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*President: Mr. Raymond SCHEYVEN (Belgium).*

**AGENDA ITEM 4**

**Reports of the World Bank Group<sup>1</sup> (E/4746)**

1. Mr. McNAMARA (President of the International Bank for Reconstruction and Development) said that in December 1968, some months after he had taken office, he had announced that the Bank believed it could greatly expand its operations by taking advantage of increasing opportunities for financing. It had then seemed feasible to raise the level of lending by new borrowing and a substantial improvement in the Bank's liquidity. That belief had proved to be correct, because at the close of the financial year ended 30 June 1969 the three agencies of the World Bank Group had increased their financing of development projects by 87 per cent over the preceding year. Loans, credits and investments had totalled \$1,877 million, as against \$1,004 million in 1968. During that period the Bank had borrowed \$1,224 million on the capital markets of the world at an average cost of 6.46 per cent. The total borrowed was 55 per cent higher than the highest level achieved in any previous year. The borrowing had supported the expansion of Bank lending and increased its cash and liquid security balances by \$450 million.

2. That it had been possible to borrow so substantially at a relatively modest cost indicated the confidence enjoyed by World Bank securities in the capital markets. Those securities were, in fact, among the safest investments in the world. The 1970 financial year should be an even better one. The Bank expected to expand its loans, credits and investments to approximately \$2,250 million.

3. Having progressed beyond the stage when year-to-year budgeting provided an adequate base for planning its operations, the Bank had launched a five-year programme covering the financial years 1969 to 1973. During that period the Bank Group should find it possible to double the amount lent over the previous five years, and to bring its new development financing operations to a level exceeding \$12,000 million. That goal seemed likely to be achieved. It was not merely a question of enlarging the volume of lending or of lending simply for development in general,

<sup>1</sup> International Bank for Reconstruction and Development—International Development Association, *Annual Report, 1969* (Washington, D.C.); International Finance Corporation, *Annual Report, 1969* (Washington, D.C.).

but of providing loans for very specific high-priority projects and programmes which fitted into an over-all strategy.

4. In the preceding financial year loans and credits to African member countries had increased by almost 150 per cent and operations in Latin America were rising rapidly towards the goal of more than doubling their volume by 1973. A resident mission had been established in Indonesia, a country in which the Bank Group had never before invested, and in the previous year four International Development Association (IDA) credits totalling \$51 million had been extended to that country.

5. While the complexity and delicacy of the population issue was admitted, there was no escaping the fact that unduly rapid population growth was the greatest obstacle to the economic and social advancement of the underdeveloped world. No attainable rate of economic growth would be sufficient to cope with an unlimited proliferation of people on a planet of limited capacity. In order to respond to requests from Governments, a new Population Projects Department had been set up within the Bank and it was prepared to offer technical advice and assistance and, if appropriate, financial aid in order to help developing countries to solve their problems. In those efforts the Bank was working in co-operation with the United Nations and the World Health Organization (WHO).

6. The Bank Group had doubled the number of its agricultural loans in the preceding financial year and would continue to expand them in the current year. The new hybrid strains of wheat and rice had produced record yields in South-East Asia. The investment for research had been modest. Such investment in basic research could generate immense benefits to the whole of the developing world. The Bank hoped, with the collaboration of other United Nations specialized agencies and private groups such as the Ford and Rockefeller Foundations, to launch a similar innovative thrust in applied research in other fields such as the low-cost production of protein, the management of the world's water supplies and the control of plant and animal diseases. The new seeds were only a single element in a total technology involving the more rational use of land and water, fertilizers and insecticides, transport and storage, agricultural credit and marketing techniques. It was also essential not to overlook such problems as that of small farmers who had to compete with wealthy landowners who could better afford the new techniques, that of cities already overcrowded by rural migration, or that of food-exporting countries which found their markets shrinking. A sudden increase in agricultural production did not in itself lead to balanced development. Disequilibrium could best be avoided by forging a comprehensive development strategy, and the Bank was working closely with the Food and

Agriculture Organization of the United Nations (FAO) towards that end.

7. There was no dispute about the necessity for a greater volume of educational investment, but there were divergent views about its direction. In the financial year under review the Bank Group had tripled the previous year's lending for education, and it would expand it further. The needs, however, were vast and resources meagre, and it was essential that rare and irreplaceable resources should not be wasted. In some countries of the developing world the drop-out rate in the first six years of primary school was in excess of 80 per cent. In others, students remained in school, passed their examinations but could not find jobs. There were areas of the world in which the educational system was expanding too rapidly for any absorptive capacity that could reasonably be expected of the economy to put the traditional and unduly theoretical curricula to practical use. For those reasons, the Bank's effort in education would be concentrated, not on physical construction but on school administration, teacher training, curriculum design, innovations in instruction techniques and long-term educational planning tied directly to the development strategy of the economy as a whole. In those activities, the Bank would continue its co-operation with the United Nations Educational, Scientific and Cultural Organization (UNESCO).

8. Having increased its emphasis on the foregoing three sectors, the Bank now intended to give greater attention to three further problems: unemployment, urbanization and industrialization.

9. Unemployment was a problem of massive proportions. It was estimated that about 20 per cent of the entire male labour force in the developing world was without work. The situation was growing worse, and in Latin America alone the urban population was growing twice as fast as the number of jobs. One half of the population of the developing world was under twenty years of age and, however effective family planning might be, it could not be expected substantially to affect the employment picture before the end of the century. Hundreds of millions of young people would be flooding the labour market throughout the forthcoming two decades. The first step was to realize the seriousness of the evil of unemployment. As the Director-General of the International Labour Organisation had rightly pointed out, persistent unemployment exacted social costs as well as economic costs. Unemployment robbed a man not only of his pay, but also of his pride. Despair and frustration, pushed to breaking point, could erupt into irrational violence. A developing nation could not afford massive unemployment—economically, socially or psychologically. A minimum annual rate of growth of 6 per cent was essential and, in fact, attainable in most developing countries, but that in itself would not resolve the unemployment issue. The right balance would also have to be found between capital-intensive and labour-intensive enterprises, and between the supply of skilled and unskilled workers, so as to make better use of the full labour force. Some countries were moving rapidly into capital-intensive technology. The equipment they imported was under-priced, because the exchange rates were over-valued. Real interest rates were artificially low because of inflation and did not reflect the true value of

capital. In such circumstances, the wages of unskilled labour in the industrial sector were allowed to rise above their real value and to become seriously out of line with those in agriculture. In other countries, there was too little encouragement of labour-intensive export-oriented industries. One of the most valuable products of the new agricultural technology was that it stimulated rural employment. Unemployment could not, of course, be eliminated within the 1970s, but the problem simply could not be left to take care of itself. The Bank Group was seeking to obtain a better understanding of the unemployment problem and of the best measures for mitigating its effects; its advice would be available to all member countries which sought it.

10. The steady drift of people from the countryside to the city was a world-wide phenomenon and one which seriously affected the developing countries. The cities of the developing world were the centres which should serve as the basis of industrial growth and social change. Instead, a growing proportion of their inhabitants were eking out an extremely precarious existence and urban growth was spawning a culture of poverty which threatened the economic health of entire nations. The population of the major cities of the developing countries was currently doubling every decade. By the end of the century it would be about five times what it was at present. There again, family planning was essential, and more intensive investment in rural development might slow the exodus to the cities. It was not yet clear whether the developing nations should use their limited resources to encourage villagers to remain in the countryside or whether their funds should be invested in massive urban infrastructure. Nor was it certain whether investment should be made in existing cities or whether it would be preferable to build new ones. A nation-wide strategy of integrated rural and urban development was essential. It must embrace population planning, regional specialization and industrial growth and give an important role to economic measures which would optimize the national income and distribute it more equitably.

11. The third issue was industrialization. The problem was not to convince the new countries that they should industrialize but to assist them in doing so by contributing to over-all balanced growth. The developing countries must avoid protecting their local industries at the cost of agriculture. There was a strong temptation to invest heavily in import-substitute industries and surround them with a degree of protectionism which deprived them of any incentive to remain competitive and efficient. The ideal would be to have a national policy aimed at making the existing industrial structure more export-oriented and then to let the forces of competition sharpen its efficiency. That sometimes necessitated difficult reforms in respect of tariff duties and import restrictions—reforms that were often politically unpopular. But it was questionable whether any Government could maintain its popularity if it continually deferred those steps which were essential to the balanced growth of the industrial sector. The technologically advanced nations had a reciprocal responsibility to remove import restrictions on those products which the emerging world could supply efficiently and competitively. The richer countries had spent large sums to help the new countries towards industrialization. They could not turn their backs on their own investments by now refusing to

allow the recipients of their assistance to compete with them in their domestic markets. Over-protectionism was uneconomic and irrational for both sides.

12. The Bank Group had sought to stimulate industrial growth in the developing countries. It had doubled its level of lending to development banks in the previous two years. In five years, the International Finance Corporation (IFC) had nearly doubled its investments to \$93 million. Those investments had in turn catalyzed investments of over \$500 million in the private sectors of sixteen countries. But more could be done, and it had been decided to establish an Industrial Projects Department within the World Bank. The Group would do its utmost to co-ordinate its activities with those of the United Nations Industrial Development Organization (UNIDO).

13. With regard to the operations of IDA, the second replenishment of the resources of the Association had finally been completed the previous July, after considerable delay. The delay would have been far more harmful had a majority of the Part I countries not made advance contributions which were not tied to the completion date of the second replenishment. The advances, amounting to \$245 million, together with special supplementary contributions from certain countries and a sum transferred to IDA from the net income of the World Bank, had enabled the Association to make commitments of \$385 million in 1969 as compared with only \$106.5 million in 1968. The remaining IDA resources, including those from the second replenishment, would have been committed by 30 June 1971. A third replenishment would have to take place by then to ensure continued IDA operations after that date. Experience indicated that at least a year was necessary for the contributing countries to take the necessary legislative steps. Consequently, only eight months were left to complete the negotiations for the third replenishment. That time-table had to be observed if the momentum of IDA's operations was to be maintained.

14. Turning to resolution 60 (IX) on supplementary financial measures, adopted by the Trade and Development Board on 12 September 1969,<sup>2</sup> he said that the Bank's staff had prepared a report at the request of the United Nations Conference on Trade and Development (UNCTAD) and had participated in its consideration in various UNCTAD bodies. The September resolution had formally submitted the resolution to the Bank, with a view to determining whether a new and more flexible supplementary finance scheme conforming to the guidelines laid down by the Trade and Development Board could be evolved. The Bank's staff were actively pursuing the matter.

15. Relations between the Bank Group and various United Nations bodies had continued to grow, and an increasing number of problems called for co-ordinated action. Collaboration with the United Nations Development Programme (UNDP) continued to be vigorous, to the benefit of both organizations. In agricultural lending, the special staff set up in FAO was helping in the identification and preparation of projects. The Bank financed 75 per cent of the cost of that staff and had recently advanced the necessary funds to double it. The Bank was also collabo-

rating with UNESCO in the identification and formulation of educational projects. Co-operation with WHO could prove particularly effective in connexion with birth control. A joint mission was currently studying possibilities for assistance in that field in Indonesia.

16. The Bank could make a most valuable contribution to United Nations agencies by placing a quarter of a century of development experience at their disposal. The Group had therefore decided on a substantial expansion of its programme of economic reports. Starting in 1969, it would organize an annual mission to each major developing country to report on economic and social progress and the prospects for the future. The missions would investigate all major sectors of the economy and would seek to determine priorities for both investment and pre-investment operations. The annual reports would be of benefit not only for the countries concerned and the Bank but for the other United Nations agencies and bilateral aid organizations as well. They would also help in evaluating progress in the Second United Nations Development Decade.

17. A little over a year previously the Bank Group had asked Mr. Lester Pearson to form a commission of international distinction and competence to survey the entire development situation. Talks had taken place with seventy Governments, and meetings had been held throughout the developing world. The World Bank had financed the effort. The Pearson Commission's report<sup>3</sup> was not directed to the Bank but to the world at large. It was important for every State member of the Economic and Social Council and every specialized agency to give the fullest consideration and scrutiny to that document. Governments, agencies and institutions agreeing with a particular recommendation should transform their agreement into effective action and implement specific proposals without delay. The Commission had said in its report that the goal of the international development effort was to put the less developed countries as soon as possible in a position where they could realize their aspirations with regard to economic progress without relying on foreign aid and that the illusion of instant development only led to disappointment. With regard to the question whether the majority of the developing countries could achieve self-sustaining growth by the end of the century, it stated that the answer was that they could indeed do so, and that the present time was one in which the ability to transform the world was only limited by faintness of heart or narrowness of vision. The World Bank Group fully shared that view and dedicated all its efforts to that goal.

18. Mr. GALLARDO MORENO (Mexico) recalled that the President of the Bank, in addressing the Board of Governors, had touched upon the subject of the Second United Nations Development Decade. So far, all the members of the Second Committee had expressed gratification concerning the report of the Pearson Commission. There was reason to hope that the recommendations contained in the report would be implemented as soon as possible. That study had been undertaken with a view to encouraging not only the exchange of ideas but also swift action towards balanced development. Political and academic circles throughout the world were preparing to

<sup>2</sup> See *Official Records of the General Assembly, Twenty-fourth Session, Supplement No. 16 (A/7616)*, p. 207.

<sup>3</sup> Commission on International Development, *Partners in Development* (New York, Praeger Publishers Inc., 1969).

study the Pearson Report and to consider the possibility of adopting concrete measures. The World Bank Group planned to make a detailed analysis of each of the Commission's recommendations concerning the Bank's activities and to consider proposals for the adoption of appropriate measures.

19. His delegation commended the Bank Group upon its resolute approach. The economic missions which the Bank was preparing to send to the developing countries would make it possible to compile some very useful data for assessing the economic and social progress achieved during the Second Development Decade. Similarly, the value of the activities undertaken by the Bank with a view to rationalizing industrialization efforts in the developing countries was undeniable. Those activities should be undertaken with due regard to the planning essential for regional and sub-regional integration. In that connexion, the establishment in the World Bank of a new Industrial Projects Department was most welcome. The Bank had recognized the need to increase the resources allocated to agriculture, and the development of forestry should not be overlooked in that connexion. The Bank Group had doubled the number of its loans in the agricultural sector and was preparing to increase them further in the fiscal year 1970. That would undoubtedly help to slow down the rate of rural-urban migration. The use of new techniques should make it possible not only to increase food production but also to develop employment opportunities in rural areas.

20. In connexion with unemployment, he observed that while there were certainly enough jobs to be done in the world, there was a dearth of new ideas for making effective use of each man's labour. With regard to population growth, his delegation believed that it was for each country to determine its own line of action, having regard to its internal social, economic and political circumstances. Educational reforms were essential in order to avoid the waste of economic and human resources.

21. The interest rates on the loans made by the Bank necessarily reflected the cost of the funds it mobilized. However, most of the developing countries' investments called for long-term loans at low interest rates. It should be borne in mind in that connexion that the Bank was planning to co-ordinate its regular operations with IDA financing operations. Similarly, it seemed a useful idea to establish a link between special drawing rights and development assistance. The withholding of IDA credit from the Latin American region during the recent period was an injustice.

22. As the Mexican Minister of Finance had stated at the last meeting of the Inter-American Development Bank, the practice of refusing loans on favourable terms to countries which had attained a relatively high level of development was unjustifiable. The fact was overlooked that those countries still had under-developed regions that were sometimes even larger in area than some of the developing countries. Communications, rural electrification, housing and health services had to be improved in those regions. It was inadmissible that countries with limited resources should be penalized because their efforts had met with some degree of success in certain sectors of their economy. Further consideration should also be given to some of the

items which the Bank intended to study, in particular, the easing of the burden placed on the developing countries by commodity price fluctuation, the possibility of creating a third type of loan machinery within the Bank Group, easier access to Bank loans for local producers, refinancing through export credits and new forms of financing that would enable the developing countries to meet the commitments arising from debt servicing.

23. His delegation thanked the Bank Group for the assistance it was continuing to give to Mexico.

24. Mr. SEN (India) expressed his gratification that the President of the World Bank had, for the first time, been able to come in person to make his very interesting statement to the Economic and Social Council. The target which he had set himself of doubling World Bank Group lending over a period of five years had almost been attained. IDA was again able to operate, thanks to the second replenishment of its resources. His delegation wished to place on record its appreciation to a number of Part I countries which had made advance contributions, thus enabling IDA to resume its operations even before the second replenishment was made effective, as a result of the wise decision of the new Administration of the United States. He hoped that the third replenishment would progress in accordance with the time-table recommended by the President of the Bank and that the difficulties which had held up IDA activities would not arise again.

25. The past year had been one of great significance, not only because the Bank Group had been able to increase its lending, but because it had embarked on intensive discussions on the question of commodity price stabilization. It was to be hoped that the decisions it had taken would be of some help in alleviating the problem of commodity price fluctuation, which was also being considered by UNCTAD, FAO and other international organizations.

26. Another highlight of the year had been the report of the Pearson Commission, which recommended an increase in the volume of aid and in its effectiveness. For the past few years, the volume of aid had remained stagnant in absolute terms and had declined relative to the growth of developed countries. The volume of official aid had declined in absolute terms for the first time in 1968 by comparison with preceding years. The terms of aid had also hardened and aid relationship between donor and recipient countries had become characterized by certain stresses and strains. It was therefore essential for the success of the Second United Nations Development Decade that all Governments should endeavour to implement the recommendations of the Pearson Commission. His delegation was confident that the President of the Bank would implement the recommendations pertaining to the activities of the Bank Group.

27. As the creation of supplementary drawing rights was likely to reduce balance-of-payments constraints on desirable aid policies, fresh direction could be given to trade and aid policies in the coming year. It was also vital not to lose the opportunity for more liberal aid and trade policies which the creation of supplementary drawing rights provided.

28. Although the developing countries financed 85 per cent of their development, the 15 per cent provided by foreign aid was extremely important since it made it possible to eliminate the various bottle-necks that impeded the development process. India had shown that it was capable of mobilizing its domestic resources. Its exports had increased at a rate of over 13 per cent in 1968/1969, owing largely to the increase in manufactures. However, as the export capacity of the developing countries increased, they encountered difficulties in finding outlets for their products, not only because of a lack of adequate marketing arrangements but also because of artificial restrictions on trade which slowed down their industrialization.

29. The Bank Group could be of particular help to the developing countries in coping with unexpected fluctuations in their export earnings, through supplementary financing, and in finding outlets for their products, through export credit. Both those problems had often been considered in international forums, but no concrete measures had yet been taken. It was to be hoped that the Bank Group could contribute to their solution, taking into account the recommendations of the Economic and Social Council and the Trade and Development Board.

30. In view of the growth of the Bank Group's activities, a more thorough analysis of the economic situation of each country would have to be made than had been the case in the past. In the context of the international development strategy, there was also a need for a periodic review of objectives and performance in both the developed and the developing countries.

31. Finally, it was important to preserve and even strengthen the participation of developing countries in the decision-making process of the Bank Group and thus to keep alive the image of the Bank as a truly international organization. Only with the goodwill of those countries, which represented two thirds of the world population, could it hope to find a lasting solution to the problems that would arise in the Second Development Decade.

32. Lord CARADON (United Kingdom) said that the impact of the statement by the President of the World Bank extended far beyond the Economic and Social Council. In politics, as in economics, leaders must show courage, honesty and common sense. Those qualities were found in Mr. McNamara, as in Mr. Pearson. Mr. McNamara's statement, which should restore faith and hope to all representatives in the United Nations and the other organizations in the United Nations system, was an answer to the defeatists. His delegation looked forward to speaking again on the present item after it had studied the statement more fully.

33. Mr. SHAHI (Pakistan) felt that the statement by the President of the World Bank, together with the reports of the Bank, IDA and IFC, gave a clear picture of the dynamic way in which the World Bank Group was tackling the major economic issues facing the world today.

34. Under Mr. McNamara's leadership, the Bank Group had been able to increase its financing of development projects by 87 per cent. It could therefore be hoped that its loans and investments would reach a figure of \$2,250 million during the financial year 1970.

35. Unfortunately, the interest rates required by the Bank had been further increased; it might have been more appropriate to base them on long-term expectations of trends in interest rates in major financial markets rather than on their short-term fluctuations. A solution should also be found to the steadily increasing debt service, which might well compromise the development efforts of many countries.

36. With respect to the three sectors to which the President of the Bank had given priority in 1968, the Population Projects Department, which had recently been established at the Bank, should be of considerable assistance to those countries threatened by a population explosion. The new impetus given to research in agriculture, which had for example led to the perfecting of high-yield varieties of cereals, could have a significant impact in revolutionizing agricultural production in the developing countries. Finally, with respect to education, the decision of the Bank to focus its efforts on school administration rather than on building should help to overcome the stagnation which characterized educational planning in many countries. By selecting three new priority sectors, namely, unemployment, urbanization and industrialization, the Bank had shown its sensitivity to the changing needs of the developing countries. Many of those, including Pakistan, were now concentrating on physical planning, in order to avoid the problems of human environment that were confronting the industrialized countries. It was to be hoped that the Bank would take an active part in the preparatory work for the United Nations Conference on the Human Environment scheduled for 1972. The time had also come for the Bank to place greater emphasis on the industrial sector, and it was to be hoped that the Industrial Projects Department would soon begin operations. He welcomed the proposal of the Bank to co-operate with UNIDO, as it was already doing with FAO and UNESCO. It was essential to establish a more rational international division of labour and to facilitate the access of manufactures and semi-manufactures from developing countries into industrialized countries, in view of the delay in implementing the agreement on the granting of general, non-discriminatory, non-reciprocal preferences. Pakistan welcomed the organization of a Tourism Projects Department at the Bank. The selection of those priority areas was evidence of the Bank's recognition of the need to bring economic growth into harmony with social justice.

37. He welcomed the resumption of operations by IDA, and hoped that the third replenishment would be undertaken at a considerably higher level than the second. Moreover, he was confident that the task entrusted to the Bank by the Trade and Development Board relating to a scheme of supplementary financing would be discharged in a very satisfactory way. With regard to the Second Development Decade, the action taken by the Bank in initiating the Pearson Commission had been most commendable, and it was to be hoped that it would participate actively in the preparatory work for the international development strategy, and in the achievement of its objectives. Mr. McNamara had said that a growth rate of 6 per cent could be attained, even in the most densely populated developing countries. He was confident that with the co-operation of the Bank, the vision expressed in the report of the Pearson Committee could be given tangible shape.

38. Mr. SKATARETIKO (Yugoslavia) considered that the results achieved by the Bank, IDA and IFC during the previous year had been exceptional. The three organizations had been able to provide unprecedented financing of the order of \$1,800 million, although it was true that the amount of the loans actually paid out had been relatively small, owing to the fact that the most substantial loans had been approved towards the end of the financial year. It was to be hoped that that situation would not arise during the current financial year. It was encouraging that the decision to replenish the resources of IDA had finally been taken, since it constituted one of the most important sources of financing for those countries which still had a low level of development.

39. Despite the very positive trend of the Bank's commitments, which had been diversified both geographically and structurally, there were some grounds for apprehension. Interest rates continued to rise and debt service already imposed a very heavy burden in most developing countries. It was therefore urgent to find an appropriate solution to that problem, especially as the ratio of grants to loans was decreasing in financial assistance as a whole. By increasing the proportion of grants as well as the contributions of IDA, it would be possible to offset the high interest level and to ensure that debt service did not become a barrier to development.

40. It was extremely encouraging that the Pearson Commission had been able in a relatively short time to produce an exhaustive report on the experience acquired in financing development since the end of the Second World War. The report would certainly be a source of inspiration for all future discussions on the matter.

41. Mr. CHRISTIANSEN (Norway) said that the reports before the Council, and the statement made by the President of the World Bank, gave an excellent summary of the implementation of the new work programme of the World Bank Group.

42. The statistics given to the Council clearly showed the substantial increase in the volume of operations during the financial year which ended on 30 June 1969. His delegation had noted with particular satisfaction that it had been possible to implement the programme in the sectors of agriculture and education. It noted with interest that a special Population Projects Department had been established at the Bank which, it was hoped, would make it possible for even more fruitful efforts to be made in that essential field.

43. There was no need to stress the central role of the Bank Group in the strategy for economic development. The report of the Pearson Commission demonstrated that the Bank Group was fully aware of its responsibilities. In connexion with the Pearson report, his delegation wished to comment on the recommendations on bilateral and multilateral aid, which directly related to the operations of multilateral agencies, including the Bank Group. The recommendation of the Pearson Commission on that point was that, for 1975, the providers of aid should increase their grants and contributions to multilateral development aid programmes to a minimum level of 20 per cent of the total flow of official development assistance. The imple-

mentation of that recommendation would clearly entail an even larger expansion in the operations of the Bank Group than that which had taken place in 1968/1969.

44. The second replenishment of the funds of IDA had been an extremely complicated and prolonged exercise. In that connexion, his delegation noted with interest the recommendation of the Pearson Commission that negotiations for the third replenishment of the funds of IDA should cover the period 1971-1975 and that contributions should reach the order of \$1,000 million annually by 1972 and \$1,500 million by 1975. Without taking a position on that proposal, his delegation welcomed the initiative of the Pearson Commission in putting forward original ideas on the replenishment of the resources of IDA, as well as on possible organizational modifications of the Association as its functions increased.

45. During the 1968/1969 financial year, the Bank had sold bonds on world capital markets to the value of more than \$1,200 million. However encouraging that was, it was somewhat disturbing that the average cost of that capital was as high as 6.46 per cent. The question therefore arose whether it was possible for the developing countries to pay the high interest rates for Bank loans, in particular when they were used for agricultural development or education. Several suggestions had been put forward with a view to reducing the interest rates. A suggestion made by the Pearson Commission was that developed countries should commit the equivalent of one half of the interest payments due to them on official bilateral loans to subsidize the interest rates applied by the World Bank. As the World Bank developed its lending activities, it would become increasingly urgent to work out a system to alleviate the burden of interest rates repayable on loans from the Bank. The problem was clearly part of the much larger problem of the debt burden of the developing countries in general. He was certain that in this field the Bank would have an important role to play in studying the problems of indebtedness of the various countries systematically and in suggesting appropriate solutions.

46. At its last annual meeting, the World Bank Group had discussed the stabilization of commodity prices, and the report of the Executive Directors had included specific proposals. His delegation had noted with satisfaction that the Bank had taken up the problem of stabilizing the export earnings of developing countries and that the scheme for supplementary financing had been referred to the Bank by the Trade and Development Board for discussion.

47. If multilateral institutions such as the World Bank were to play a more important part in development efforts than they were playing now, greater emphasis would have to be placed on avoiding duplication of effort and concentrating available means in the fields in which problems were most urgent. He hesitated to use the term "co-ordination" in that connexion, but it was clear that the increase in the amount of aid channelled through multilateral institutions accentuated the need for better co-operation and a better distribution of responsibility both among those institutions and between them and bilateral aid programmes. He hoped that the Economic and Social

Council would play an active part in that streamlining process.

48. Mr. BRADLEY (Argentina) felt that the statement by the President of the World Bank provided a good summary of the report on the activities of the World Bank Group during the past financial year and an excellent guide to a detailed analysis of that report.

49. With regard to the financing of activities, he was pleased to find that the Bank Group's resources had almost doubled. Even more gratifying was the increase in the proportion of those resources devoted to projects in Latin America and Africa, regions which, owing to their particularly acute problems, deserved more attention than they had received in the past.

50. His delegation particularly welcomed the activities undertaken in the agricultural sector, especially the studies on modern production techniques and on the development of new high-yield varieties of food grains, which had brought many developing countries closer to a solution of some of their agricultural problems.

51. The efforts made in education must surely be welcomed by everyone, since education was a fundamental part of development without which the developing countries could not assimilate modern techniques and, in the broader context, could not fully realize their aspirations, which were those of all mankind.

52. The President of the Bank, referring to future trends in the Bank's activities, had pointed out several sectors in which immediate action was needed. They included, in particular, the housing and urban development sector, which was receiving the full attention of the Argentine Government and in which, as the President of the Bank had rightly said, no easy solutions could be found. He was certain, however, that the Bank, in co-operation with the Governments concerned, would examine those problems and be able to propose solutions for them.

53. The problem of industrialization was one of long standing; industrialization was a *sine qua non* of development but it required large-scale financing. The developing countries were encountering a problem in connexion with the large-scale absorption of capital to increase their production capacities.

54. According to the President of the World Bank, the developing countries' difficulties in all the sectors mentioned were related to difficulties created by population growth. Needless to say, his delegation did not share that view, which suggested that birth control offered the only solution to existing problems. Teaching contraception was certainly easier, but such a solution was both immoral and illusory. It was undeniable, of course, that some countries and regions were beset by demographic problems, but it was equally clear that if all natural resources were more fully exploited, the earth could support ten times its present population. It was high time to discard the notion that population growth was the sole cause of underdevelopment.

55. From the purely technical point of view, the Pearson Commission's report was a remarkable document which set

out clearly and precisely the minimum measures required to ensure the harmonious advancement of the developing countries. However, the report, perhaps the best economic document of the century, would serve no purpose unless it led to a political willingness to take practical action on the part of the Governments which had the means to do so.

56. Mr. VIAUD (France) thanked the President of the World Bank for having the text of his statement circulated in a French translation, which would facilitate the work of representatives who used French as a working language.

57. The report of the World Bank for the financial year 1968/1969 showed how far the World Bank Group's activities had progressed quantitatively, qualitatively and, in some measure, even geographically. In his comments to the Board of Governors on those results, Mr. McNamara had tried to present them in medium-term or long-term perspective and had outlined the Bank's policies for the coming financial year and the part it should play in global development strategy.

58. Now, on the threshold of the Second United Nations Development Decade, the Bank had to choose among a number of fundamental options concerning its methods of action and, in some degree, its very objectives. In his statement to the Council, the President of the Bank had drawn attention to some social aspects of development. That reference was of particular interest to his delegation, which had recently made a statement in the General Assembly prompted by concern about those same questions.

59. An accurate appraisal of the role played by the Bank during the past financial year required an examination of both the financial and the economic aspects of its activities.

60. During the past financial year the World Bank had granted loans amounting to a total of \$1,399 million, as against \$847 million in 1967. That advance had been made possible by an active policy of obtaining loans on financial markets. IDA, through the recent reorganization of its resources, had been able to increase its operations to a level of \$385 million, more than three times the 1967/1968 level. Lastly, the investments of IFC had increased from \$50 million to more than \$90 million. The operations of the Bank Group as a whole during the past financial year had exceeded the value for the preceding year by 90 per cent. That unprecedented expansion, for which the present management of the Bank deserved the credit, was all the more remarkable because it had been accompanied by an improvement in the Bank's liquidity. Unfortunately, while the volume of loans granted had increased, their terms had been made appreciably more stringent, so that the results of the financial year 1968/1969 could not be considered with unmixed satisfaction. What had happened was that the Bank had been obliged to pass on to the beneficiaries of its activities the increase in the cost of the money it borrowed on the world's major financial markets. The causes of that phenomenon were well known, and the developed countries unquestionably bore some of the responsibility. United States companies had decided to obtain a large part of the resources they needed from the Eurodollar market, thus contributing to the rise in interest rates, which had gradually spread throughout the industrialized world and thereby, *inter alia*, promoted anti-inflationary policies. The

World Bank, in turn, had unfortunately had to increase the cost of its activities, raising the interest rate on its loans from 6.25 per cent to 7 per cent.

61. In his delegation's view, that increase in borrowers' financial charges was a disturbing development. There was a real danger that countries would become reluctant to seek assistance from the Bank because those which stood to benefit from such assistance were frequently the most needy countries, for which a high interest rate might constitute an intolerable burden, and most of the projects financed by the Bank, by their very nature, yielded only diffuse returns—for example, education projects—or returns in the distant future (as in the case of infrastructure); their profitability was therefore directly affected by changes in the interest rate, which constituted one of the main components of their total cost.

62. The report of the Bank and Mr. McNamara's statement to the Board of Governors rightly stressed one of the most encouraging aspects of the past financial year, namely, a certain redeployment of multilateral aid, to the advantage of the African continent in particular. It was common knowledge that one of the most constant concerns of the French Government had been to see that that region, whose needs were as great as its potential, received its due share of the assistance made available by the Bank and the bodies associated with it. His delegation was therefore glad to see that Africa had received in 1968/1969 almost 20 per cent of the total of the loans granted by the Bank and IDA, and it hoped that those two bodies would continue to increase the amount of their commitments to countries which, even within the Third World, were among the most disadvantaged.

63. With regard to the nature of the projects financed, his delegation was pleased that the Bank's interventions, long confined almost exclusively to a few favoured sectors, were now being extended to new areas, such as the raising of agricultural productivity and educational, professional and technical training, which, in the view of his delegation, should be among the main objectives of the Second Development Decade. The Bank's action on population problems should be particularly cautious and flexible, for demographic characteristics differed so much from one country to another that it would not be possible to adopt universal rules of conduct in that regard. Moreover, even in those countries where the desirability of some kind of regulation would seem to be beyond question, it would still be the responsibility of the national authorities alone to choose the proper time and means after they had weighed the social, religious, political and economic implications of such action. The Bank could offer its services, but it must refrain from legislating and, *a fortiori*, from coercion.

64. The recent development of the Bank's activities in the fields of agriculture, education and population, and the prospects suggested by Mr. McNamara for the possible expansion of its activities in the fields of employment and urbanization, made it particularly regrettable that the Bank had not yet been able to contribute actively to the solution of the problem of stabilizing commodity prices. His delegation regretted that in the statement which he had made in September 1969 the President of the World Bank had not mentioned that area of activity and that, in his statement to the Council, he had not raised the question.

However, the report prepared by the Executive Directors at the request of the Board of Governors contained several interesting proposals and could serve as a basis for the desired intervention of the Bank in this area. His delegation hoped, therefore, that that report would be the first stage in the process which it had been recommending for several years. It also hoped that the Bank would take into consideration in its new study on supplementary financing the link which had been established at the second session of UNCTAD between that machinery and the stabilization of commodity prices decided upon by the Board of Governors at Rio de Janeiro in 1967.

65. The role of the Bank in the economic and social progress of the under-developed countries, the importance of its methods and the quality of its staff made it an essential factor in any international development strategy. It was, therefore, justifiable to ask what place it could occupy among the organizations which were co-operating in preparations for the Second Development Decade. If the United Nations wanted to help the Third World to prepare the ground for a development policy covering the next ten years, it should establish priorities in the economic and particularly the social fields in accordance with which the Bank would then have to adjust its own.

66. The publication of the report of the Pearson Commission testified to the importance which the Bank now attached to a comprehensive approach to development problems. As it had been issued only recently, it was not yet possible to comment on those of its conclusions which were of most interest to the Economic and Social Council. There was one of them, however, which had attracted the attention of his delegation because it referred to the need to co-ordinate the actions taken by Governments and international institutions to help less developed countries and to create the requisite machinery for that purpose. The World Bank, whose role was limited to the financial aspects of development, was probably not the body which would be in the best position to ensure such co-ordination, as it had implicitly recognized when it had concluded that its activities, because of their special nature, could not be incorporated in the Council's co-ordination machinery. Moreover, that co-ordination machinery already existed, since it was the task of the Economic and Social Council, in accordance with the Charter, to take the initiative in joint operations concerning several organizations, to examine the role played by each of those organizations and to assess the progress made towards the targets which had been fixed. The possible adaptation of the existing machinery to the needs of the Second Development Decade was being studied by the Preparatory Committee for the Second United Nations Development Decade and it was to be hoped that the World Bank would make known to the Council, as would the other specialized institutions, the results of its experience and its efforts.

67. The PRESIDENT was pleased to announce to the Council that the Nobel Prize for Economics had just been awarded to Professor Tinbergen, Chairman of the Committee for Development Planning. He presumed that the members would have no objection to his cabling, on behalf of himself and the Council, a congratulatory message to the laureate.

*The meeting rose at 1 p.m.*