist the developing countries in the whole area of debt servicing. With 30 per cent or more of the population of many developing countries already unemployed and virtually idle, job creation would become an end in itself. The President of the World Bank had stated that it would be necessary to organize rural and urban public works, build market roads, construct low-cost housing and other similar labour-intensive and economically useful projects. His own country had undertaken such a policy and had accumulated a huge debt in so doing. It had held protracted discussions with its creditors on the need to alleviate the debt burden and to grant repayment terms which would make it possible not only to repay the debts but also to release resources for development. It was only a matter of time before other countries would find themselves in a similar situation. It had been stated that any shortfall in official development assistance would force even the relatively prosperous developing countries to seek external finance from less desirable sources. Such financing added to short-term and medium-term debt burdens by mortgaging larger proportions of export earnings and placing a severe strain on the entire economy. The developing countries were confident that the World Bank would be able to find a satisfactory solution to that particular problem.

69. Mr. HEMANS (United Kingdom) said that his delegation felt that the changes in emphasis referred to by the President of the World Bank Group were both timely and welcome.

70. His delegation agreed with the French and Swedish delegations that, in view of the delay in completing the third replenishment of IDA, an early start should be made on preparations for the fourth replenishment so that it could be completed in good time.

71. There appeared to be general acceptance of the thesis that growth alone was not sufficient to cope with the problem of world poverty, which needed to be tackled head-on. Much more had to be done by both developing and developed countries. Delegations were aware that the United Kingdom had not felt able to accept the 0.7 per cent target specified in the Strategy. However, although his country was doing everything possible to increase the proportion of official development assistance, in market economy countries such as the United Kingdom, most reserves were in private hands and the total flow from private and public sources must therefore be taken into account. The United Kingdom met the target of 1 per cent of GNP per annum specified in paragraph 42 of the Strategy. In the context of private flows, in 1971 the United Kingdom Government had published comprehensive proposals to encourage British private investment in the developing countries. Private flows, of course, raised the question of debt and his delegation agreed with previous speakers that the problem must be looked at much more closely than in the past, with particular attention to the way in which it affected individual developing countries.

72. His delegation also wished to refer to a point made in the 1971 report of the World Bank and IDA that external debt represented not so much the size of the country's problem as the extent to which other countries had been willing to assist it.³ The view that there was nothing intrinsically wrong about the rapid growth of external debt must be taken into account in order to place the problem in its proper perspective.

73. In 1971, development aid by the United Kingdom had increased by 23 per cent over 1970, and that figure should be compared with an increase in governmental expenditure of between 13 and 14 per cent. The size of the United Kingdom aid programme was determined by an annual review of public expenditure and the projected figures showed an increase of 3 per cent per annum for governmental expenditure as a whole and an increase of 7 per cent for development assistance. His Government was doing all it could to respond to the appeal made by the President of the World Bank and would continue to make every effort to increase its development aid allocation.

74. Mr. HAMID (Sudan) said that he viewed with great interest the progress and developments in the World Bank Group as described in its reports (see E/5216). While recent operations might be described as more active in real terms than those of previous years, the developing countries' expectations were still far from being fulfilled. It was gratifying to note that the President of the World Bank Group had realized that fact and had commented on it in detail in his statement (1841st meeting), pointing out that the state of

³ See *International Bank for Reconstruction and Development-International Development Association, Annual Report, 1971* (Washington, D.C.), part II.

development of the developing countries was most inadequate. He had also stated in his address to the Board of Governors of the World Bank Group on 25 September 1972 that the developed countries would not achieve the target of increasing their aid to 0.7 per cent of their GNP by 1975 and that there was little likelihood of official development assistance exceeding 0.37 per cent of GNP—only half the target set—during the first half of the Second United Nations Development Decade.

75. The situation in the developing countries warranted the serious attention of multinational institutions. The slight acceleration in growth rates of total income had done nothing to narrow the income gap in absolute terms between developing and developed countries, the average *per capita* income of the developing countries still being less than one tenth of that of the developed market economy countries. The net flow of official aid to the developing countries, amounting to \$6,700 million in 1971, had declined as a share of their total inflow of financial resources, while their burden of debt had risen to over \$65,000 million. Even more alarming figures had been quoted by the President of the World Bank Group. The developing countries therefore expected still more to be done by the Bank and other multinational institutions.

76. The least developed among the developing countries—including his own—welcomed the concern expressed by the President of the Bank and the growing public awareness of their needs. The theme of social equity and economic growth mentioned by the President of the Bank should be directly related to those countries, which lacked the physical and social infrastructure to enable them to benefit materially from concessions by the world community and needed special programmes and special terms. It would be helpful if the Bank could provide more information on existing programmes or those envisaged in response to resolution 62 (III) adopted at the third session of UNCTAD. He also urged that more attention should be paid to the rural sector of the developing countries, especially the least developed.

77. The developing countries welcomed the proposal to increase the commitments of the World Bank Group to them by an average of 11 per cent per annum for a second five-year programme, in view of the need for all possible assistance from bilateral and multilateral sources in order to meet the targets set in the International Development Strategy.

78. Mr. ABHYANKAR (India) said that the President of the World Bank Group had renewed an appeal to both the developing and the developed countries. Regarding the appeal to the developed countries, although his Government had consistently stressed the vital importance of self-reliance in the development effort, there was also an obligation on the international community. At the previous session of the Council, when the question of human settlement was being discussed, his delegation had pointed out that Governments were restricted in dealing with social needs by the many other national goals requiring attention. The real problem for the developing countries was how to harmonize the claims of social justice and physical growth. Without the help of the international community, they could not spend as much as they wished on such problems as human settlement without sacrificing physical growth.

79. Regarding the appeal to the developing countries, the President of the Bank had said on an earlier occasion that the rich countries were not being asked to diminish their wealth to help the poor countries, but merely to share part of their continually increasing wealth. It was that kind of feeling which led the developing countries to believe that the Second United Nations Development Decade was going the same way as the first, and with much less excuse. It had been claimed for the First Decade that there were no specific goals, so that results could not be assessed; but the Strategy for the Second Decade was an attempt to quantify goals to be achieved by the international community. Others had spoken of the failure in the past two years to convert those goals into reality and, according to the President of the Bank, there was no prospect of any significant improvement in the near future.

80. He did not think that those who believed in multinational diplomacy should lose hope. As his delegation had said in the Second Committee,⁴ what was needed today was not goals or information, but a collective political will to tackle common human problems. Could that political will be aroused to take the necessary measures within a reasonable time?

81. Mr. ALI (Pakistan) said that at its twenty-sixth session the General Assembly, after two decades of procrastination, had recognized the representatives of the People's Republic of China as the only legitimate representatives of China—a welcome though belated recognition of the unity and territorial integrity of China. His delegation attached great importance to that principle, which was enshrined in the Charter, and in recognition of which the General Assembly had called on all United Nations bodies and agencies to expel the representatives of Chiang Kai-shek. Most of them had done so and his delegation urged that the International Bank for Reconstruction and Development (IBRD) should take similar action without delay.

82. Mr. AL-SHARAFI (Yemen) said that he wished to express his Government's gratitude to the World Bank (IBRD) for its continued aid and support for his country, which was greatly benefiting from loans for road building and other projects.

83. Mr. CARANICAS (Greece) said that, in his opinion, the question raised by the representatives of China and Pakistan was not a matter for the Council to discuss. It should be dealt with by the competent body of IBRD.

84. Mr. McNAMARA (President of the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation) said that the comments by 23 representatives at the present and previous meetings had covered a broad range of important points; he and his associates would give careful consideration to them all. He had been greatly impressed by the careful examination of the report; by the suggestions made and in particular by those of the representatives of France, Canada, Sweden and the United Kingdom concerning the need for an early start on negotiations for a fourth replenishment of IDA; and by the repeated references to the need for more equitable distribution of the benefits of growth in the developing countries—a critical issue to which the International Bank was

⁴ See *Official Records of the General Assembly, Twenty-seventh Session, Second Committee, 1458th meeting.*

giving increased attention. He had also been impressed by the concern at the growing debt burden and hoped that all multilateral and bilateral agencies interested in development would recognize the urgency of the problem and the need for increased levels of concessionary aid. The Bank strongly supported the idea of a special effort to help the least developed among the developing countries—which had been the subject of repeated references and indications of support—and was giving those countries increasing financial and technical aid.

85. The specific comment of the representative of Chile at the previous meeting on the relationship between his Government and the International Bank was the fifth such attack on the Bank in three weeks. Although the charges were false, he had been reluctant to answer them sooner, lest in so doing he might conceivably cause harm to a people who needed and deserved world support; but the continued repetition of such misleading statements required a response to prevent damage to an institution which had committed \$3,100 million to over 60 developing countries in fiscal year 1972, an institution which had lent Chile more than \$235 million in the past and had repeatedly stated that it would be happy to resume lending to Chile in the future as soon as conditions permitted. There were three issues.

86. In the first place, the representative of Chile had said that the Bank was the tool of private interests of one of the great Powers and withheld loans when requested by that Power. The facts did not bear that out. The Bank had recently approved loans to Bolivia, Guyana and Iraq on his own recommendation and against the objections of one or more of the great Powers based on the very same ground of disputes over nationalization. In all those cases, the official records of the proceedings were available to all members of the Bank and to the Government of Chile.

87. Secondly, the Chilean representative had said that the Bank was not giving loans to his country because of the nationalization of the property of certain nationals of the United States of America. That, too, was not the case. The Bank had always followed a reasonable and consistent policy on nationalization of property, a policy which had been determined by its member Governments and which was based on accepted principles of international law. The document from which the Chilean representative had quoted at the previous meeting had not been his report but the report of the Executive Directors representing all the members of the Bank. The question had not yet arisen as to whether or not Chile had acted in accordance with that policy because the primary conditions for Bank lending—a soundly managed economy with a clear potential for utilizing additional funds efficiently—had not been met. The Chilean economy was unfortunately in serious difficulties, with sharp inflation and rising prices and cost of living. Clear internal measures were needed to re-establish economic stability and no amount of external aid could remedy the situation.

88. Thirdly, the representatives of Chile had omitted to state that, immediately after the election of President Allende, he (Mr. McNamara) had sent personal messages indicating his desire to continue supporting the Chilean development programme. At the time of the Inter-American Committee on the Alliance for Progress review, in February 1971, three months after the new

administration had taken office, and on many occasions since then, the Government had been informed that the Bank was very anxious to find ways of helping Chile's development effort. It still wished to help and felt an obligation to do so, and it greatly regretted that the state of Chile's economy made that impossible at the present time.

89. The question raised by the representative of China was a matter for decision by the member Governments of the International Bank. He had promptly brought the relevant General Assembly resolution to their attention and had so informed the Secretary-General on 26 October 1971. The issue had not been raised by any of the financial ministers representing the 121 members of the Bank at the recent annual meeting of the Board of Governors.

90. He appreciated the opportunity of expressing his views and hearing the comments of members of the Council. The presence of so many members of the Executive Board emphasized the importance attached to close co-operation with the Council and other United Nations bodies.

91. Mr. CUBILLOS (Chile) thanked the President of the World Bank Group for his apparently precise answers, although they were not complete and had included references to some questions that he had not raised. What he had asked was whether the International Bank was prepared to respect the principles of the Charter of the United Nations and the resolutions of the General Assembly on matters concerning sovereignty over natural resources; and the President of the International Bank had not replied. Was the International Bank really associated with the United Nations or not? What interests was it protecting?

92. The \$235 million referred to by the President of the Bank had been lent before the election of President Allende. Requests for loans in 1971 had been rejected by the Bank's administration, although Chile's economy had been in a satisfactory state at the time. Indeed, on the basis of an impartial report by the International Monetary Fund on his country's economic situation in December and January, the Paris club had agreed to renegotiate his country's foreign debt.

93. Some of the statements made by the President of the Bank were, he felt, inappropriate for the Council. True, his country was suffering inflation, but it was the result of the need to put the economy in motion and apply a development ideology that was very different from the capitalist idea of development. The people's Government of President Allende had taken a series of measures that the International Bank considered necessary for developing countries. There had been a massive redistribution of income, and salary increases had opened up access to consumer goods for the people. That was something that had to be taken into consideration. If the Bank decided not to grant any more credits to developing countries with a planned economy, many third world countries would ask themselves what were the Bank's objectives.

94. Regarding the comment on the subject by the representative of Greece, it was not a question of the management of the Bank being unaware of ideologies and policies: the management knew perfectly well what was happening. It had considered the question of credits for Chile but had not even submitted it to the Executive Board.

95. The President of the International Bank had stated that Chile had access to IBRD credits, but in fact Chile had been told that it would not be given credits until the problem of the dispute with the United States had been solved.

96. Mr. WANG Jun-sheng (China), recalling that all the specialized agencies except the International Monetary Fund and the International Bank for Reconstruction and Development had expelled the representatives of Chiang Kai-shek's clique, said that the President of the World Bank Group must take action to implement the resolution of the General Assembly of expelling Chiang Kai-shek's representatives and restoring its rights to the People's Republic of China. The President's apologies would not help him to evade his responsibilities.

97. Mr. McNAMARA (President of the International Bank for Reconstruction and Development, the International Development Association and the International Finance Corporation) said that all the issues raised were very important and deserved detailed consideration. With regard to the Chilean representative's remarks, he wished to note that the Bank was disbursing \$10 million to Chile in 1972 on outstanding loans and he hoped that the amount would be increased in future years.

98. The PRESIDENT suggested that, if there were no objections, the Council should take the following decision:

"The Economic and Social Council takes note with appreciation of the report of the International Bank for Reconstruction and Development and the International Development Association, and of the report of the International Finance Corporation."

The decision was adopted without objection.

99. Mr. MAKEEV (Union of Soviet Socialist Republics) said that, for the reasons expressed in his statement earlier in the meeting, his delegation objected to the words "with appreciation" in the decision just adopted. Accordingly, had a vote been taken, his delegation would have voted against the decision if those words had been included and would have abstained had they been omitted.

100. Mr. WANG Jun-sheng (China) said that, inasmuch as the Bank had not implemented General Assembly resolution 2758 (XXVI), the decision did not represent the views of his delegation.

AGENDA ITEM 11

World Food Programme: modification of the WFP budget cycle (E/L.1518, E/L.1519)

101. The PRESIDENT recalled that in the tenth annual report of the United Nations/FAO Intergovernmental Committee of the World Food Programme, which the Council had considered at its summer session, the Committee had proposed to change the budget cycle from an annual to a biennial one (see E/5129). The change would make it necessary to amend regulation 24 of the General Regulations of the Programme. As indicated in document E/L.1518, the Advisory Committee on Administrative and Budgetary Questions concurred in the proposed change; the new text of the regulation in question was reproduced in that document.

102. If there was no objection, he would take it that the Council approved the proposed amendment of the regulations of the World Food Programme.

It was so decided.

The meeting rose at 6.40 p.m.