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Washington, D.C.

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Friedman UNCTAD Files - Geneva Meeting on  
Suppl. Finance / Comments to TC, Board & Econ. Ctee

Apr. 1966

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1787149

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Irving Friedman UNCTAD Files: Geneva Meeting on Supplementary Finance. April 13-20,  
1966 - Comments to President's Council Board and Economic Committee

## OFFICE MEMORANDUM

TO: FILES

DATE: April 29, 1966

FROM: Donald J. Pryor

SUBJECT: Economic Committee meeting 4/26/66 - UNCTAD consideration  
of the Bank Scheme on Supplementary Finance

Irving Friedman reported on the previous week's meeting in Geneva of the UNCTAD Committee on Invisibles and Financing Related to Trade, at which the Bank Staff Scheme was considered formally for the first time. The Bank was represented by Messrs. Friedman, Pereira-Lira and Jalan and, for a time, Mr. Karasz from the Paris office.

At the end of two days of general statements in the Plenary and another two days of intensive discussions between and within the groups of developed and developing countries, the committee adopted a Resolution sponsored by U.K., Sweden, India, Yugoslavia, Ecuador, Peru, Brazil and Uganda by 33 votes to none with five abstentions. The Resolution recommends to the Board that a working party of 13 to 15 governmental representatives be set up with a view to "studying and elaborating" the Bank Study. The Resolution apart from "expressing considerable appreciation for the Study prepared by the staff of the IBRD", also notes "the considerable measure of support in the committee for the concept of supplementary financial measures elaborated in the IBRD staff study." This inter-governmental group is required to report to the second session of the Committee, which is scheduled for November 1966.

The working group is expected to meet on or around July 1 and is to have two or three meetings before the second full session of UNCTAD, which is expected to be in May or June, 1967. The hope was expressed (though representatives of some major governments doubted its feasibility) that a final scheme would be ready for adoption at the '67 UNCTAD session and could be initialed by governments on the spot.

In view of the timetable and the fact that the elaboration of the Scheme will have to be done almost entirely by the Bank (UNCTAD hasn't the staff), the basic work will have to be completed here between now and July - a good deal of it within the next month. Mr. Friedman said the Bank would not do that part of the study dealing with the choice of agency, however.

The intergovernmental working group consists of seven less developed countries (Ghana, UAR, India, Brazil, Argentina, Yugoslavia and Ceylon) and six developed countries (U.K., U.S., Sweden, West Germany, France and Japan). There are two additional places on the committee, in case the Soviet bloc wishes to be represented.

Other salient points in Mr. Friedman's report:

1. It was generally hoped, despite its own becoming modesty, that the Bank Group would administer the Scheme, in close collaboration with the Fund.

2. Contrary to widespread preconceptions, there was no strong opposition to the scheme, but considerable support from the beginning by both developed and less developed. The former, which by and large had expected resistance from the LDC's in view of the Scheme's emphasis on "performance" tempered their initial support with caution. The LDC's took the line that the new, more intimate type of relationship between borrowers and lenders, which is the core of the scheme and which involves accountability of borrowers for their performance, was inevitable in any case and would be more to their advantage if organized through a multilateral agency. The only initial opposition came from the French, who re-argued their case for the organization of international commodity markets as an alternative solution. In the end, however, they voted for the resolution, expressing their interest in the further elaboration of the Bank Study.

3. The division in the Committee was not so much between LDC's on the one hand and industrial countries on the other as within the groups themselves. A number of specific issues were raised concern with which cut across group lines. For example:

a. The projected size of the fund. While no one suggested that it was too large, many strongly led by the Swiss, and including the Germans) felt that it probably was too small. Since this question, however, involves many large imponderables, such as the success of commodity agreements, the precision of export earnings forecasts under the scheme, the availability of special funds from other sources, etc., it was left unresolved; it can be resolved, in any case, only by experience.

b. Concern over the fate of commodity agreements, i.e., the fear that support for them might vanish if the scheme were adopted and looked upon as a substitute. The French took the lead on this line, of course, but their fears were shared to some degree by the Ghanians, Nigerians and Belgians. If not completely reassured, they at least did not in the end oppose the scheme on this ground. The Bank's position was that the two approaches were complementary and, indeed, that the success of commodity agreements would lessen the burden on the scheme.

c. The reliability of export projections. Doubts on this score were expressed by the Germans, Yugoslavs and Turks, among others.

d. Application of the scheme in countries which, for institutional, social or other reasons, have not reached the point where comprehensive planning is feasible. The Bank study deals with this problem of course - and with the others, for that matter. Presumably, they will be examined further in the "elaboration."

4. There was clear agreement among members of the Committee that the fund proposed for the Scheme should not in any way be considered a partial substitute for IDA or other regular development assistance. Mr. Friedman also got the impression that the developed countries were generally reconciled to the idea that such funds had to be increased, although he "passed no hat" and sought no estimates.

5. The Poles, Czechs and Rumanians somewhat unexpectedly, were favorable to the further study of the Scheme. In fact, in the closing session of the Committee the Poles took the lead in praising the Bank for its work and for its objectivity. The Russians and Ukrainians talked little and in standard terms.

6. The organization of the meeting was interesting, in that, apart from Plenary sessions, the developed countries, ~~the Soviet Bloc~~, and the developing countries met in separate officially recognized groups to deliberate among themselves in an attempt to arrive at a common position. The Soviet Bloc, however, apparently did not meet as such. The system appears to have worked very well. At the outset, it was also decided to encourage direct contacts between delegations criss-crossing the group lines.

7. Government representation was 'middle-echelon' rather than ministerial. Representatives of the LDC's were remarkably well prepared and knowledgeable.

In discussion which followed, Orvis Schmidt reported that delegates to the recent meeting of the Inter American ECOSOC which he attended in Buenos Aires all spoke approvingly of the "World Bank Plan" and of the IMF compensatory financing facility.

The meeting was attended by a number of department heads, including Mr. Graves, and others who were specially invited, in addition to those who regularly attend sessions of the Economic Committee.

INSERT A.

At the end of two days of general statements in the Plenary and another two days of intensive discussions between and within the groups of developed and developing countries, the committee adopted a Resolution sponsored by U.K., Sweden, India, Yugoslavia, Ecuador, Peru, Brazil and Uganda by 33 votes to none with five abstentions. The Resolution recommends to the Board that a working party of 13 to 15 governmental representatives be set up with a view to "studying and elaborating" the Bank group Study. The Resolution apart from "expressing considerable appreciation for the Study prepared by the staff of the IBRD", also notes "the considerable measure of support in the committee for the concept of supplementary financial measures elaborated in the IBRD staff study." This inter-governmental group is required to report to the second session of the Committee, which is scheduled for November 1966.

FILES

April 28, 1966

Donald J. Pryor

Economic Committee meeting 4/26/66 -- UNCTAD consideration of the Bank Scheme on Supplementary Finance

*Invisibles and Financing*

Irving Friedman reported on the previous week's meeting in Geneva of the UNCTAD Committee on Finance Related to Trade, at which the Bank Scheme was considered formally for the first time. The Bank was represented by Messrs. Friedman, Pereira Lira and Jalan and, for a time, Mr. Karasz from the Paris office. *Staff*

*Insert A*  
[The proposed Scheme was generally approved and, by unanimous resolution, an inter-governmental working group, or committee, was established with instructions to "elaborate" on the Bank study, to consider the question of what agency should administer the scheme (keeping in mind UNCTAD's original specification that it be IDA) and to report to the full Committee on Finance, etc., for its consideration in November.]

The working group is *expected on or around* to meet by July 1 and is to have two or three meetings before the second full session of UNCTAD, which is expected to be in May or June, 1967. The hope was expressed (though representatives of some major governments doubted its feasibility) that a final scheme would be ready for adoption at the '67 UNCTAD session and could be initialed by governments on the spot.

In view of the timetable and the fact that the elaboration of the Scheme will have to be done almost entirely by the Bank (UNCTAD hasn't the staff), the basic work will have to be completed here between now and July -- a good deal of it within the next month. Mr. Friedman said the Bank would not do that part of the study dealing with the choice of agency, however.

The intergovernmental working group consists of seven less developed countries (Ghana, UAR, India, Brazil, Argentina, Yugoslavia and Ceylon) and six developed countries (U.K., U.S., Sweden, West Germany, France and Japan). ~~The chairman for the LDC's will be Yugoslav, for the developed countries Japanese.~~ There are two additional places on the committee, in case the Soviet bloc wishes to be represented.

Other salient points in Mr. Friedman's report:

1. It was generally *hoped* ~~assumed~~, despite its own becoming modesty, that the Bank Group would administer the scheme, in close collaboration with the Fund.

Cont....

*considerable*

2. Contrary to widespread preconceptions, there was no strong opposition to the scheme, but ~~general~~ <sup>considerable</sup> support from the beginning by both developed and less developed. The former, which by and large had expected resistance from the LDC's on the ground that application of the scheme would violate their sovereignty, tempered their initial support with caution. The LDC's took the line that the new, more intimate type of relationship between borrowers and lenders, which is the core of the scheme and which involves ~~far-reaching~~ accountability of borrowers for their performance, was inevitable in any case and would be more to their advantage if organized through a multilateral agency. The only initial opposition came from the French, who re-argued their case for the organization of international commodity markets as an alternative solution. In the end, however, they accepted the view that the two approaches were not mutually exclusive and not only voted for the resolution, ~~but~~ <sup>joined in sponsoring it</sup> ~~expressing~~ <sup>expressing</sup> their interest in the further elaboration of the Bank Study.

*in view of the scheme's emphasis on performance*

3. There was no division as between LDC's on the one hand and industrial countries on the other. There were some divisions, however, within the two groups -- divisions which cut across group lines --, but these were chiefly on technical points. For example:

A. The projected size of the fund. While no one suggested that it was too large, many (strongly led by the Swiss, and including the Germans) ~~expressed~~ <sup>felt</sup> that it probably was too small. Since this question, however, involves many large imponderables, such as the success of commodity agreements, the precision of export earnings forecasts under the scheme, the availability of special funds from other sources, etc., it was left unresolved; it can be resolved, in any case, only by experience.

B. Concern over the fate of commodity agreements, i.e., the fear that support for them might vanish if the scheme were adopted and looked upon as a substitute. The French took the lead on this line, of course, but their fears were shared to some degree by the ~~Canadians~~, ~~Ghanians~~, ~~Nigerians~~ and ~~some others~~. <sup>Belgians</sup>. If not completely reassured, they at least did not in the end oppose the scheme on this ground. The Bank's position was that the two approaches were complementary and, indeed, that the success of commodity agreements would lessen the burden on the scheme.

C. The reliability of export projections. Doubts on this score were expressed by the Germans, Yugoslavs and Turks, among others.

D. Application of the scheme in countries which, for institutional, social or other reasons, have not reached the point where comprehensive planning is feasible. The Bank study deals with this problem of course -- and with the others, for that matter. Presumably, they will be examined further in the "elaboration."

3. <sup>There was clear agreement among</sup> ~~It was mainly clear to members of the UNCTAD Committee that~~ the fund proposed for the Scheme should not in any way be considered a partial substitute for IDA or other regular development assistance, and ~~Mr. Friedman got the impression that none of the developed country representatives were thinking of it in those terms. On the contrary, he felt that they were generally reconciled to the idea that such funds had to~~

*Mr. Friedman also got the impression that the developed countries*

*The division in the Committee was not so much between LDC's on the one hand and industrial countries on the other as within the groups themselves. A number of specific issues were raised concern with which cut across group lines.*



in Mr. Charing session of Mr. Committee

Somewhat unexpectedly, were favorable to Mr. further study of Mr. Scheme

be increased, although he "passed no hat" and sought no estimates.

4. The Poles, Czechs and Rumanians were favorable to the scheme; In fact, the Poles took the lead in praising the Bank for its work and for its objectivity. The Russians and Ukrainians talked little and in standard terms. The Poles and Rumanians were among those who specifically wanted the Bank to administer the scheme.

6. The organization of the meeting was interesting, in that the developed market economy countries, the Soviet bloc, the Latin Americans, the Asians and the Africans were organized officially as groups -- in other words, as officially recognized caucuses. The Soviet bloc, however, apparently did not meet as such. The system appears to have worked very well. At the outset, it was decided to institute inter-group discussion, with meetings of one group attended by representatives of the others -- encourage direct contacts between delegations cross-cutting the group lines.

7. Governments were not represented at the ministerial, but chiefly at the professional, level. Representatives of the LDC's were remarkably well prepared and knowledgeable.

In the discussion which followed, Orvis Schmidt reported that delegates to the recent meeting of the Inter American ECOSOC which he attended in Buenos Aires all spoke approvingly of the "World Bank Plan" and of the IMF compensatory financing facility.

The meeting was attended by a number of department heads, including Mr. Graves, and others who were specially invited, in addition to those who regularly attend sessions of the Economic Committee.

apart from Primary sessions, the developed countries and the Soviet Bloc, and the developing countries met in separate officially recognized groups to deliberate among themselves in an attempt to arrive at a common position.

DJP:js

Government representation was 'middle-echelon' rather than ministerial.

Mr. Woods

April 22, 1966

Irving S. Friedman

UNCTAD meeting on Supplementary Finance

I thought you might be interested in a brief memorandum on the UNCTAD meeting on Supplementary Finance, particularly in case the subject was raised during your visit to Europe.

A more detailed report is being prepared for distribution to the staff and possibly to Executive Directors. I have not tried to be systematic in the following, or too worried about exact language, but rather have concentrated on giving the highlights and evaluation of the consequences of the meeting.

The Committee on Invisibles and Financing met from Wednesday, April 13 to April 20, to consider the Bank staff proposal on Supplementary Financial Measures. Out of a total membership of 45 countries, 38 were present. Of these, the 15 developed countries, or as the UNCTAD calls them "Group B" countries, were Australia, Belgium, Canada, Finland, Germany, France, Italy, Japan, the Netherlands, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. From less developed countries, or in UNCTAD parlance "Group of 31 countries", there were 18 present: Argentina, Brazil, China, Ecuador, El Salvador, Ghana, India, Israel, Lebanon, Mexico, Morocco, Peru, Korea, Trinidad and Tobago, Tunisia, Uganda, UAR and Yugoslavia. From the socialist countries of Eastern Europe came the following five: Czechoslovakia, Poland, Rumania, Ukrainian SSR and the USSR. The absent members were: Cameroons, Mali, Viet-Nam, Sudan, Congo (B), Tanzania and Kuwait. Some pointed to the absence of the Cameroons, Mali and the Congo as being significant, i.e., support for the so-called French position, but other French speaking African countries attended. I do not know what significance can be attached to their absence.

The Chairman of the group was Mr. J. Everts of the Netherlands -- who is also the Chairman of a Working Party of the DAC. The Rapporteur was Mr. Juan Carlos Arlis of Argentina. The work of the Committee proceeded in plenary sessions, separate meetings of the different "groups" and a continuing process of informal talks among the delegates and ourselves. Mr. Prebisch made the opening address which was very friendly to the Bank Staff Scheme. It contributed much to set the tone of the discussions which subsequently took place.

Contrary to expectations, the Committee quickly got down to work. During the next two days of the plenary sessions, general statements were made by a number of delegations. On Friday afternoon, the Chairman invited me to make some remarks (enclosed) to the Committee in which I covered the main points which had been raised not only in the plenary sessions but also in the meetings I had had with the "Group B" (developed countries) and "Group of 31" (developing countries) separately, at their invitation. These group meetings were question and answer sessions covering many aspects of our Report and Scheme.

The development of an unexpected area of agreement between those groups by the end of the first two days of general discussions cut short the plenary sessions Friday. Most of the time of the delegates was then spent in informal discussion the draft of a Resolution, which was finally adopted (enclosed). Because of the formal Report of the meetings and the statements made during the meetings partially reflect the views of the governments and what happened.

## Report on UNCTAD Meeting on Supplementary Finance

The Committee on Invisibles and Financing, which met from Wednesday, April 13 to April 20, had only the Bank staff proposal on Supplementary Financial Measures on its Agenda. Out of a total membership of 45 countries, 38 were present. Of these, the 15 developed countries, or as the UNCTAD calls them "Group B" countries, were Australia, Belgium, Canada, Finland, Germany, France, Italy, Japan, the Netherlands, Spain, Sweden, Switzerland, Turkey, the United Kingdom and the United States. From less developed countries, or in UNCTAD parlance "Group of 31 countries" there were 18 present: Argentina, Brazil, China, Ecuador, El Salvador, Ghana, India, Israel, Lebanon, Mexico, Morocco, Peru, Korea, Trinidad and Tobago, Tunisia, Uganda, U.S.R. and Yugoslavia. From the socialist countries of Eastern Europe came the following five: Czechoslovakia, Poland, Rumania, Ukrainian SSR and the USSR. The absent members were: Camerouns, Mali, Viet-Nam, Sudan, Congo (B), Tanzania and Kuwait. Some pointed to the absence of the Camerouns, Mali and the Congo as being significant, i.e., support for the so-called French position, but other French speaking African countries attended. I do not know what significance can be attached to their absence.

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The development of an unexpected area of agreement between those groups by the end of the first two days of general discussions cut short the plenary sessions after Friday. Most of the time of the delegates was then spent in informal discussions on the draft of a Resolution, which was finally adopted (enclosed). Because of this, the formal Report of the meetings and the statements made during the meetings only partially reflect the views of the governments and what happened.

The United States had come to the meetings with the basic objective of finding out what the attitude of the developing countries towards the Scheme would be. Many of the lending countries seemed to expect that the developing countries would not be fundamentally interested in the Scheme because of the emphasis on performance. Germany, for example, told us that their instructions to the conference had been prepared under this impression, while the English were ready to beat a retreat from their first position at the meeting, which was and remained one of unqualified support for our proposal. The developing

countries, on their part, were generally favorable to the Bank proposal, although they wanted to know more about some essential assumptions behind the Scheme and about the detailed working of the proposed mechanism. The generally favorable attitude of the developing countries seemed to come as a surprise to the developed countries.

As a result of the meetings, the delegates of the major lender countries -- not withstanding the number of specific questions which the developing countries raised about the Scheme -- came to the unanimous view that the latter are greatly interested in the Bank Scheme, as a practical means of dealing with a chronic problem, and would regard its coming into being as a major contribution by the lender countries to the developing countries.

The great majority of the developing countries did not support the French position, which championed the "organization of markets" idea and spoke of "technical paternalism" and discouragement of commodity agreements resulting from the Scheme. Instead, the LDC's accepted our view that commodity agreements would be complementary and mutually helpful to the Scheme.

The major developed countries will now consider seriously what they are prepared to do next about the Bank's staff proposal. Two circumstances tend towards positive action: the need to have some concrete proposal appealing to the developing countries around which the work of the next UNCTAD in 1967 could take place, and a general disposition to do something useful on a multi-lateral basis. (President Johnson's views were much quoted by the Americans.)

The pace with which the lender countries will progress towards the final creation of the Scheme will probably be greatly influenced by the attitude of the United States. At present, the United States, and probably Germany, are not ready to follow the quick schedule preferred by Sweden and the United Kingdom. As for the French some well informed delegates expressed the view that France will change its position, once it is clear that the supplementary finance Scheme is coming into being.

It may be said that the developed countries -- even during the initial phase of discussions in the Committee -- gave a reception to the Scheme more favorable than was expected by others. Indeed, to exaggerate somewhat, everyone seemed to be surprised at everyone else's support for the Scheme, but nearly all gave their support!

A measure of the attraction of the proposal to all parties concerned is reflected in the interest in the staff Scheme demonstrated by Poland, Rumania and Czechoslovakia, departing in emphasis from the more hostile line adopted by the USSR.

During the course of the meetings, the developing countries appear to have found satisfactory answers on the basic points concerning the Scheme which were worrying them. They were pleased to be reassured that: (a) supplementary finance was going to be considered in the over-all context of development finance; (b) that it was meant to be truly supplementary, and (c) that a way would be found to fulfill the requirements of performance without prejudicing their "sovereignty". In the next stage of the work, they will like to see how this can be done in practice and embodied in explicit rules. ~~They, the French~~  
~~or the~~

They, as well as the developed countries, also wish to pursue a number of technical points.

There was indication among some developing countries, however, of concern with the split which was felt to exist among developed countries. Which approach -- the French or the others' -- represented the wave of the future? Would these differences mean paralysis of action in the development finance field, both supplementary and basic?

From the practical point of view, the work of the Committee resulted in the adoption of a Resolution deciding to establish, subject to the approval of the Board of UNCTAD, a small intergovernmental working party (13 to 15 members), to further study and elaborate the Bank Staff proposal, with rather wide terms of reference. This group may also consider the ways in which the Scheme would be financed. The members of the recommended working party are: 7 from the developing countries -- Argentina, Brazil, Ceylon, India, Yugoslavia, Ghana, and the UAR; 6 from the developed countries -- United States, United Kingdom, Sweden, Japan, France and Germany. (Ceylon came as a surprise because it is not a member of the Committee on Finance, but only an observer.) Two seats have been left open for members of the socialist bloc in case they wish to participate. The resolution was adopted by 33 votes to none with 5 abstentions from the socialist bloc countries. The Bank and the Fund staff were invited to help the work of the group. I indicated that our staff would continue to collaborate.

The agreement on the resolution may be attributed to a general consensus on the following points:

- (a) virtually unanimous agreement that not only the problem of unexpected export shortfalls which disrupt development programs was important, but that a practical solution to it was possible and feasible;
- (b) general feeling that the Bank Staff proposal has the essential ingredients of a practical and feasible scheme, although a number of important questions of detail, administration and finance need further enquiry and some need answering before an international agreement is made possible;
- (c) there was general agreement that the figure of \$300 to \$400 millions per annum was not high, but may have been too low in view of some, such as Switzerland and Germany;
- (d) there was agreement that the supplementary finance must be truly supplementary to IDA and other forms of development finance and not a substitute. For the United States and United Kingdom this would mean staying in the neighborhood of \$300 to \$400 million per annum. Germany, Switzerland, and possibly Sweden, might be willing to go higher, after further study.

The question as to who would administer the Scheme did give some concern to the delegates. Many from the developed and developing countries expressed the view that if the agency was to be effective it must be the World Bank Group. They very much hoped that the World Bank Group would be willing to take up the job. With respect to the problem of administering "performance", Mr. Prebisch has been suggesting (in his opening address and elsewhere) that this examination should be conducted by an independent group of experts outside the Agency. The Americans and others expressed unhappiness with this suggestion and were responsible for inclusion in the Terms of Reference of the working group of a reference to the paragraph in the UNCTAD Resolution of 1964 which mentioned the IDA as the Agency. I explained repeatedly why we said nothing in the Report on the Agency.

There was widespread belief expressed that the work of the Committee on supplementary finance had opened a new hopeful phase in the activities of UNCTAD, which meant a transition from a debating society to an effective decision-making group. Many shared the view initially expressed by Mr. Prebisch that the discussion of the supplementary finance Scheme was the best opportunity given to UNCTAD to make this vital transformation.

From the point of view of the Bank, the reception for the Staff Scheme was most friendly and the efforts of the Staff deeply appreciated. Delegates went out of their way in private conversations with each other as well as with us, to express their appreciation. The World Bank was widely regarded as now becoming the bridge between developed and developing countries.. Remarks were made that the views of the Bank were carefully prepared and objectively arrived at, with development as a primary concern, and that the World Bank Group has the needed prestige to command a hearing for its views and substantially influence the governments. Delegates of all countries were eager to explore technical and policy questions of the supplementary finance Scheme as deeply as time permitted and to get their own evaluation of both the sincerity and validity of Bank presentation. (One side effect was that Pereira Lira, Jalan and myself never got to bed before 2 a.m. and had discussion breakfasts every day at 8 a.m.!!)

Personally, it was a gratifying and encouraging experience. The work we are doing is clearly very much needed, respected and appreciated by our members. These government representatives had the experience to know what a difficult job it is. The problem is to live up to their high opinion of the Bank staff. They expect us to be deeply knowledgeable and objective, economically and technically sophisticated by the highest standards, with imaginative but practical solutions. They feel that our work commands support because we can be cooperative and keep above petty personal politics. Every one ended very friendly to us and eager to have closer relations with the World Bank Group, including not only member creditor and recipient countries, but also Switzerland and Poland. Perhaps most important of all both creditor and recipient country, showing full awareness of the implications of what they said, emphasized in public and private utterances, the acceptance of our view that what was urgently needed was a new approach to development finance based on a concept of joint enterprises with mutual responsibilities, including performance, more finance, longer-term commitments and much greater reliance on the multilateral approach.

Notes for Report to the Board on UNCTAD Meeting on  
Supplementary Finance

1. Meeting of Committee on Invisibles and Financing related to trade of Trade and Development Board --- Trade and Development Board has 55 members from among the total membership of over 120 in UNCTAD.

2. Meeting from 13 to 20th April to consider the Staff Report on Supplementary Financial Measures --- the Committee has 45 members -- of these 38 were present: 15 Developed Countries; 18 less developed; and 5 from the Soviet Bloc --- Everts --- Arlia. Groups -- "B" (developed countries); "A" and "C" make up the "Group of 31"; "D": group comprised of Soviet Bloc countries. Raul Prebisch is Secretary-General of UNCTAD.

3. Discussions - in plenary and "groups" -- very intense -- many questions raised -- Answers in Study and more detailed explanations given orally -- clearly most of these questions raised for record and clarification -- well-briefed delegates -- discussions business-like - *accomplished* *tough* *original studies - sense of* \*

4. Principal Issues discussed -

- (a) Market organization of commodities vs supplementary finance; general agreement that these are not mutually exclusive.
- (b) Relation to basic development finance - should be truly supplemental.
- (c) \$300 - \$400 million figure -- how firm? -- accepted by all as a minimum.
- (d) Relation between Agency and recipients on "performance".
- (e) Terms and Conditions of assistance.
- (f) Implications of residual nature of supplementary finance.
- (g) *how fast to go ahead -*

These will be discussed in a longer Report now being prepared

5. Draft Resolution -

(Operative sentences and paras from the Resolutions (Underlined).

*(resolutions insert) - some 2 reference all part of the list*

6. Next step -

(a) Expect Trade and Development Board to set up new expert group expeditiously.

(b) Staff work goes on - mainly spelling out and providing more detailed work already largely done for the original Study. - *some new work*

(c) Expect meeting of expert group by 1st of July -- group has to report to the next meeting of the Finance Committee in November -- aim to have detailed Scheme for approval at UNCTAD meeting in spring of 1967.

*7. For Committee Fuller Report*

*closest*  
*Frank closest to opinion - here with concern about*  
*operation marketing approval -*

*7 (\* UK, Sweden (opinion for May 1967), Finland, (Netherlands, Italy)*  
*Committee, etc - support from - )*  
*strong support - support - principle, let some*  
*important questions - US? - have had the feel -*  
*See - know to \$300 - 400 million*

**United Nations Conference on Trade and Development**Distr.  
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19 April 1966

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TRADE AND DEVELOPMENT BOARD  
Committee on Invisibles and Financing  
related to Trade  
Resumed first session  
Geneva, 13-20 April 1966*Resolution Passed by  
33 votes to 0  
(with 5 abstentions)*

## SUPPLEMENTARY FINANCIAL MEASURES

*13412*  
Brazil, India, Sweden, United Arab Republic, United Kingdom  
of Great Britain and Northern Ireland, Yugoslavia. Joint  
draft resolution*Ecuador,  
Peru and  
Uganda*

The Committee on Invisibles and Financing Related to Trade:

TAKING NOTE of Recommendation A.IV.18 of the first UNCTAD and having regard to the discussions of the Committee during its resumed first session,EXPRESSING its considerable appreciation for the study prepared by the staff of the IBRD, in response to the invitation of the first UNCTAD under Part A of that Recommendation,NOTING that the existing international financial machinery does not include a mechanism designed to deal with problems arising from adverse movements in export proceeds which prove to be of such a nature or duration that they cannot adequately be dealt with by short-term balance of payments support, and to provide longer term assistance to developing countries which would help them to avoid disruption of their development programmes and that, accordingly, appropriate measures should be introduced,

Without prejudice to current and future work towards agreement on individual commodities in international trade and other practical measures to achieve a stabilization of commodity markets, including the process of organization of markets, expresses the hope that the relationship of any measures taken under the recommendation in question with this other work will be studied in the Committee on Commodities and in other competent organs of the UNCTAD;



NOTING the considerable measure of support in the Committee for the concept of supplementary financial measures elaborated in the IBRD staff study;

AGREES that the scheme of supplementary financial measures set out in the study prepared by the staff of the International Bank for Reconstruction and Development in accordance with that Recommendation should be further studied and elaborated in the light of the discussions of this Committee, as a means of dealing with this question, and therefore

DECIDES for this purpose, subject to the approval of the Board, to establish under Rule 63 of the Rules of Procedure of the Committee a small group of representatives of governments, with the requisite expertise, consisting of .....<sup>13 to 15</sup> members, to study and report on this matter to the second session of the Committee, with the terms of reference set out in the annex to this resolution;

INVITES representatives of the staff of the IBRD and the IMF as well as representatives of such other bodies as the Group may consider appropriate to assist in the work of the intergovernmental group and in particular to prepare such factual material as may be required to enable the group to accomplish its task.

ANNEX

TERMS OF REFERENCE FOR INTERGOVERNMENTAL GROUP

1. The Group should examine the study presented to the Secretary-General by the staff of the IBRD, in the light of the discussion of it in the Committee. The Group should submit a report on the study (with such modifications to the Scheme as it may consider appropriate) as a means of achieving the objective set out in Part A of Recommendation A.IV.18 of the First Conference. Having regard to the timetable for the next Conference, the Group should endeavour to submit the report in good time for consideration by the Committee at its second session, in November 1966.
2. The Group should pay special attention to the following points:
  - (i) Questions affecting the scope of the Scheme, including the treatment of overages and the regard to be paid to import prices.
  - (ii) The form, terms and conditions for the provision of financial assistance to countries participating in the Scheme.
  - (iii) Measures for establishing a relationship between the resources available and the resources required; in this connexion the Group should examine the implications for the Scheme of the hypothesis that resources on the scale suggested in the IBRD staff study (taking account of any modifications which the Group may suggest) would be available.
  - (iv) The need to establish a boundary between problems of an economic nature and those which fall within the political sphere in the administration of any Scheme.
  - (v) Questions relating to the methodology to be applied in the formulation of the projections and the technical assessment of the policies on which the development plans of individual countries are based, the circumstances which may give rise to a claim on the Scheme, and the considerations which the Agency should take into account in dealing with such a claim.

- (vi) The appropriate period of time for which the relevant projections of exports should be established and the concomitant obligations of the Agency and the developing country concerned respectively should be assumed..
  - (vii) The relationship between supplementary financial measures and other types of economic assistance, both multilateral and bilateral, with particular regard to the need to ensure compatibility between them as regards the terms, conditions and criteria on which they are to be provided.
  - (viii) The comparative effects on economic development of the scheme proposed and of other possible methods which might be employed for the same purpose but with due regard to the primary task laid down in the fifth and sixth paragraphs of the resolution to which these terms of reference are annexed.
  - (ix) The status, membership and functions of the Agency and its relations with other international bodies, having regard to paragraphs 7 and 8 of Part A of Recommendation A.IV.18.
3. The Group may also put forward suggestions, for further consideration by governments, of ways in which the Scheme might be financed.

By the Committee  
on Council

(Use this  
outline)  
(Prebisch's Report)

D R A F T

~~CONFIDENTIAL~~ ISF (attached  
ms.)

April 25, 1966

REPORT TO THE PRESIDENT'S COUNCIL ON UNCTAD MEETING  
ON BANK'S STAFF STUDY ON SUPPLEMENTARY FINANCE

1. ~~Meeting of Committee~~. Membership - 45 countries represented - 5 Soviet Bloc, 16 developed countries, 24 less-developed countries. 7 absent. Of French speaking countries only Tunisia and Morocco were present - too much made by some of the absence of French speaking countries.
2. Attitude at beginning - Certain developed countries strongly for - others friendly. ~~but~~ All less-developed countries in favor. All developed countries were surprised that less-developed countries presented a more or less unanimous stand on the proposed study. Many less-developed countries well prepared. Prebisch's speech - set the tone for general discussions.
3. Remarks - Plenaries few, most of the work done outside the plenaries. There were five meetings in three days (instead of six). On most days so-called group meetings - also in smaller, informal groups and bilateral talks - Bank invited to group and other meetings to answer questions on the scheme - by Monday had draft resolution and draft report - by Wednesday night had agreement on both. Very hectic - ended with considerable goodwill and sense of accomplishment.
4. Character of Meeting. All felt something very important was happening in development finance and in international relations. They were glad that the World Bank was being so helpful to the UNCTAD. Serious, sometimes bitter discussions, particularly with the French - but tough and constructive. World Bank group representatives were of course central in first three days as also in the last three days of informal consultations. Less-developed countries were determined to get this scheme launched during the last three days. They were concerned about a split among the developed countries - great majority for action - U. S. for some action now but not ready to go too fast as Britain or Sweden. French

By [unclear] [unclear]  
[unclear]

(Use this  
outline)  
(Preparatory Report)

D R A F T

~~CONFIDENTIAL~~ ISF (attached  
ms.)

April 25, 1966

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more or less isolated.

5. Results. (a) Adopt the resolution for working party - demanded to go forward to elaborate the scheme - to answer questions and concern dealing with financing the UNCTAD hopes have a detailed scheme for approval by 1967 - relying heavily on continued Bank work - "hurry ups" versus "not to go too fast" - great effort to get detailed scheme ready for negotiations in 1967 in any case. More detailed report for further circulation among staff and probably Executive Directors. Plan for work - the Bank will continue to work on the scheme to formalize and revise past work. Need for more detailed work on certain aspects.

# Pres. Council -

## 1. Meeting of Council - ~~Final~~ Minutes at Finay of Paris

7 July 1967  
President was  
in Paris  
to meet with  
some of the  
members of  
the Council  
at Finay

- (1) 75 countries - 5 Soviet bloc - 16 Developed  
24 LDC's - 7 Absent - <sup>Cuba, Congo, Guyana, Mali, Sudan</sup>
- (2) attitude at beginning - ~~some~~ certain DC's - <sup>change in</sup> -  
~~some~~ friendly - but all carried LDC's ~~word~~ would not  
support ~~the~~ <sup>the</sup> ~~transcript~~ <sup>transcript</sup> ~~of~~ <sup>of</sup> ~~the~~ <sup>the</sup> ~~policy~~ <sup>policy</sup>  
~~package~~ <sup>package</sup> and French attitude (pre-up much in letter)  
LDC's - friendly but skeptical of DC intentions and  
questioning on meaning - May well prepared -  
Preliminary speech - met at <sup>early</sup> ~~early~~ <sup>general</sup> ~~general~~ <sup>discussions</sup> -  
(3) ~~Discussions~~ - ~~plans~~ <sup>plans</sup> ~~for~~ <sup>for</sup> ~~done~~ <sup>done</sup> ~~in~~ <sup>in</sup> ~~3~~ <sup>3</sup> ~~days~~ <sup>days</sup> (unless 76) -  
on ~~some~~ <sup>some</sup> ~~days~~ <sup>days</sup> ~~initially~~ <sup>initially</sup> ~~is~~ <sup>is</sup> ~~called~~ <sup>called</sup> ~~group~~ <sup>group</sup> ~~meetings~~ <sup>meetings</sup> - also smaller  
groups at bilateral talks - but invited to  
groups in ~~the~~ <sup>the</sup> ~~question~~ <sup>question</sup> ~~of~~ <sup>of</sup> ~~the~~ <sup>the</sup> ~~scheme~~ <sup>scheme</sup> - by March had draft  
Resolution on draft Report - ~~by~~ <sup>by</sup> ~~Wed~~ <sup>Wed</sup> ~~night~~ <sup>night</sup> had a ~~preliminary~~ <sup>preliminary</sup> ~~meeting~~ <sup>meeting</sup>  
very hectic - ended with ~~some~~ <sup>some</sup> ~~kind~~ <sup>kind</sup> ~~of~~ <sup>of</sup> ~~good~~ <sup>good</sup> ~~will~~ <sup>will</sup>  
and sense of accomplishment
- (4) Character of meeting - all felt - ~~meeting~~ <sup>meeting</sup> ~~very~~ <sup>very</sup> ~~important~~ <sup>important</sup> ~~was~~ <sup>was</sup>  
happening - ~~develops~~ <sup>develops</sup> ~~france~~ <sup>france</sup> - ~~with~~ <sup>with</sup> ~~relations~~ <sup>relations</sup> - ~~a~~ <sup>a</sup>  
~~relation~~ <sup>relation</sup> ~~with~~ <sup>with</sup> ~~world~~ <sup>world</sup> ~~bank~~ <sup>bank</sup> - UNCTAD -  
senior, sometimes bitter discussions - part with  
France - but tough and constructive -  
WBE <sup>WBE</sup> ~~was~~ <sup>was</sup> ~~of~~ <sup>of</sup> ~~course~~ <sup>course</sup>, central in fact 3 days -  
2 central in fact 3 days - one of political  
bargaining - other of advice on explanation of  
opposition for Resolution for scheme - LDC  
determined to get scheme launched ~~hard~~ <sup>hard</sup>  
day last 3 days - LDC's almost unwilling to  
drive ~~the~~ <sup>the</sup> ~~DC's~~ <sup>DC's</sup> - ~~US~~ <sup>US</sup> ~~as~~ <sup>as</sup> ~~mediator~~ <sup>mediator</sup> ~~facilitator~~ <sup>facilitator</sup>  
Great Magnitude for achievement - US ~~for~~ <sup>for</sup> ~~some~~ <sup>some</sup>  
but not ~~implying~~ <sup>implying</sup> ~~with~~ <sup>with</sup> ~~an~~ <sup>an</sup> ~~action~~ <sup>action</sup> ~~really~~ <sup>really</sup> ~~for~~ <sup>for</sup> ~~many~~ <sup>many</sup> ~~years~~ <sup>years</sup>  
- 1966 - or even 1967 (?) - French more ~~less~~ <sup>less</sup> ~~isolated~~ <sup>isolated</sup>

M. Gray 715 -  
 7 LOCs care by, Brazil, Ghana, India, UAR  
 of Guyana + Cayman (Morton  
 6 DCs are ~~to~~, Benin, Fr, Jap, UK, US, ...

UK negotiators will us at front - ended together -

(5) Results

(a) get Reduta - mandate to go forward to  
 elderly <sup>exp</sup> ~~to~~ <sup>to</sup> answer questions at conven -  
 deduct financing - inter-govt committee of  
 13 to 15 (if have to pay) - 7 LOC's - 6 DC's -  
 being sound ~~some~~ detailed plans for  
 approval by ECSTAD - 1967 - Poljg hearing on  
 combined bank work - "hungry eyes" - vs  
 "to not to first" boys - <sup>needed</sup> ~~work~~ <sup>needed</sup> ~~debates~~ <sup>debates</sup> attempt  
 experience - <sup>and</sup> <sup>not</sup> great effort to get detailed  
~~help~~ <sup>help</sup> ready for negotiation in 1967 in any case -  
 (b) ~~more~~ <sup>more</sup> detailed report for Woods - <sup>more</sup> <sup>systematic</sup> <sup>work</sup> <sup>done</sup> <sup>on</sup> <sup>the</sup> <sup>staff</sup> <sup>and</sup> <sup>part</sup> <sup>of</sup> <sup>50%</sup>

(not a formal negotiable group)

(c) ~~the~~ <sup>the</sup> <sup>plans</sup> <sup>for</sup> <sup>Woods</sup> <sup>will</sup> <sup>continue</sup> <sup>effort</sup> -  
 principle at revise part were detailed work,  
 give benefit of the progress - studies being  
 done in any case - etc.

LOC's (Gray 731)

DC's (Bgray)

Some 6/4

LOC's (Gray 731)	DC's (Bgray)	Some 6/4
Argentina	Australia	Czechoslovakia
Brazil	Belgium	France
<del>Canada</del>	Canada	Germany
Chenin	Congo (Brazzaville)	Russia
ET Sultan	Chad, Ecuador, Finland	Ukraine
Ecuador	ET Sultan, Kenya	USSR
Ghana	France	
India	Italy	
Israel	Japan	
Seychelles	Kuwait	
Mali	Netherlands	
	Spain	

24 - 24  
 16 - 16  
 44 - 46