



ECONOMIC AND SOCIAL COUNCIL

Friday, 25 February 1966,
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President: Mr. Tewfik BOUATTOURA (Algeria).

Present:

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

Observers for the following Member States: Argentina, Austria, Byelorussian Soviet Socialist Republic, Cuba, Denmark, Hungary, Ireland, Israel, Italy, Japan, Mauritania, Mexico, Nigeria, Poland, Spain, Sudan, Turkey, United Arab Republic, Yugoslavia.

Observers for the following non-member States: Federal Republic of Germany, Switzerland.

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

The representative of the International Atomic Energy Agency.

AGENDA ITEMS 4 AND 3

- (a) Report of the International Bank for Reconstruction and Development and of the International Development Association (E/4129 and Add.1 and 2);
- (b) Report of the International Finance Corporation (E/4130 and Add.1 and 2)

Report of the International Monetary Fund (continued) (E/4141 and Add.1)

GENERAL DEBATE

1. The PRESIDENT welcomed Mr. George D. Woods, President of the International Bank for Reconstruc-

tion and Development (IBRD) and its subsidiaries, the International Development Association (IDA) and the International Finance Corporation (IFC), and invited him to introduce the reports of those bodies to the Council.

2. Mr. WOODS (President of the International Bank for Reconstruction and Development) said that meetings such as those of the Council, at which all shades of political thought were represented, provided an opportunity for defining the broad outlines of what was called "development" as precisely as was needed to ensure enduring international co-operation.

3. Within the United Nations family, the principal task of IBRD was to provide finance for specific projects—the word "projects", which covered a growing variety of investments, was precise enough to define co-operation between investors and the recipients of investments—and to ensure in all cases that those projects were likely to make a lasting contribution to increasing productivity and thereby to an improvement in the well-being of the people of the country concerned.

4. Since 1 January 1966, the end of the period covered by the annual report of the IBRD and IDA^{1/} and of IFC^{2/} and supplementary documents submitted to the Council, IDA had announced \$65 million in credits for Pakistan, the United Republic of Tanzania, Basutoland and Ethiopia for agricultural credit, industrial imports, grain storage and handling, and road and school building. A further twelve Bank loans and IDA credits, for roads, electric power, water supply and port facilities in Latin America, water supply and a development finance company in Africa and power production in Asia, were about to be submitted to the Directors. The IFC had announced two transactions, one in Ethiopia and one in Venezuela, involving the underwriting of public shares in new or expanding manufacturing enterprises. In helping local investors to acquire a share in the ownership of new local industries, IFC was performing one of the most important functions of the Bank group, for there was no substitute for local savings for development purposes.

5. Moreover, since 1 January IBRD had dispatched nearly fifty missions to different countries, some of them concerned with feasibility studies financed,

^{1/} International Bank for Reconstruction and Development; International Development Association, *Annual Report, 1964-1965* (Washington, D.C.), and supplementary information for the period from 1 July to 31 December 1965. Transmitted to members of the Economic and Social Council by notes of the Secretary-General (E/4129 and E/4129/Add.1-E/4130/Add.1).

^{2/} International Finance Corporation, *Annual Report, 1964-1965* (Washington, D.C.), and supplementary information for the period from 1 July to 31 December 1965. Transmitted to members of the Economic and Social Council by notes of the Secretary-General (E/4130 and E/4129/Add.1-E/4130/Add.1).

in many cases, by the United Nations Development Programme, and had opened its second African regional office at Nairobi; that office would help African Governments to prepare investment projects and would oversee the Bank's Agricultural Development Service in Africa, which was responsible for providing member Governments with technicians to help in the carrying out of agricultural projects.

6. A group similar to the Consultative Group for Tunisia had met to study the problems and prospects of Nigeria, and Consultative Groups for Malaysia, Thailand and Colombia were to hold meetings in the forthcoming months.

7. The Bank's Economic Development Institute had recently celebrated its tenth anniversary. More than 500 officials, from nearly 100 countries and territories, had attended its courses and were now performing key management roles in the economic development of their countries. From March 1966, the Institute's courses would be given in three languages instead of two.

8. The purpose of all the various activities of the Bank group was to increase the volume and variety of investment. The group had in recent years been paying special attention to two new spheres—education and agriculture—and it had made arrangements with UNESCO and FAO which were already resulting in fruitful co-operation.

9. It was only recently that the idea of investing money, according to banking standards, in the accumulation of intellectual capital had begun to be exploited. The need was vast and, since the Bank's principal task was the financing of economic development, it had to identify projects which were both directly concerned with education and suitable for bank financing. Since March 1964 it had dispatched seventy-two missions, thirty-four of them in co-operation with UNESCO, to prepare and appraise specific projects in member countries and it had already granted sixteen loans and credits amounting to a total of \$110 million. He cited as an example IDA credits of \$13 million granted to Pakistan to expand the agricultural science faculty of a university in West Pakistan and set up such a faculty in a university in East Pakistan and to equip six polytechnic schools in West Pakistan and eight in East Pakistan. IDA had also granted a credit of \$7.2 million to Ethiopia to help in carrying out a programme designed to increase school attendance threefold, to provide evening courses for craftsmen and businessmen, to improve the equipment of two technical training institutes and to expand teacher training at the Haile Selassie I University; the last project was in co-operation with the United States Agency for International Development. The Bank and its subsidiaries made certain that all educational projects were related to current and foreseeable employment opportunities in the country concerned. They were also greatly interested in technical advances, particularly in information media, the application of which to education might in future years give rise to large-scale investment projects if the technical innovations were associated with high standards of teaching.

10. The financing of agricultural development presented somewhat different problems since, although the technical knowledge existed, development was hampered by the resistance of the rural population to innovation, by the conservatism of landowners and by the prejudice of a great many Governments in favour of industry. In most developing countries, however, agriculture was the major source of employment for the people and its development was essential in order to increase not only food production but also the production of raw materials for processing and export. It was certainly not an easy matter to persuade millions of small farmers to change their ways and the development of rural areas should therefore be given high priority. Governments were becoming aware of that need, as was demonstrated by the increase in the number of agricultural projects recently financed by IBRD and its subsidiaries, namely, twenty-five projects under negotiation and forty-three in preparation at the end of 1965, as against seven and nineteen, respectively, at the end of 1963. The Bank was particularly anxious to expand its activities in the area of fertilizer production and distribution. The benefits of fertilizers, which had for so long been disregarded in the developing countries, were beginning to be widely accepted and advantage should be taken of the crises created by food shortages to bring them into general use. Ample supplies of raw material existed in the developing countries of the world, the technology was known, capital was available—all that was needed was imagination and, in particular, a spirit of co-operation. Since it was mainly in the developing countries themselves that both the raw materials and the demand were to be found, increased fertilizer production and use would bring about a significant expansion of trade among those countries. The capital and technology for the setting up of large enterprises were available in the industrialized countries, and the Bank and its subsidiaries were at present exploring a large number of fertilizer production projects. They hoped to be able to act as intermediaries between organizations in the public and in the private sector, when collaboration was necessary and desirable, and between Governments in various developing regions, when international co-operation was required. Programmes to increase fertilizer production and use should be combined with expanded services to farmers, including agricultural credit. Governments, for their part, would have to review their policies in regard to agricultural prices, imports and distribution, and rid themselves of the paralysing idea that agriculture and industry should exist in a state of divorce. Fertilizer production provided an excellent example of the enduring marriage which would have to be arranged between agriculture and industry if hopes for economic progress were to be realized.

11. The growing gap between the different groups of countries was amply illustrated by the alarming statistics, but when it came to raising capital for development those statistics were no substitute for definite projects, liberally defined, soundly conceived and daringly planned. According to the Bank's calculations, the developing countries as a group could effectively use, during each of the following five years, some \$3,000 million to \$4,000 million more

in external aid than they were at present receiving. That capital would only be forthcoming, however, if there were solid and sound achievements on the part of the developing countries. While recognizing that such achievements were evident in a growing number of countries, he stressed that the task of enlisting capital and technical skills would be greatly facilitated if the projects submitted by Governments were accompanied by firmer commitments in respect both of finance and of the management of projects and the drawing up of policies. Unfortunately, it sometimes happened that projects which had been carefully prepared after thorough research and evaluation could not be carried out because of the unwillingness of the Governments concerned to make the necessary commitments in time. While he appreciated the difficulties which many Governments faced on account of internal differences and the inadequacy of their resources, he was also aware of what could be achieved when Governments gave priority to the solution of the problems involved in their economic development.

12. The task of enlisting the necessary capital and technical skills for the Bank's activities would also be less difficult if the developed countries recognized the same priority in formulating their external aid programmes, and he would like to appeal once again to those countries not to neglect their own interest in helping other countries to escape from poverty. Not only was the flow of development assistance inadequate in volume but its effectiveness was hampered by various factors, such as the common practice of tying the aid provided to the purchase of supplies in the donor country, the inadequate proportion of long-term, low-interest financing and the paradoxical insistence of the developed countries that the developing countries should draw up long-term investment plans, when the developed countries were either unable or unwilling to give even provisional figures of the amount of their external aid programmes far in advance.

13. The greatest obstacle to the enlistment of the capital and skills needed for development was, however, the predominant place given by the Press and public opinion to political disputes and aggressive nationalist activities which impeded economic development and even made any progress impossible. He concluded by expressing the hope that the day would come when men and women from all countries who were dedicated to the cause of development would enjoy the same prestige as the politicians and military men and would be able to make themselves equally well heard.

14. Mr. VAKIL (Iran) congratulated the President of IBRD on his enlightening statement and on the outstanding work achieved by the Bank and its subsidiary bodies. The recent expansion of the Bank's activities in financing agricultural projects would certainly help towards a solution of the food problem and would increase the production of raw materials, but it was essential that "a marriage between agriculture and industry" should be arranged. Agriculture could only develop with the help of the products and tools supplied by industry and the Bank should therefore play a major role in the development of industries in developing economies. The Bank could

supply aid to industrial projects which, by absorbing a considerable amount of labour, could have a favourable effect on price stability and the balance of international payments, qualities which were not necessarily to be found in infra-structural projects.

15. The servicing of their external debts imposed on the developing countries a heavy burden which slowed down the pace of their growth. He hoped that IBRD would put forward considered suggestions for relieving that burden.

16. He welcomed the Bank's decision to establish offices in West and East Africa and thought that the establishment of similar offices in other developing regions might be useful in assisting in the preparation of projects suitable for financing. He also welcomed the forthcoming opening of the Asian Development Bank, to which he hoped IBRD would extend its support and co-operation.

17. As the President of IBRD had said, the effectiveness of external assistance was often hampered by the practice of tying such aid to the purchase of supplies in the donor country. His Government thought that the Bank should consider entering into negotiations with the main donor countries in order to encourage them to channel their aid through multilateral organizations. The results of the Bank's activities were indeed evident, but if, on the occasion of its twentieth anniversary, it were to undertake an evaluation of the actual economic yield of its activities, it would help to emphasize the advantages of multilateral aid.

18. The expansion of the activities of IDA was encouraging but, since it appeared that all its resources would be committed by the summer, new sources would have to be found to enable that highly effective organization to continue its work.

19. With regard to IFC, it was to be hoped that it would take an active interest in the industrial expansion of the developing countries and that, when it had increased its resources as a result of the amendments made to its Articles of Agreement, it would give priority to countries which had not yet benefited from its assistance—among them Iran.

20. In conclusion, he associated himself with the appeal made by the President of the Bank to capital exporting countries and agreed that, as Mr. Woods had written in a recent article, with so much already done and so much still left to be done, it would be unthinkable for the richer nations, by their inaction, to let the developing world lose hold of its hard-won gains and lose sight of its ultimate goals.

21. Mr. SEYDOUX (France) said that the report presented by the President of IBRD was a cause for both satisfaction and concern.

22. Although the volume of the Bank's loans had increased considerably during the previous year, bringing the total amount of loans granted since its establishment to \$9,500 million by the end of 1965, as compared with \$8,400 million in 1964, and although the other organizations in the group had also been active, it should not be forgotten that the total amount of assistance to the developing countries had ceased to increase during recent years,

especially if the net amount of assistance which those countries received was considered. The Bank had not escaped that relative stagnation, for although new loans had amounted to more than \$1,000 million in 1965, actual disbursements had been only a little over \$600 million. During the same period, capital reimbursements by debtor countries had amounted to more than \$300 million and interest payments to more than \$200 million, which meant that the net receipts of new money by the borrowers as a whole amounted in fact to only \$100 million, or less than one tenth of the gross total of loans. Admittedly, some of the payments received by the Bank related to old loans granted to developed countries, and the new loans approved for developing countries amounted to considerably more than the reimbursements which those countries had to make. Nevertheless, those figures were an indication that the developing countries were incurring debts which were sometimes excessive.

23. With regard to the goals pursued by the Bank and its subsidiary bodies, he approved in particular the trend towards the financing of agricultural projects. It was only with the support of a modern system of agriculture that the developing countries would be able to satisfy the food needs of their growing populations and at the same time become industrialized. He also approved the extension of the Bank's educational and cultural activities but stressed, as Mr. Woods had himself done, that the Bank should confine itself to financing projects which would have an immediate or rapid effect on economic development.

24. The problem of assistance to the developing countries in general caused him a twofold concern. First, the under-developed countries were incurring increasingly large debts. His delegation did not think that there should be a general and systematic solution to the problem but that, in the majority of cases, there were special situations which could be remedied by individual measures to be worked out in liaison, if necessary, with the international agencies concerned. Secondly, the developed countries should try not to increase unduly the financial burden which already weighed on the under-developed countries. They should therefore agree to grant low-interest loans or even—as in the case of assistance given by his country—offer gifts rather than loans in many instances.

25. In conclusion, he pointed out that the Bank should not lose sight of the fact that its essential role was to assist development and that although, with the constant creation of new bodies, it no longer had a monopoly in that sphere it was still the only organization which had large enough financial resources and wide enough technical skills at its disposal to tackle the problem of under-development on a large scale.

26. Mr. HASAN (Pakistan) said that he would first like to express his country's gratitude to IBRD, which had really come to be a part of the national life of Pakistan and had been very closely associated with the formulation and financing of its successive development plans. Pakistan had benefited significantly from the technical assistance provided by

the Bank, in particular the detailed survey of river ports and waterways development in East Pakistan, its financing of the Havard Group which had been assisting the planning commission and the provincial planning department of Pakistan, and in the field of education.

27. The activities of the Bank and its associates already covered a very wide range. However, he would like the Bank to include civil aviation, which played a major role in the communications system of developing countries and was of special significance to Pakistan.

28. While he was aware of the efforts of the Bank to secure loans on more favourable terms for the developing countries, he thought that the terms on which development loans were made available could be quite substantially improved. In that connexion, he drew the Council's attention to the resolution which it had adopted unanimously at its thirty-ninth session (1088 A (XXXIX)), on the proposal of Pakistan, requesting the Governments of developed countries to make the terms on which they made finances available more favourable to the developing countries. It was important for it to be implemented as soon as possible, since the developing countries were continuing to suffer greatly from the international trend towards deterioration in the terms of trade, which placed a great strain on their balance-of-payments position and on their ability to service their international obligations. Combined with those difficulties was the tendency in most of the developed countries to impose restrictions on the importation of manufactured and semi-manufactured goods from the under-developed countries. Therefore, the flow of trade between the developing and the developed countries should be liberalized. In that connexion, he stressed the importance of two further measures which were at present being considered by IBRD: compensatory financing and the support of local currencies, which he considered might remedy the shortage of foreign exchange experienced by the developing countries.

29. Pakistan had devoted a considerable amount of attention to the agricultural sector and the question of increasing fertilizer production, to which the President of the Bank had referred. The objectives of its third five-year plan in the agricultural sector were to increase the real income of farmers, to promote the development of agriculture on sound bases and to endeavour to meet food requirements without sacrificing the production of cash crops. To that end, agriculture had been allocated 15.4 per cent of the plan outlay, an increase of 128 per cent over the second five-year plan. Pakistan hoped to achieve an agricultural growth rate of 5 per cent as against the 3.5 per cent achieved under the second plan. It expected to apply intensive cultivation methods, to use fertilizers as much as possible, to improve seed and plant protection measures, to strengthen education, agricultural research, marketing and co-operatives, and to provide price incentives, in the form of either subsidies or reductions in export duties. At the same time, in order to strengthen the rural economy, Pakistan had also instituted a unique works programme whose main objectives were

to offer employment opportunities for surplus manpower and to provide an infra-structure for rural development by establishing local institutions to ensure the participation of the rural population in the planning and execution of local development programmes. The works programme had been allocated \$500 million under the third five-year plan.

30. Pakistan had undertaken a vast programme for the production and utilization of fertilizers, but it had to be admitted that they were very little used and that, even if the rural development plan succeeded, the level reached in 1970 would still be very low.

31. He welcomed the establishment of the Asian Development Bank and was confident that it would augment the total foreign exchange resources available to Asian countries. He hoped that it would secure additional finances and would not merely serve as a channel for distributing existing resources.

32. With regard to the role which IBRD could play as an "honest broker", his delegation considered that the Bank was a particularly effective instrument for bringing peace to regions in which conflicts now prevailed. There was the notable example of the Indus Waters Treaty, 1960, between India and Pakistan which had been brought about by the Bank's efforts and intervention.

33. Mr. SIDI BABA (Morocco) said that his remarks would refer both to the statement by the Managing Director of the International Monetary Fund (1404th meeting) and to the statement by the President of IBRD.

34. He noted with satisfaction that the Council was attaching more importance to the African countries, as was demonstrated by the fact that an African had been elected President for the first time. He considered, however, that the Council and the international monetary and financial agencies should show even greater understanding towards those countries and the developing countries in general.

35. He recalled that at the annual meeting of the Board of Governors held in Tokyo in September 1964, the Fund had adopted decisions designed to lighten the financial burdens of developing countries, in particular to enhance their drawing opportunities under a compensatory financing procedure. In addition, the United Nations Conference on Trade and Development (UNCTAD) had, some months before the Tokyo meeting, recommended the establishment of a group of experts to consider the international monetary issues relating to problems of trade and development, devoting particular attention to the trade of the developing countries.^{3/} However, the arrangements recommended still seemed inadequate.

36. In his Government's view, the relations between the financial and monetary agencies and the developing countries should be based on a number of new principles. His Government, which was anxious to meet its obligations, had adopted an economic and financial policy which was based on two concepts: the defence of its currency and purposeful austerity.

In order to check inflationary trends, severe cuts in expenditure had been made in sectors which had no direct bearing on economic and social development. In that way, the deficit in the balance of payments had been reduced, and Morocco had been able to find the resources needed to finance its three-year plan. However, it still needed financial and technical assistance from the developed countries and from international agencies. For such assistance to be fruitful it would have to be provided on terms which were in keeping with development needs and repayment capabilities.

37. Morocco had endorsed the Bank's suggestion that a consultative group of experts should be set up to advise on multilateral assistance policy. He welcomed the importance that the Bank attached to agricultural and educational projects and added, with regard to the specific case of fertilizers, that Morocco was a large exporter of fertilizers and was ready to assist countries which needed such products.

38. The Fund and the Bank also had another important function: they had to act as technical advisers, giving priority to the least favoured regions.

39. Morocco was aware of the fact that the economic and social progress of the African continent was indivisible, and it was helping to strengthen and develop regional economic and financial organizations such as the African Development Bank. The members of that Bank, almost all of whom were also members of IMF, had made their wishes clear: they wanted the resources of IDA to be substantially increased; they were asking IBRD to help Africa to build an infra-structure of roads, railways and telecommunications; they were also asking the Bank to allow repayments to be made in local currency and they hoped that supplementary liquidity would be created which would enable their countries to overcome certain payments difficulties. They were also asking the Bank and the Fund to take energetic action to stabilize commodity prices, in particular by means of a general market organization policy.

40. One feature of the present world economic scene was the worsening situation of the countries exporting primary commodities. That deterioration was caused to a large extent by price fluctuations which Governments could not control. At its last session, the Trade and Development Board seemed to have shown that the great economic interests controlling those fluctuations were not at present able to rectify them. Therefore international agencies like the Fund and the Bank should make a great effort in that direction so that a more healthy concept of international trade could develop in the general interest.

41. Sir Keith UNWIN (United Kingdom) said that he could find no room for criticism of the clear and encouraging statement made by the President of IBRD. The Bank had played an essential role in encouraging the flow of capital on a multilateral basis to developing countries. IBRD, IDA and IFC had considerably increased the amount made available in loans to those countries and the range of technical services offered to them. Moreover, the Bank now maintained fruitful relations with IMF and with such institutions as UNESCO and FAO.

^{3/} See Proceedings of the United Nations Conference on Trade and Development, vol. I, Final Act and Report (United Nations publication, Sales No.: 64.II.B.11), annex A.IV.19.

42. He hoped that the merging of the Special Fund and the Expanded Programme of Technical Assistance into a United Nations Development Programme would facilitate closer co-operation with the Bank so that there would be no divorce between pre-investment and investment activities.

43. The Bank, and particularly IFC, should also co-operate closely with the new United Nations Organization for Industrial Development. That organization would have substantial resources of manpower and money at its disposal and should be able to improve the efficiency of United Nations assistance in the industrial sector, which, in the past, had been disappointing in some respects.

44. He was glad to see that new consultative groups for co-ordinating aid to individual countries had been set up and that steps had been taken to strengthen the existing groups and consortia. Those groups and consortia provided a method for consultation between developed countries, between developed and developing countries and with the multilateral institutions, and helped to create an atmosphere of confidence between those who provided funds and those who received them.

45. Furthermore, he welcomed the Bank's efforts to face what its President had called the "debt explosion" and to ease interest rates. In that connexion, the earlier Bank study on "Economic Growth and External Debt" had been particularly useful. His Government decided to grant interest-free loans to some developing countries least able to service new loans—loans made on that basis so far totalled \$140 million.

46. Perhaps the most encouraging feature of the past year was the progress in establishment of regional banks. His Government had undertaken some time ago to contribute to the African Development Bank, and he was gratified at the swift progress made by the Asian Development Bank.

47. As to the future, two positive steps were already visible. First, the resources of IDA must be replenished; the United Kingdom would contribute its share and hoped that the other countries would do likewise. Secondly, the Bank had reported on supplementary financial measures^{4/} to mitigate the effects of fluctuations in export earnings on the development programmes of the developing countries. The Trade and Development Board had already had a preliminary discussion of that, and there would be a more complete presentation of views at the forthcoming spring meetings of the UNCTAD Committee on Invisibles and Financing related to Trade.

48. Although encouraging progress had been made, the over-all picture still gave much cause for concern. The measures taken to deal with the debt explosion appeared insufficient; moreover, there was reason to fear that the developing countries would be incapable of withstanding another explosion, the

population explosion. The total flow of capital to those countries remained more or less static. The industrialized countries, which were currently expanding, must therefore work out a more coherent policy for the transfer of resources to developing countries. The latter should, for their part, adopt adequate policies and programmes and mobilize their financial and other resources. The Bank had made an estimate of the amount of additional capital that would be available in the near future; a way must be found to make the provision of that capital less vulnerable to balance-of-payments difficulties, to political problems and to the reluctance of taxpayers and voters.

49. In conclusion, the Council should now, at the start of the second half of the United Nations Development Decade, work out a more coherent strategy for development.

50. Mr. JIMENEZ (Philippines), referring to that part of the statement by the Managing Director of the International Monetary Fund which dealt with international liquidity, said that the reform of the international monetary system should be carried out by all countries, not by a limited group, and that all members of the Fund should be able to take an active part in the various international liquidity discussions in progress. The Fund should also co-operate in that connexion with UNCTAD, in which the developing countries placed their hopes.

51. Moreover, while it was proper for the Fund to call upon debtor countries to improve their payments situation or stabilize their economies, creditor countries should also modify some of their financial, monetary and commercial practices—such as restrictions on foreign lending and discriminatory monetary systems—which were making the situation more difficult for the developing countries.

52. He believed that the Fund should also seek to devise a new international reserve system. The present system produced a paradoxical result: the poor countries were lending to the rich; they supplied funds to reserve centres and later had to borrow those funds at high rates of interest. In order to remedy that situation, it would be desirable for any new reserve assets created in the future to be invested in regional development banks, so that the funds would be distributed more equitably, with the developing countries having some say in the distribution.

53. He recalled that the Managing Director had mentioned the alarming increase in the external indebtedness of the developing countries, from \$9,000 million in 1955 to \$33,000 million in 1964. What caused even more concern, however, was that the estimated cost of servicing that debt in 1964 had been between \$3,500 million and \$4,000 million. Thus, about 40 per cent of the total public and private loans made to the developing countries had been returned to the creditor countries in the form of service payments in 1964.

54. It was interesting to note in that connexion that the Fund, the Bank and the Organization for Economic Co-operation and Development were going to make a more thorough study of short-term and long-term indebtedness. What was needed, however,

^{4/} International Bank for Reconstruction and Development, *Supplementary Financial Measures: A Study Requested by the United Nations Conference on Trade and Development, 1964* (Washington, D.C., December 1965). Transmitted to the United Nations Conference on Trade and Development by a note of the Secretary-General of the Conference (TD/E/43).

was an accelerated liberalization of the terms of development financing, whether bilateral or multilateral, in favour of the developing countries. In bilateral governmental lending, a movement in that direction was now under way. The Bank also had taken steps along those lines. Thus, in October 1964, it had made a loan to the College of Agriculture of the University of the Philippines; the loan had been made for thirty years with a ten-year grace period, but the interest rate remained at the standard value of 5.5 per cent. His delegation hoped that multilateral sources such as IBRD and the regional development banks would take steps, through the establishment of an "interest equalization fund" or otherwise, to grant loans at lower interest rates and for longer terms.

55. He welcomed the increase in the volume of IDA lending but deplored the fact that, according to the organization's expectations, almost all its resources would be committed by the summer of 1966. Those resources must be increased, and IDA must make its funds more quickly available to the recipients. The countries which had already achieved some degree of development should also be eligible for IDA loans, since it was precisely at that stage that the need for capital was most urgent and debt-servicing charges became heaviest. It should also be emphasized that IDA resources should be used for development financing and not for balance-of-payments support, which was a matter for IMF.

The meeting rose at 1.10 p.m.