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(Venezuela).

AGENDA ITEM 9

Reports of the World Bank Group and of the International Monetary Fund (continued) (E/4593 and Add.1, E/4594 and Add.1, E/4596)

1. Mr. ROUAMBA (Upper Volta) said that the ministers and the senior officials of the Development Assistance Committee of OECD, which had met in Paris about a month ago, had observed and acknowledged that an effective development strategy had not yet been defined. The main reason for the absence of such a strategy seemed to be that there was no political will to mobilize the financial resources necessary for vigorous action.

2. In his address to the Board of Governors on 30 September 1968, which is attached to document E/4593/Add.1, the President of the World Bank Group, after drawing attention to the alarming lack of growth of annual per capita income in the countries of the Third World, had explained why such a situation cried out for a greater effort by the richer countries. It was clear he had said that they were financially capable of such action; and it was also clear that the political will to promote development had slackened and desperately needed to be strengthened. However, he had answered the question of what IBRD could do by saying that it could and would act. That reply was clear and very encouraging. For that reason the delegation of Upper Volta had felt it essential to make it the keystone of its statement.

3. Speaking of the growth of national income in African and southern Asian countries by categories of recipients, the President of the Bank had pointed out that growth was concentrated in the industrial sectors, while the peasants still lived in poverty at a bare subsistence level. Indeed, the originality of the annual report of IBRD and IDA^{1/} lay in the special stress it laid on agriculture and the problems of the population explosion. Some industrialized countries were making laudable efforts; others noted with surprise or concern the fact that the billions of dollars they were spending annually to help those doomed to poverty had so far failed to relieve their lot. The reason was that in its volume, terms, orientation and practices, assist-

ance had not yet received the forceful and decisive impetus which concerted political will alone could give them. His delegation wished to express its appreciation of certain very encouraging aspects of the programmatic address delivered by the President of IBRD, in particular his statement that he had always regarded the Bank as a development agency. In the sphere of development, assistance to the Third World was of the greatest urgency. His delegation also noted with satisfaction the establishment of the Pearson Commission, while regretting that the Commission had not a single African member.

4. In his address of 30 September 1968, the President of the Bank had said that it was in Africa that the greatest expansion of the Bank's activities should take place; over the next five years the Bank's rate of investment there should increase threefold. In addition, it was to be hoped that the President's decision to recommend a broader geographical distribution of the resources of IDA, with reduced emphasis on Asia, would benefit the African countries. However, the delay in replenishing the resources of IDA was disappointing. His delegation appealed to the IDA part I (economically more advanced) member States to agree to help IDA out of its present crisis, and ventured even to suggest that they should make voluntary announcements of their contributions. In that connexion, it congratulated Canada, Denmark, Italy, Norway, Sweden Switzerland.

5. The PRESIDENT OF THE Bank had also said that the sector of greatest expansion in the Bank's five-year programme was agriculture. That was one of the most important points in the eyes of his delegation, for the population of Upper Volta was more than 90 per cent rural. The section on agricultural development in part two of the report gave a bold analysis of the problem and held out very promising prospects for the future, while recognizing that the diversity and complexity of the factors upon which agricultural growth depended made development in that sector particularly difficult. The Bank's plans to intensify its activities in agriculture and its greater operational flexibility should enable it to make a more effective contribution towards solving the more general and at the same time more complex problem of rural development, not only agricultural production. After pointing out that although about two-thirds of the people of the developing world lived on the soil those countries had to import annually \$4 billion of food from the industrialized nations, the President of IBRD stated that in the coming year the Bank planned to process more than twice the value of agricultural loans as in the last year and that its agricultural loan volume over the next five years should quadruple. But if that effort was to be fully effective, attention would have to be given to related problems such as those of primary education, the intensification of technical assistance activities and the

^{1/} International Bank for Reconstruction and Development - International Development Association, Annual Report, 1968 (Washington, D.C.); this report was transmitted to the Council by a note of the Secretary-General (E/4593).

sectors connected with agricultural development, such as transportation.

6. His delegation was pleased to see that certain policies had been made more flexible, with benefit to the African countries; he referred in particular to the financing of expenditure in local currency and to the criteria for financing national development banks. With regard to the last point his delegation believed that the Board of Governors of IBRD had accepted the President's recommendation that the basic criteria to be applied in making decisions concerning loans should be those affecting the ability of the institution to contribute effectively to economic development, i.e., the quality of its management, its policies and its operational procedures. The fact that an institution was under State control would no longer ipso facto be a bar to financing it as in the past. That showed greater flexibility on the part of the President of the Bank and a willingness to adapt procedures to the needs of different members. It should permit the planning of a larger number of small projects in economies where markets were small. The recommendations made by the President concerning the aid programme were another example of his willingness to explore all possible forms of financing.

7. He wished to stress the new outlook on the fundamental problems of development displayed by the Bretton Woods institutions, thanks to which responsible officials of those institutions were exploring new horizons and trying to adapt their policies and procedures to the new requirements of development. The prospects were encouraging. However, his delegation had certain doubts with regard to population policies. Although it was basically in agreement with the President of the Bank that a strategy must be devised and solutions found for the problem of population growth, it felt that there were certain qualifications to be made. First of all, his country was not among those which saw population explosion everywhere, to such an extent as to blame it for all the ills of under-developed mankind. The real explosion was in the arms race. Secondly, Upper Volta was not positive that in the causal relationship between the two terms of the equation—population growth and economic development—it was the former which was responsible for the stagnation of the latter. According to certain studies, population growth in the newly independent countries was a cause of, and not an obstacle to, economic growth. If the developing countries were to be helped to speed up their development, they must be helped to assess correctly and to safeguard their human resources, before suggesting birth control programmes to them. The problem, if there was one, stemmed from the fact that the birth rate remained constant while the death rate declined thanks to progress in medicine and education. Finally, it was difficult to see how, given a certain social and religious context, a birth control policy could be defined and a fortiori put into effect. There were too many prerequisites, including literacy and education. Education was of such importance that the Bank planned over the next five years to increase its lending for educational development threefold. Moreover, the experiments with birth control were not so convincing as to warrant an increase in their number. With modern science,

great progress could today be made in the exploitation of food resources and the improvement of agricultural techniques. That being the case, population growth in certain countries should surely be regarded as a sign of vitality and its absence as cause for concern. The aim should be to bring about an explosion of political will commensurate with the population explosion rather than to justify the lack of the former by the magnitude of the latter. There seemed to be a sort of conspiracy to tie the development process to population growth. Might that not ultimately risk placing a premium on aid, which would be given solely to countries which had agreed to formulate a population control programme? His delegation would welcome some reassurance on that point.

8. To sum up, the reorganization of the services of the World Bank Group to cope with those proliferating activities could be indicative of the political will of the rich countries to help the poor ones; departments were being decentralized without a curtailment of their activities; special attention was being devoted to recruitment to ensure equitable geographical distribution and enlist talent; lastly, the French language was coming back into its own.

9. His delegation had centred its statement around the report of IBRD and IDA Group because the report of the International Monetary Fund^{2/} had not presented any problem which it felt could be fruitfully debated in the Council which was unfortunate in view of its highly technical nature.

10. It was constantly being asserted that economic development assistance was becoming increasingly multilateral in origin and regional in destination. The very existence of the Bretton Woods institutions justified their role as agencies for channelling such aid as long as they received the necessary funds. He urgently appealed for bilateral aid to complement such multilateral aid, of which the World Bank Group and the International Monetary Fund were the most reliable and effective agents and guarantors.

11. Mr. VARELA (Panama) expressed his gratification that the Vice-President of IBRD and the Managing Director of IMF, whose statements (1571st meeting) had been extremely interesting, were present. His delegation was also pleased that the Bank had adopted a dynamic approach towards agriculture. In the developing countries, human development was impossible without agricultural development, for two thirds of the world's population lived in rural regions. The Bank's concern with agricultural assistance was therefore very wise.

12. Aid to agriculture required financial assistance to enable farmers to buy fertilizers, insecticides and farm equipment, to irrigate their land, and to stimulate and sustain deep economic motivation. Those were all positive elements of what should constitute true land reform; not to be confused with the mere redistribution of land.

13. In his statement at the previous meeting, the Vice-President of IBRD had discussed economic motivation. His delegation hoped that the Bank included the

^{2/} International Monetary Fund, Annual Report, 1968 (Washington, D.C.); this report was transmitted to the Council by a note of the Secretary-General (E/4593).

need to stabilize agricultural commodity prices. Agricultural development could not proceed if the farmer had no assurance that he would receive remunerative prices for his products. Without such a guarantee, middlemen would profit from the seasonal fluctuations in the supply of and demand for such products.

14. His delegation was pleased that the Bank planned to double its agricultural lending in Latin America during the current fiscal year. But the Bank would be well advised to remember that storage and conservation facilities for agricultural commodities also required financing and that they would undoubtedly facilitate price support policies for those commodities. In that connexion, he recalled that the Bank's first loan to Panama had been for the installation of a chain of silos, which had helped his Government to cut its losses on agricultural products and to support their prices.

15. It was, however, paradoxical that, despite its concern with agriculture, the Bank planned to continue making agricultural loans at the rate of 6.5 per cent per annum. As a rule, small-scale farmers required only small amounts and the annual interest on those loans was negligible. The national organizations distributing those funds nevertheless incurred considerable expenditure in formulating investment plans, processing loans and collecting repayments. If the Bank could not grant loans at a rate below 6.5 per cent, then at what rate should national agencies lend to small-scale farmers if neither was to find the burden unbearable? The only solution was to tap the resources of IDA, which were nearly exhausted. He wished to pay a tribute to Canada, Denmark, France, Italy, Norway and Switzerland which had announced their intention of increasing their contribution to IDA. He was also convinced that the United States, which had always contributed substantially to international financing institutions, would contribute a large sum to IDA.

16. In his statement, the Vice-President of IBRD had raised some points often expressed in the Council and in the Second Committee regarding the developing countries' foreign debt-servicing burden, but he had not indicated what measures the Bank planned to adopt during the second United Nations Development Decade to change the terms and conditions for loans already made. He hoped that the Bank would find its way to revise those conditions and terms.

17. Passing to the report of IMF^{2/} his delegation noted with satisfaction that the Fund had been very active and that its co-operation had been most helpful in averting a grave international monetary crisis which would have seriously affected many countries, including Panama. His delegation was also pleased with the Fund's policy with regard to stand-by credits, which accelerated economic development in the developing countries. Panama had benefited from those arrangements and hoped that the Fund would continue to provide such assistance as required.

18. The Managing Director of the Fund had mentioned the unsatisfactory results of the current Development Decade, adding that the developing countries had recognized the need to adopt realistic policies in order to establish appropriate economic and fiscal priorities. While those countries were making every effort to

mobilize all their financial and human resources for economic and social development, their efforts would require increased external aid if they were not to lose momentum in the meanwhile.

19. In conclusion, he hoped that the Managing Director of the Fund was convinced of that necessity and that his powers of persuasion would awaken in the developed countries the political will required to help the under-developed countries.

20. Mr. BRADLEY (Argentina) felt that no attempt could be made to analyse the reports of the World Bank Group and IMF in depth; they were reference works which would guide the deliberations of many United Nations bodies in the coming year. The Minister for Economic Affairs of Argentina had made a very comprehensive statement to the Board of Governors of the Bank in September 1968 and there was no need to reiterate it.

21. At the preceding meeting, the Vice-President of IBRD had clearly indicated the areas in which the Bank planned to concentrate its efforts to promote the growth of the developing countries. It intended to encourage the agricultural sector, thereby helping to improve food production, both quantitatively and qualitatively. Argentina, which was primarily a stock-raising country, could only approve of such activities. Actually the Bank's activities in the agricultural sector so far had been rather limited. In the future, it should assume a major role in financing certain aspects of multilateral world food aid.

22. The industrial sector was very important. Agricultural development alone was not enough, although industrialization without agriculture was inconceivable. The two sectors should therefore complement each other. His delegation was also pleased that the Bank planned to devote greater attention to technical training in order to make man more productive by placing the latest discoveries of modern science and technology at his disposal.

23. However, he discerned a negative element among the Bank's projects: population planning—which Argentina could not accept. The Bank was basically a development institution. It was, moreover, clearly shown that a fall in the birth-rate was not conducive to development. The reverse was rather the case. Hence the Bank should not try to reverse the terms of the equation. By so doing, it would commit itself to an experiment with man himself as the subject. That concern was shared by many other countries and based on various considerations.

24. Otherwise he could only welcome the activities planned by the Bank for the coming years. The fact that the President of the Board of Governors of the Bank was the Argentine Minister for Economic Affairs gave him particular satisfaction. The Bank should play a leading role in the second United Nations Development Decade. It appeared to have taken that into account in deciding to establish the Pearson Commission, which augured well for the future.

25. The Argentine delegation particularly welcomed the role played by IMF in solving the crises which had recently threatened the stability of the international monetary system. Argentina, for its part, was participating actively in the activities of the Fund, which

had recognized its monetary stability and solvency by extending to it the benefits of Article VIII of the Articles of Agreement. Since then, the Fund had used over \$80 million in Argentine pesos for transfers to other Member States. From having been a debtor country, Argentina had become to approximately the same amount a creditor country. The Fund had, moreover, granted it a stand-by credit which it had not yet had occasion to use.

26. Mr. HOVEYDA (Iran) regretted that Mr. McNamara's absence deprived him of the opportunity of appreciating at first hand the high qualities that were apparent on reading the address he had delivered to the Board of Governors of IBRD in September 1968. The statements in the Council and the reports distributed constituted noteworthy documentation because of their importance and quality, and it was regrettable that the Council had so little time to examine them. As the Under-Secretary-General for Economic and Social Affairs had remarked at the opening of the general debate, it was very important to have, in addition to the information on the developing countries, information on the developed countries. The reports provided a very complete picture. The address by the President of the Bank was marked by realistic optimism; it did not conceal the dark sides of the picture and it accepted the challenge. As far as the Bank was concerned, the suggestions made on the doubling of the volume of loans, their better distribution geographically and as between economic sectors, and the new interest in education and training and in the agricultural sector were indeed welcome. However, even with double the loans in the industrial sector, much more remained to be done. He was pleased to note that the co-operation among the Bretton Woods and United Nations organs was being intensified and that the Pearson Commission had been set up and was beginning to function. Gratitude was also due to the countries which had agreed to increase immediately their contributions to replenish the IDA funds.

27. It was impossible to share the views expressed by the representatives of Argentina and Upper Volta on the population problems. The population explosion did not conflict with development, but account must be taken of certain facts evidenced by the population explosion. Every report dealing with the world social situation showed that the world's population was continuing to increase rapidly. It was not the increase itself that was disturbing but the fact that, by 1985-1990, three quarters of the world's population would be living in developing countries and over half the population of those countries would be under fifteen years of age. Even if the increase was not alarming in Iran, where there were no curbs on population growth, it was to be feared that the large size of the under-fifteen age group, which constituted a non-productive sector dependent on the rest of society, would act as a brake on economic development. It appeared that the Council was engaged mainly in battle of words on that subject. There was nothing in the ideas expressed by Mr. McNamara in his address of 30 September 1968 which conflicted with the economic or philosophical ideas mentioned during the debate. Iran was for the moment contenting itself with an information campaign but recognized that a real

problem existed. The population problem was, moreover, not the only one acting as a brake on human development; the same applied to conservation of the environment. While supporting the Bank's action and its five-year programme, some reservations could be expressed with regard to the amount of time which elapsed before Bank projects were executed. That slowness dampened the initial enthusiasm of those concerned, who then showed less interest in the launching of the projects.

28. With regard to IMF, the monetary crisis was a matter for concern, but it was to be hoped that international co-operation would overcome existing tensions. Note should be taken of what had been said concerning the special drawing rights. Two questions were important: the stabilization of commodity prices and co-operation between the Bank and the Fund. The Managing Director of the Fund had emphasized the need for co-ordinating budgets and development plans. That point was important for Iran, whose Budget Department had been transferred to the Planning Office, with striking results. Finally, it was encouraging to note that the financial bodies were devoting more and more attention to development problems as a whole and no longer simply to specialized sectors. The Bretton Woods organizations were beginning to take a global view of things and it was to be hoped that differences would be set aside in favour of points of common interest.

29. Mr. CUHRUK (Turkey) said that he had listened with attention to the statement by the Managing Director of IMF, and particularly to his reference to the special drawing rights and their importance for developing countries. The new President of IBRD, Mr. McNamara, enjoyed profound respect in Turkey, where his ability was well known. Under his leadership, the World Bank Group would enter a new phase of expansion. During the debate in the Second Committee on external financing of development, a great deal had been said about the over-all deterioration in the climate of international aid. His delegation was therefore gratified to learn that in the next five years the Bank would lend twice as much as it had done in the past five years. That was all the more welcome since there had not been a marked increase in Bank lending during the past ten years. In addition, the Bank would diversify its activities, spreading into new sectors such as education, agriculture, tourism and family planning. Thanks to the increase in the Bank's personnel and the streamlining of its procedures, it would be possible for applications for loans to be processed more speedily. The benefits accruing from increased flexibility could not but benefit developing countries. The Bank had decided to rearrange the order of its priorities to meet new requirements, and the success of those efforts would depend on the extent to which those priorities were brought into harmony with those of the Governments of recipient countries. The Bank was fully aware of its important role in giving advice to countries which needed it.

30. The Turkish Government was disturbed by the steady rise in the Bank's lending rate, which reflected the tight situation in world capital markets. The rate of interest had been raised twice during the current year and had reached 6.5 per cent. It was urgent that IDA funds should be replenished and that

the access of countries with serious debt repayment problems to that institution be facilitated. Their access should also be facilitated to enable the execution of projects in low-income regions, even if the income of the country concerned was relatively higher. His delegation was glad to note the effort towards association and integration of the Bank's activities with those of United Nations bodies. That would enable the objectives of the second Development Decade to be fulfilled more effectively. In that connexion, he cited the Bank's activities as a participating and executing agency for UNDP projects, the studies it carried out at UNCTAD's request, its assistance to Member States in formulating development policies, and the activities of the Economic Development Institute.

31. The work of the Pearson Commission, which was composed of eminent personalities, would no doubt contribute to a better understanding of the efforts so far made, thus ensuring more effective preparation for the second Development Decade. Finally, he paid tribute to Mr. George Woods for the services he had rendered for many years to the World Bank Group and to the general cause of development.

32. Mr. GOLDSCHMIDT (United States of America) said that he had been glad to hear the Vice-President of IBRD and the Managing Director of IMF present their annual reports one after the other (1571st meeting) which had shown clearly the mutually reinforcing functions of those agencies, particularly as they related to support for the developing countries. The World Bank Group had achieved some important results during the past year and it was remarkable, in view of all the difficulties encountered, that it had been able to make \$1,000 million available for development efforts. Even more remarkable was its spirit of dynamism in looking to the future. The growing closeness between the Bank and the United Nations system could not fail to strengthen both. The Bank's arrangements for co-operation with UNDP had proved beneficial and would be more so in future. The development financing provided by the Bank was integrally related to a wide range of technical assistance services and its efforts in the field of multilateral research, advice and co-ordination held promise for the future.

33. The President of the Bank had courageously and wisely concentrated his attention on the problems of population growth, food supply and education. It was to be hoped that projects in those fields would be accelerated. The plans that had been outlined showed a significant expansion in the Bank's operations and the new policies were better suited to the requirements of the day. The delay in replenishing the resources of IDA was disappointing. The wisdom of supporting that institution should be recognized and thanks were due to the countries that had stepped into the breach and had thus prevented the worst from happening. Although dollar contributions had been lower in the past year, IDA had been able to provide credits to a greater number of countries. It should be stressed, moreover, that IFC was enjoying growing confidence among all the contributing countries, as was demonstrated by that body's record level of commitments in 1968. The Bank and IFC had recognized the need to co-ordinate the mobilization of various sources of financing and had been successful in channelling private

capital into development through borrowings and participations. The Bank's borrowing in recent months had shown that considerable sources of capital remained untapped. Efforts should be continued towards the development of new techniques of multi-lateral co-operation aimed at broadening the sources of capital and utilizing them more efficiently. That would help to close the gap between the available resources and the needs.

34. The new plans announced by the President of the Bank were impressive and the grand assize carried out under the direction of Mr. Pearson could be of great usefulness to the second Development Decade. The grand assize made use of past experience and, free from the jealously guarded prerogatives of bureaucracy, it would certainly be of great significance for the plans of the second Decade. The speech made by the President to the Board of Governors on 30 September 1968 and the remarks made by Mr. Woods at the Second session of UNCTAD^{3/} had been remarkable for their wisdom, realism and hope for the future.

35. With regard to IMF, the reappointment of Mr. Schweitzer as Managing Director was to be welcomed. The international monetary system had been subjected in the past year to the most violent strains of the last thirty years and the Fund had played a vital part in efforts to stabilize it. The large volume of new or renewed stand-by arrangements had been especially valuable in enabling various Member States to meet temporary imbalances. Without such assistance the substantial threats to the international monetary system could have proved even more serious, with detrimental consequences for all nations. The report of the Fund attached considerable importance to the creation of reserves for the purpose of ensuring international payments equilibrium and the liberalization of current and capital transactions. His Government considered it a matter of high priority for both industrial and developing nations that ratification of the amendment to the Articles of Agreement of the Fund providing for the creation of a special drawing rights facility^{4/} should be completed promptly. It was desirable that the facility should be ratified by the end of the year. The Managing Director of the Fund had stressed the important bearing of the special drawing rights facility on the welfare of the developing countries. The new system should enable them to derive additional reserves and should indirectly assist the development of their economic activity. The operations of IMF were thus strengthening other programmes under way in the developing countries.

36. Another admirable example of a useful contribution to the strengthening of United Nations organizations was the Fund's increasing technical assistance to Member States through the Fiscal Affairs Department, the Central Banking Service and the IMF Institute. The expansion of the Fund's technical assistance facilities meant that its resources and wide experience could be brought to bear on the links

^{3/} See Proceedings of the United Nations Conference on Trade and Development, Second Session, vol. I and Corr. I and Add. I. Report and Annexes (United Nations publication, Sales No.: E.68.II.D.14), p. 20'.

^{4/} See International Monetary Fund, Annual Report, 1968 (Washington, D.C.), appendix I; this report was transmitted to the Council by a note of the Secretary-General (E/4596).

between financial programming and development planning. The expertise of the Fund helped to match demands with resources and, by reducing the stresses on price levels and balances of payments, was of considerable help to developing countries. As President Johnson had remarked at the opening of the joint session of the Boards of Governors of the Fund and the Bank on 30 September 1968, in the world that had started with Bretton Woods, the more the nations moved out of phase with each other, the more each had to restrict itself, whereas the more they moved together, the more rapidly would each be able to advance towards prosperity. The financing of international development demanded a common response; development was not the responsibility of a few countries but of many. The institutions that had been created at Bretton Woods and the co-operation that had resulted from them had led to the highest sustained rate of economic growth in the history of the world. Total world income was now \$2,500,000 million. If countries worked together in monetary, economic and development policies, they could hope to increase world output by 5 per cent over the next decade. That called for the establishment of constructive relations among industrial countries, between industrial and developing countries, among the developing countries themselves, and between East and West.

37. Mr. FIGUEREDO PLANCHART (Venezuela) said that his delegation was glad to note that IBRD had decided to double the total amount of its loans and to revise their geographical distribution. It was certainly important that agriculture should be given increased assistance, as was pointed out in the statement by the President of the World Bank, but his delegation felt that efforts should above all begin in the sphere of human resources, which both produced progress and benefited from it.

38. It was of course important that the majority of developing countries should increase their agricultural productivity, but development efforts should extend also to the industrial sector, in order to raise productivity in the two fields simultaneously. Such had been the case in his country, thanks, in particular, to the assistance provided by the Bank.

39. It was true, as had been pointed out, that the world was now in a position to revolutionize its food production. It was important, however, to ensure that the resulting advantages were fairly distributed.

40. His delegation was glad that the Bank's report laid stress on industrialization financed by development banks. That was an extremely promising initiative which would help to increase investments. Again, he welcomed the Bank's decision to co-ordinate its operations in that field with those of UNIDO, as also the emphasis that the report placed on the importance of education as an essential factor of development. His country was making great efforts in that field.

41. He noted that the Bank's report, as also the statements made at the previous meeting, stressed population growth and the general problem raised by the population explosion. Without attempting to dictate demographic policies, the Bank should naturally give priority to that question and request Governments to prepare strategies that would enable the population

growth to be stabilized. It should be borne in mind, however, that it was the countries concerned that were in the best position to resolve problems of that kind.

42. With regard to IMF, he welcomed the reappointment of Mr. Schweitzer as Managing Director. The international monetary system had been seriously shaken in recent months. The efforts made had averted an immediate crisis, but there was still tension, which was creating uncertainties, especially concerning the future role of gold. In that respect the Fund could usefully study collective measures calculated to maintain order on the gold markets and, in particular, prevent speculation on the free market.

43. With regard to the amendments proposed to the Articles of Agreement of the Fund,^{5/} he pointed out, referring to certain comments made by his country's representative to the Fund, that the application of those amendments should in no way restrict the general policy on the use of the Fund's resources. In that regard, he was pleased to note the recent decisions of the Board of Governors, which were designed to liberalize the use of the Fund's resources.

44. With regard to the special drawing rights, he was glad that that new facility was based on principles firmly supported by the developing countries, such as the principle of universal participation in decisions concerning the creation of new international liquidities, lack of discrimination in the allocation of liquidities, and the unconditional nature of that allocation. The special drawing rights would to some extent provide useful machinery for regulating world liquidities, but it was clear that they could not possibly meet the liquidity needs of the international system. In fact, the advantages that they could bring depended on the flexibility of the adjustment of balances of payment. It was disturbing, however, to note the inadequate sharing of responsibilities between surplus and deficit countries in that matter. The surplus countries should henceforth shoulder their responsibilities and take steps calculated to restore and maintain equilibrium in their balances of payment. In that connexion, he recalled that at the recent meeting of the Board of Governors, the Latin American countries and the Philippines had made a formal proposal that the Fund should initiate a study on problems of that type. One of the main obstacles to the adjustment of balances of payment lay in the restrictions placed on movements of capital and goods. Some industrialized countries imposed restrictions on the freedom of movement of capital and goods from developing countries, although that attitude could not be justified exclusively by balance-of-payments difficulties.

45. It was disturbing to note that the volume of foreign aid to the less developed regions was decreasing, while the conditions on which it was granted had become more stringent. Furthermore, the high interest rates on the big money markets testified to the critical situation of the international monetary system.

46. The restrictions on exports from developing countries, whether of primary products, semi-manufactured or manufactured goods, were still hampering development of their economy. The obvious reluctance of the developed countries, which were still trying to

^{5/} *Ibid.*

preserve a whole range of traditional protectionist measures, was most worrying in that respect. It was to be hoped that the international community would apply itself vigorously to seeking ways and means of solving all those problems and of creating better conditions which would enable the developing countries to ensure a more acceptable level of living for their people.

47. In conclusion, he welcomed the co-operation between the Fund and UNCTAD and hoped that it would continue to strengthen.

48. Mr. ALLEN (United Kingdom) said that he was pleased that the submission of reports by the Bank and IMF gave the Economic and Social Council an opportunity of acquainting itself with the work of those two institutions. United Nations Headquarters was sometimes less conversant with the activities at Washington than with those at Geneva or at the headquarters of the specialized agencies, although, in financial terms, the developmental activities of the Bank and Fund were much greater than those of all the other United Nations bodies. It was therefore important that each year the representatives of those two institutions should be able to inform the Economic and Social Council of their activities and, at the same time, give their views and their plans for the future. Because of the link they provided with the international business, banking and industrial worlds, the Bank and the Fund gave a reality and solidity to the economic work of the United Nations family which it would otherwise lack. They were indeed the powerhouse of the multilateral development efforts.

49. His delegation admired the vision with which the President of the Bank and the Managing Director of the Fund considered the operation of their respective institutions, and it welcomed their collaboration with other United Nations bodies, particularly UNDP, ECA, the African Development Bank, FAO and UNESCO. It looked forward to a deepening of that co-operation before and throughout the second United Nations Development Decade.

50. The annual reports of IBRD and IDA^{6/} and of IFC^{7/} showed that those institutions had functioned with their customary efficiency. His delegation was pleased to note that there were plans to extend the loans programmes by mobilizing resources on the world money markets. That would make it possible for the monetary surpluses of countries with a credit balance to be put to good use. His delegation also welcomed the Bank's decision to extend its loan policies to the different fields mentioned in the President's statement. More flexible loan policies would enable the Bank to make a greater contribution to the well-being of the developing world. He was also pleased to see that the Pearson Commission had been set up to survey past aid efforts and to seek out the lessons to be learned for the future.

51. He regretted that the second replenishment of IDA's resources, which had been negotiated in March, had not yet been put into effect. The United Kingdom Government had ratified the replenishment proposal

and had adopted the necessary legislative measures to comply with it as soon as it came into force. Furthermore, it was at present considering the possibility of contributing to a provisional replenishment of those resources.

52. For the Monetary Fund, the past year had been one of exceptional activity. There had been decisive changes and constructive achievements in the international monetary system. The devaluation of the pound sterling in November 1967 had of course been of great immediate significance for his Government, and in that connexion he wished to endorse the tribute paid in the Fund's annual report to the spirit of international co-operation which had helped to ensure that a move which might have precipitated monetary chaos had been carried out in a calm and orderly way. On that occasion IMF had once again proved its ability to sink national differences in the quest for rational solutions to international problems.

53. In his opinion, the creation of the special drawing rights facility during the year 1967-1968 had been of paramount importance. Member countries were now in the process of ratifying the scheme and the necessary amendments to the Fund's Articles should have been accepted by the end of 1968 or early in 1969. There was a temptation to exaggerate, or to minimize, the importance of that development. It was obvious that special drawing rights were not a cure-all for the international monetary system nor would they replace the need to cut back the deficits of the reserve currency countries and to restore the equilibrium in the balances of payments. Nevertheless, it was a universal scheme subject to proper international control, as was ensured by the 85 per cent majority requirement for important decisions. Moreover, the quality of the new asset would be beyond question since the participants were under an obligation to provide convertible currency in exchange for special drawing rights. Its value would be defined in terms of gold. However modest its role might be to begin with, it was nevertheless a breakthrough. For the first time the nations of the world had agreed to create a new international currency which would serve as a full supplement to existing reserve assets. Although allocations of special drawing rights were proportionate to the quotas of members of the Fund, the new scheme was nevertheless of the greatest importance to the developing countries. In fact, all Fund members had an equal interest in the stability of the international monetary system, for which the special drawing rights would provide a safeguard. It had been suggested that it would be desirable to establish a link between the special drawing rights scheme and development aid. Although the United Kingdom Government saw some merit in that idea, it felt that priority should be given to getting the special drawing rights scheme moving as soon as possible.

54. He was pleased to note that the use of the compensatory financing facility had increased considerably since 1966. In the first three and a half years after the establishment of the facility, there had been only three drawings, but in 1967-1968 twelve countries had made use of it.

55. Lastly, his Government supported the study undertaken jointly by the Fund and the Bank of the

^{6/} See footnote 1.

^{7/} International Finance Corporation, *Annual Report, 1968* (Washington, D.C.); this report was transmitted to the Council by a note of the Secretary-General (E/4594).

problem of the stabilization of prices of primary products. A preliminary report had been submitted to the annual meetings of the two bodies at Washington and the final reports should be completed before 30 June 1969. He hoped that a satisfactory solution to that important problem would emerge from the study.

56. Mr. PARTHASARATHI (India) paid a tribute to the energy, idealism and dynamism demonstrated by Mr. McNamara since he had taken over as President of IBRD and he welcomed the direction Mr. McNamara was giving to the Bank's over-all strategy. He also thanked Mr. Schweitzer for his comprehensive and lucid statement on IMF's activities and was confident that Mr. Schweitzer's re-election as Managing Director would ensure the Fund's continued success.

57. Unfortunately, the activities of the World Bank Group had not expanded in 1968. The volume of loans had fallen off in comparison with the previous year, particularly in the case of IDA, whose commitments were only a little over \$100 million, as against \$350 million in 1967. That situation was a direct result of the delays that had occurred in the second replenishment of the funds of IDA, which, since it was the only multilateral agency for international development finance, should be put back into business as a matter of urgency. His delegation expressed its gratitude to Canada, Denmark, Italy, Norway and Sweden for having paid their contributions without waiting for others, and it hoped that other countries would emulate their example.

58. The second session of UNCTAD had failed to live up to the great hopes that it had generated among the developing countries, and it had not brought about the practical results that had been expected. However the decisions which had been taken at that session provided a useful basis for further work in many directions. In that connexion, the news that the Fund and the Bank were studying the problem of the stabilization of prices of primary products was welcome.

59. At a time when the volume of aid was so inadequate and appeared to be decreasing each year, it was heartening that the World Bank Group seemed determined to play an increasing role in international development. However, while steps were being taken to increase the availability of resources, it was also important to increase the effectiveness of available funds and to adopt a more pragmatic attitude. The leadership of the World Bank Group and of the President of the Bank in particular was imaginative enough to achieve such a result.

60. Since the Bank had stressed the importance of agriculture, it should be mentioned that there had been a spectacular rise in agricultural output in India during 1967-1968. Food production during that period was 26 per cent higher than in the previous year. Although favourable weather conditions had helped, the increase was largely due to government efforts to introduce the latest technology and to make available the necessary inputs. The prospects for the 1968-1969 harvest were good and India hoped to achieve self-sufficiency in cereals by 1971. In addition, Indian industry, which had been suffering from a depression as a result of two years of unprecedented drought, had shown

signs of a remarkable recovery in recent months, particularly in industries related to the agricultural sector. During the first six months of the current financial year, exports had been nearly 20 per cent higher than in the corresponding period of the previous year.

61. It could be envisaged that the efforts made by the developing countries in the 1960s would begin to yield results during the second United Nations Development Decade, and it was therefore unfortunate that the transfer of resources from the developed to the developing countries was surrounded by so much uncertainty. The international community had to show the political will and use its best endeavours to improve the climate for international economic co-operation, which had, unfortunately, deteriorated considerably. In that connexion, his delegation welcomed the appointment of the Pearson Commission.

62. The annual report of IMF indicated that the Fund's financial operations had expanded considerably during 1967-1968 and that that agency had continued to render very useful technical assistance to the developing countries. Furthermore, during the recurring crises that had shaken the international monetary system, the Fund had successfully shown that the interests of the community of nations and international co-operation were of paramount importance.

63. His delegation hoped that the amendment to the Fund's Articles of Agreement to create the special drawing rights^{8/} would soon be ratified by the member countries so that the scheme could be put into operation without delay. The special drawing rights scheme held great promise and would bring about improvements in the well-being of the developing countries for they would benefit from it in many ways. The special drawing rights would supplement their resources and would, by improving world liquidity, have a favourable influence on development aid. In order, however, to enable the developing countries to take full advantage of the consequent improvement in external aid, a link would have to be forged between the creation of special drawing rights and the provision of development finance. His delegation therefore hoped that the Fund would consider the possibility of utilizing part of the new liquidity to increase the resources of international financial institutions.

64. Mr. KHANACHET (Kuwait) said that his delegation welcomed the study of the problem of the stabilization of prices of primary products being prepared by the Bank and IMF. The most serious problem facing the developing countries was, after all, their dependence on a small number of primary commodities, the prices of which had been unstable or in decline. As commodity price stabilization was, however, only a short-term solution, the developing countries should diversify their output in order to be less vulnerable to fluctuations in demand and in order to increase exports.

65. The Bank's report noted progress in agriculture. Although industrialization was the key to economic progress in the developing countries, it was also necessary to modernize the agricultural sector in order to increase food production. His delegation also welcomed the contribution that the Bank proposed

^{8/} See footnote 4.

to make to those areas of education which would make the best contribution to economic and social development.

66. It was heartening to note that in the next five years the World Bank Group would lend twice as much as in the previous five-year period. Fair geographical distribution should be strictly observed, and the bulk of the new loans should be applied to investment in infrastructure, particularly power development and transport projects. The Bank had also increased its activity in regard to tourism, which was an important source of foreign exchange.

67. The report blamed the developed countries for the tariffs and other limitations imposed on imports from the developing countries. If the negotiations at the second session of UNCTAD ultimately led to a system of generalized, non-reciprocal and non-discriminatory preferences, there would be less reason for pessimism over that body's future.

68. His Government was supporting the Bank's efforts to raise the funds it needed in the capital markets of its members. The first bond issue on the Kuwait market had amounted to \$42 million, the proceeds of which would be convertible and used for the Bank's general operations. His Government hoped that other opportunities would arise for expanding the Bank's operation in Kuwait, in particular, and throughout the region as a whole.

69. He congratulated the President of the Bank on the manner in which he had conducted its affairs since his recent appointment and particularly on his efforts to prepare a five-year programme. Since its establishment, the Bank had provided valuable assistance to the developing countries which his delegation hoped would continue and increase. A more dynamic approach on a national and regional basis would give the Bank a better understanding of how the problems of the developing countries varied in different regions and would enable it to find more effective solutions.

70. Mr. COX (Sierra Leone) said that he had been interested to read the reports of the World Bank Group and IMF and to hear the statements by their representatives. He was gratified that the Bank contemplated an increase in its assistance to its member States, for no country, and above all no developing country, could develop without outside aid. His own country was grateful for the aid it had already received from the Bank; that aid had been an encouragement to it, and it hoped to receive more.

71. The report of IBRD and IDA might have been more explicit about the actual possibilities of that institution. It rightly emphasized the need for agricultural development in the developing countries, for the agricultural sector was basic to the economic infrastructure of those countries. It was essential, however, for agricultural development to be associated with their industrial development, since, in the present international context, all countries needed industries. The developing countries possessed the requisites for the development of that sector, namely, natural resources, so that if development aid was to be really effective, those resources should be fully tapped. That, in turn, would lead to an improvement in the living conditions of the inhabitants of those

countries and of mankind as a whole. In that respect, the developing countries were hoping for all possible help from the developed countries. His delegation was pleased that the report of IBRD and IDA emphasized the importance of education, which was, indeed, a necessity in the world of today. The development of education possibilities must, however, go hand in hand with a similar development of employment possibilities corresponding to the skills acquired. In that respect, education was closely linked with industrialization. No developed country could retain its manpower if it had no industries. As the same was necessarily true of the developing countries, efforts made in the educational sphere should be in line with similar efforts in the field of industrialization. Otherwise, chaos rather than economic progress would be the lot of developing countries. His delegation was therefore pleased that IBRD maintained close links with UNDP, the specialized agencies and other United Nations bodies.

72. He agreed with the representative of the United Kingdom that the presentation of the reports by IBRD and IMF provided an excellent opportunity for the Economic and Social Council to keep in touch with the activities of those two agencies, and he hoped that closer contact would be maintained between Washington and New York.

73. Mr. ÅSTRÖM (Sweden) said that his delegation had been highly impressed by the Bank's new lending programme. The Bank's approach to development problems had always been practical and constructive. Its decision to lend twice as much during the next five years as during the preceding five years was another sign of its constant efforts to encourage development.

74. The President of the Bank had expressed full confidence in the Bank's ability to raise the money necessary for the programme. He had also intimated that the programme would involve considerable changes in the allocation of resources both to geographic areas and to economic sectors. With regard to the latter aspect, the Swedish delegation welcomed the emphasis which the President of the Bank intended to put on agriculture, industry, education and the population problem. Progress in those fields was of vital importance.

75. Education was relevant to all other aspects of development. As to agriculture, it provided work for two-thirds of the people of the developing world, but it did not produce enough to feed them. With regard to the population problem, it should be put at the centre of future development strategy.

76. The President of the Bank had stressed that the Bank's new programme did not imply any change in its usual standards of sound financing. However, in looking for projects to support, the Bank would more and more look for those which would contribute most fundamentally to the development of the total national economy in order to break strangleholds on development. His delegation believed that to be a very constructive approach. In connexion with the Bank's new lending programme he wished, however, to ask the representative of the President of the Bank for clarifications on two points: first, it appeared that the expanded lending activities in the fields of education and agriculture would mainly be operated by the Bank

itself. They would therefore be subject to the usual conditions and above all to the interest rate of 6.5 per cent, but his delegation did not think that the developing countries would be able to pay such interest on agricultural investments. His delegation thought that IDA would be in a much better position than the Bank to extend such financing facilities. That was another reason why it felt that the second replenishment of the IDA resources was one of the most crucial issues. Progress in many developing countries would be handicapped unless they could meet a larger part of their needs on better terms than were available from the Bank.

77. The second question on which his delegation would like some clarification was the following: it was his understanding that the World Bank Group was in a position to extend financial assistance to infrastructural and similar projects, irrespective of whether the recipient country had a market economy or a planned economy system. In his statement the President of the Bank had stressed the fact that the Bank and IDA had recently liberalized their approach to industrial development in a very important field and that they were now ready to finance State-owned development banks. When it came to direct industrial investments, however, it seemed that the Group could not extend credits unless the industries in question were at least 50 per cent privately owned. That seemed to be a gap which should be bridged. As IFC would probably be able to double the amount of its financing for industry over the next five years, it should consider the possibility of liberalizing its policy to enable State-owned industries to apply for credits.

78. Another fundamental problem was that of the debt-servicing burden. In his delegation's view, measures to lighten that burden should, to be fully effective, be taken by concerted action in which the Bank had an

important role to play in suggesting constructive solutions. At the annual meeting of the World Bank Group, the Nordic countries had suggested that the Bank should systematically study the experience of the international aid co-ordinating groups, such as consortia and consultative groups, with a view to establishing guide-lines for future policies. The Swedish Government was prepared to double — from five to ten years — the grace period of credits to be repaid over less than twenty-five years. The repayment period for all Swedish development credits would therefore be twenty-five years. It was to be hoped that action would form part of a general improvement in credit conditions. His country had over the years strongly advocated the untying of development aid. The increasing tendency towards tying development loans to deliveries gave grounds for concern. The negative effects—such as excess costs—on the value of aid of that tendency could be offset by an increase in the share of multilateral aid in total development aid. But a condition was of course that tying practices should not be allowed to spread from bilateral to multilateral assistance.

79. Another interesting aspect of the speech of the President of the Bank was the positive comments he had made on the work of the bodies in the United Nations system. Despite their different specialities, the various United Nations agencies had all come to realize that they were attacking related aspects of common problems. The President of the Bank had also emphasized the importance of the preparations for the second United Nations Development Decade and had said that the Bank was glad to be playing its part in that important work. The Swedish delegation considered that a highly encouraging sign.

The meeting rose at 6.50 p.m.