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Wyss, H. - Articles and Speeches (1962-1963)



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INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

Aug 6-10 - Mr Wyss rep'd
Bank at UN meeting on Planning
of Economic Development,
Geneva

OFFICE MEMORANDUM

To: Files

August 24, 1962

From: H. Wyss

Subject: UN COMMITTEE OF EXPERTS ON PLANNING OF
ECONOMIC DEVELOPMENT

Introduction

1. General Assembly resolution 1708 (XVI) invited the Secretary-General:

"with the assistance of a group of experts composed with due regard to their familiarity with various planning techniques under different economic systems, and in co-operation with the appropriate institutions of different countries, to prepare a study summarizing the experience gained and the techniques in use in the planning of economic development by different countries."

2. The Secretary-General convened a first session of a group of ten experts, of representatives of UN Regional Offices, of the Specialized Agencies and of Intergovernmental Organizations in Geneva from August 6 to August 10 (the list of participants is given in Annex I). The objectives of the meeting in Geneva were:

- a) to consider the outline for the report requested in the General Assembly resolution 1708,
- b) to adopt the program for working out the report,
- c) to have a preliminary discussion of the work program of the Economic Projections and Programming Centre as far as the planning side is concerned. (Regarding the projection aspect of the Centre, a meeting was held in New York in June, 1962^{1/}).

Summary of the Meeting

3. Most of the Committee's time was devoted to the discussion of an outline of the report (the agreed text is reproduced as Annex II). Although the outline was designed essentially with a view to preparation of country studies by the experts, the Committee thought that with minor revisions the same outline may serve as basis for the report requested in General Assembly resolution 1708.

1/ IBRD, Office Memorandum by J. P. Hayes on UN Committee of Experts on Long-Term Economic Projections, dated July 6, 1962.

4. The group of experts showed considerable enthusiasm to prepare a report for consideration at the ECOSOC meeting planned for July 1963. It was agreed that

- a) each expert would prepare a study on economic planning in his country following the agreed outline (deadline: December 15, 1962);
- b) the UN Secretariat would invite some Governments of countries other than those represented by the ten experts, to prepare similar studies on their planning experience; while the group felt that the Secretariat - in consultation with the Regional Economic Commissions - should be free to choose these countries, it was indicated by the group that it would be particularly useful to approach Governments of countries in an early stage of economic development;
- c) the experts might prepare, besides their country reports, studies on some issues, e.g., the role of industrialization in planning, for inclusion in the general report; however, no specific assignments were given to each expert;
- d) the country reports and the possible other studies would serve to the Secretariat to prepare a draft of the general report which would be discussed in a second session of the Committee, to be held in New York for two weeks in early March 1963.

5. Finally, the Committee discussed briefly and in a preliminary fashion the work program of the Centre on planning. A more detailed consideration of the Centre's work on planning was postponed to the second session of the Committee in March 1963.

Outline of the Report on Economic Planning

6. From the outset of the discussion the experts stressed that techniques of development programming had already been discussed in a number of previous meetings and publications. The group felt that its report would be of greatest value by concentrating on organizational aspects of preparation and implementation of development plans, and on economic policies designed to implement plan objectives. The group showed awareness of the difficulties that such an approach would encounter when conclusions of operational significance for less developed countries should be reached. Nevertheless, the experts felt that the report should make an attempt to analyze the economic, social and political pre-conditions deemed necessary for the successful implementation of development plans. The group's search for a "realistic" approach to its report went so far that at one stage it was not considered necessary to include in the report discussion of planning techniques; or, as the Russian delegate said, "we don't want a cook-book of development economics". Only at the later stage of the discussion did the group agree that the quantitative aspects of techniques of planning should be spelled out, preferably in an appendix to the reports.

7. A great number of suggestions came up during the discussion. As an effort was made by the Secretariat to include all suggestions in the outline reproduced in Annex II, the document has become rather detailed. While various members of the group would have liked some setting of priorities for the study, the majority of the group felt that it should be left to the authors of the country studies and of the general report to discuss the issues in proper perspective.

The Presence of Participants from the U.S.S.R. and Czechoslovakia

8. While the Russian delegate was quite cooperative there were some time-consuming discussions due to differences of semantics - e.g., Mr. Bor insisted that an "unbalanced" plan is nonsensical - but more important, a strong opinion was expressed by Mr. Bor that planning should be directed toward a declining significance of external trade ("international specialization is in the interest of developed countries"). Mr. Vik from Czechoslovakia stressed the potential of applying his nation's experience to less developed countries, emphasizing the role of nationalizing industries and foreign trade. However, Mr. Vik's statements in the early part of the meeting did not find a significant echo.

Preliminary Discussion of Work Program of the Economic Projections and Programming Centre on Economic Planning

9. Mr. Mosak asked the experts for preliminary views on the work which the Centre might usefully undertake in the field of economic planning. Suggestions were made along the following lines:

- a) collection of basic data and preparation of a handbook of technological notions, etc. for planners,
- b) establishment of a library service, concentrating on literature on plan preparation,
- c) follow-up of economic plans in the past and at present.

Great emphasis was laid on the need for educating planners. While Mr. Mosak pointed out that training centers have been established by the respective Regional Commissions, the Russian expert maintained that important training activities should be undertaken at the Centre, which would be in a better position to educate officials in various fields not related to specific regional conditions.

Views Expressed on IBRD and Future Cooperation

10. The Bank's role in securing resources for economic development - both as a lender and as organizer of consortia - was favorably recorded by Mr. Tarlok Singh. The Bank's publications on Planning in Yugoslavia and Morocco were referred to at various instances by Mr. T. Singh and by Professor Millikan. Mr. Mosak acknowledged before the Committee the study on Yugoslavia ("I see that the country report on Yugoslavia has

already been written by the World Bank."). Besides providing the two above publications and Professor Tinbergen's "Design of Development", I assured Mr. Mosak that we shall send to the secretariat of the Committee any further study in the series of "The Organization of Economic Planning" which would be published during the Committee's working program.

cc: Mr. J. Burke Knapp
Mr. R. H. Demuth
Mr. J. C. de Wilde
Economic Advisers

ANNEX I

LIST OF MEMBERS OF GROUP OF EXPERTS ON PLANNING
OF ECONOMIC DEVELOPMENT, AND OTHERS ATTENDING THE
FIRST SESSION, AUGUST 6 - 10, 1962.

Members of Group of Experts on Planning of Economic Development

Mr. Ahmed Mahmoud Almurshidi	Director-General, Ministry of Planning, Cairo, U.A.R.
Mr. Mikhail Zakharovich Bor	Director, Scientific Research Institute of Planning of Norms of the Gosplan, Moscow, U.S.S.R.
Mr. Celso Furtado	Executive Director SUDENE, Recife, Brazil
Mr. Borivoje Jelic	Under-Secretary, Federal Planning Office, Belgrade, Yugoslavia
Mr. Paul Lemerle	Inspecteur des Finance, Charge de Mission au Commissariat General du Plan, Paris, France
Professor Max Millikan	Director, Center for International Studies, Massachusetts Institute of Technology, Boston, U.S.A.
Mr. Tarlok Singh	Additional Secretary, Planning Com- mission, New Delhi, India
Mr. Vratislav Vik	State Planning Office, Prague, Czechoslovakia.
Professor Peter de Wolff	Director, Central Planning Bureau, The Hague, Netherlands
Mr. Satoru Yoshiue	Director, Economic Research Institute, Economic Planning Agency, Tokyo, Japan.

Representatives of Specialized Agencies and Inter-Governmental Organizations

Mr. P. Carré	General Agreement on Tariffs and Trade
Mrs. O. B. Forrest	United Nations Educational Scientific and Cultural Organization
Mr. W. Galenson	International Labour Office

Representatives of Specialized(Cont'd.)

Mr. Haussiaux	European Economic Community
Mr. Lamartine Yates	Food and Agriculture Organization
Mr. O. Llyod	International Atomic Energy Agency
Mr. E. Parsons	Organization for Economic Co-operation and Development
Dr. J. S. Peterson	World Health Organization
Mr. H. Wyss	International Bank for Reconstruction and Development
Mr. N. Verannenam	World Meteorological Organization
<u>Staff Members of United Nations Headquarters and of Regional Offices</u>	
Mr. Philippe de Seynes	Under-Secretary for Economic and Social Affairs
Mr. Jacob L. Mosak	Director, Bureau of General Economic Research and Policies
Mr. Andrew G. Brown	Secretary, Group of Experts on Planning of Economic Development
Mr. Manuel Balboa	Director, Economic Development and Re- search Division, Economic Commission for Latin America
Mr. V. M. Bhatt	Economic Commission for Asia and the Far East
Mr. Sidney Dell	Assistant Director for Current Economic Analyses and Policies
Mrs. C. Doblin	Division of Industrial Development
Miss Julia Henderson	Director, Bureau of Social Affairs
Mr. D. McGranahan	Bureau of Social Affairs
Mr. N. Kaser	Economic Commission for Europe
Mr. J. Royer	Economic Commission for Africa
Mr. Frederick Strauss	Director, Research and Planning Division, Economic Commission for Europe
Mr. V. van Eijk	Economic Commission for Europe

ANNEX II

GROUP OF EXPERTS ON
PLANNING OF ECONOMIC
DEVELOPMENT - FIRST
SESSION-6-10 August 1962

Distr. RESTRICTED
EPPC/EDP/R.WP.1/Rev.1
8 August 1962

PROVISIONAL^{1/} OUTLINE OF STUDY ON
PLANNING FOR ECONOMIC DEVELOPMENT

Introduction

Scope of report and approach of group regarding objects to be achieved. Give general appraisal of existing economic and social situation in underdeveloped countries. Spell out briefly the character and leading features of the process of economic development and the need for planning.

A. The Role of Planning in the National Economy

1. Brief historical review of evolution of national planning as a means of fostering economic development.
2. Function of planning under different systems and at various stages of development. Emphasize importance of structural and technological change as a goal of planned economic development. Indicate significance of high rate of growth and of self-sustained growth.
3. Prior conditions for planned development. Discuss the political and social pre-requisites of planning, the requisite institutional framework, and the need to change and adapt procedures and institutions in the course of economic development. Problems of centralization and decentralization of planning. Division of scope between public and private sectors. Role of external resources in the plan, and establishment of conditions for the participation of foreign capital. Choice of policy instruments: use of direct as against indirect methods and controls. Means of enlisting goodwill and active cooperation of the public as well as of non-governmental organizations. Policies of regional and sectoral development.
4. The nature of the plan: the choice or combination of methods for ensuring planned development, ranging from the promulgation of legal directives to the announcement of general guidelines to policy.
5. The period of the plan: annual, medium-term and long-term plans for economic development, and relationship between them.
6. Comprehensive plans and partial plans.

^{1/} The final outline is likely to include some minor changes. It will be sent out by the Secretariat to all the participants of the meeting by the end of September.

7. Possibilities and limitations of planning. Explain what planning can and cannot be expected to achieve.

B. Formulation of Overall Long- and Medium-term Plans

Indicate that the formulation of overall plans and the planning techniques adopted vary from country to country depending upon political institutions, social structure, etc.

1. Methods of diagnosis of existing state of economy:
 - (a) survey of resources,
 - (b) survey of economic and social structure,
 - (c) analysis of past trends and current problems, and
 - (d) appraisal of progress and problems under past plans.
2. Assessment of potentialities for economic development. Projection of domestic output; character of projections as a means of drawing up a consistent programme of growth potentialities in the various sectors of an economy. Capacity to produce: population projections, supply of and demand for manpower (employment), capital equipment and materials, trends in productivity.
3. Consideration of broad economic and social objectives in formulation of plan:
 - (a) the rate of growth of gross national product, investment, consumption, etc.,
 - (b) the absorption of surplus labor,
 - (c) the elimination of subsistence sectors,
 - (d) improvements in educational standards,
 - (e) improvement in health and nutrition,
 - (f) improvement in housing conditions,
 - (g) improvement in income distribution,
 - (h) promotion of industrial development,
 - (i) changes in balance of payments,
 - (k) etc.
4. Establishment of overall targets

Establish the relative emphasis given to the objectives noted under B.3 at the particular phase of planned development. Determine criteria for allocation of total available supplies between economic investment, social investment, public consumption, private consumption and exports:

 - (a) capital requirements for the acceleration of economic growth, including both fixed and working capital, and taking into account the choice of techniques,
 - (b) investment requirements in human resources - education and training, health, nutrition, housing,
 - (c) foreign exchange requirements, including foreign loan or grant capital,
 - (d) personal consumption objectives,

- (e) accommodation of objectives for mutual consistency in the light of general economic and social goals.

5. Inter- and intra-sectoral balance:

- (a) allocation of available resources among sectors and inter-sectoral relationships; industry, agriculture, power and transport; social overheads,
 - (i) manpower; total and skilled workers,
 - (ii) raw materials and key commodities,
 - (iii) capital goods,
- (b) intra-sectoral balance,
- (c) public sector programming.

6. Mobilization of financial resources: achievement of dynamic balance:

- (a) mobilization of internal financial resources,
 - (i) government saving,
 - (ii) enterprise saving,
 - (iii) personal saving,
- (b) mobilization of external financial resources.

7. Annual plans and problems of stabilization within the context of long-term and medium-term plans.

C. Implementation of the Plan: Organization and Policy

1. Organization and operation of the planning system:

- (a) character, location, responsibility and internal organization of the central planning agency,
- (b) relation of the central planning agency to
 - (i) Cabinet or Council of Ministers,
 - (ii) the Ministry of Finance and other Ministries,
 - (iii) the Legislature,
 - (iv) regional and local governmental agencies,
 - (v) non-governmental organizations and enterprises,
 - (vi) the general public,
- (c) relation of economic, social and scientific research institutes to planning system,
- (d) experience in training planners.

2. Planning procedures:

- (a) organization of information and system of checks required for effective planning; organization of the flow of statistics, direct checks and controls by government bodies,

- (b) means of building up the national plan as a coherent synthesis of central, regional, local and enterprise plans,
- (c) means of achieving in practice the modifications in other plans implied in the adoption of a national plan,
- (d) operational form of the national plan and its legislative and executive content,
- (e) relationship between annual plans and annual budgets,
- (f) procedures for project formulation and evaluation.

3. Execution of the plan:

- (a) changes required in traditional methods of policy-making and administration,
- (b) methods of translating the overall plan into specific action designed to achieve
 - (i) the desired level and pattern of an investment,
 - (ii) the desired rate of saving,
 - (iii) the desired level and composition of imports,
 - (iv) the desired distribution of income,
 - (v) the co-ordination of the above policies with fiscal, monetary and exchange rate policies with a view to maintaining economic stability,
 - (vi) continuity, harmonization and dovetailing of plans and projects, appropriate phasing, and allowance for long lead activities.

4. Implementation in specific sectors:

- (a) creation of required infra-structure - power, transport, water, communications,
- (b) provision of an appropriate agrarian structure and ensuring adequate growth in agriculture, and in the marketing of food,
- (c) realization of targets in publicly operated industries,
- (d) realization of targets both as regards production and investment in privately operated industries through
 - (i) licensing,
 - (ii) taxes and subsidies,
 - (iii) import controls,
 - (iv) credit,
 - (v) price policy and price controls,
 - (vi) other controls or incentives, e.g., wage policy and control,
- (e) expansion of exports,
- (f) rationalization of marketing of wage goods,
- (g) realization of targets in manpower, education and social policy,
- (h) implementation of objectives formulated regarding population growth.

D. Appraisal of Progress

Methods of appraising performance in annual and medium-term plans; and in individual projects; means for adjustment of plans in light of appraisals:

1. Methods and frequency of reporting and reviewing progress.
2. Responsibility for follow-up, and for action by planning and executive bodies.
3. Use of research and studies to appraise performance of Ministries and other executing agencies.
4. Statistical requirements for continuous plan appraisal.

E. National Planning and International Policies

1. International co-operation for expansion of trade; regional economic arrangements, trade agreements, etc.
2. International co-operation on monetary and financial matters, exchange agreements, etc.
3. Co-operation for transfer of capital, both bilateral and multi-lateral.
4. Multi-country projects, e.g., river valley development, transport, power, etc.
5. International co-operation in research, exchange of information, technical assistance.
6. Co-ordination of national plans among countries, either regionally or on wider basis.
7. International co-operation for uniform statistical procedures,
8. Impact of plans in underdeveloped countries on developed countries.

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1	Graves	216	Paris Pouch	113
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<p>Remarks</p> <p>Mr. Wyss sent attached to me; don't know if it is of interest to staff or if they have seen; if anyone wants to keep it, they are welcome.</p> <p><i>UN off the mark before Waterston!</i></p>				
<p>From Doris R. Eliason</p>				

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

To: Files

April 16, 1963

From: H. Wyss

Subject: UN COMMITTEE OF EXPERTS ON PLANNING OF ECONOMIC DEVELOPMENT

Introduction

1. General Assembly resolution 1708 (XVI) invited the Secretary-General:

"with the assistance of a group of experts composed with due regard to their familiarity with various planning techniques under different economic systems, and in co-operation with the appropriate institutions of different countries, to prepare a study summarizing the experience gained and the techniques in use in the planning of economic development by different countries."

2. The Secretary-General convened a first session of a group of ten experts, of representatives of UN Regional Offices, of the Specialized Agencies and of Inter-Governmental Organizations in Geneva from August 6 to August 10, 1962.^{1/} The main results of the first session were:

- a) an outline for the study requested by the General Assembly,
- b) a program for working out the report.

Under the latter heading the UN Secretariat, Bureau of General Economic Research and Policies, prepared a draft study entitled "Report on Planning for Economic Development"; the experts drafted monographs on economic planning in their respective countries and the Governments of Colombia, Pakistan and Hungary submitted documents reviewing planning experience in their countries.

3. A second session of the same group of experts, of representatives of UN Regional Offices, of the Specialized Agencies and of Inter-Governmental Organizations was convened in New York from March 25 to April 5, 1963 (the list of participants is given in Annex I). The objective of the meeting in New York was to work out an agreed version of the "Report on Planning for Economic Development" which would be submitted to ECOSOC and subsequently to the UN General Assembly.

1/ IBRD, Office Memorandum by H. Wyss on UN Committee of Experts on Planning of Economic Development, dated August 24, 1962.

Summary of Meeting

4. The Committee devoted its two weeks to the discussion of the Secretariat's draft report after having decided that the final paper to be submitted to ECOSOC will consist of Vol. I, containing the "Report on Planning for Economic Development" and Vol. II, containing the studies prepared by the experts and the Governments of Colombia, Pakistan and Hungary (the list of these documents is reproduced in Annex II - a full set of the documents is available in Mr. Waterston's office).

5. By the end of the session the Committee had not yet reached a consensus on the final version of the "Report on Planning for Economic Development", mainly because of the opposition of the expert from the USSR, Mr. Bor, to an integrated treatment of the experience in planning both in the "centrally planned" and in the "mixed economies"; Mr. Bor wanted to see the Russian experience discussed separately in the report. Also, the experts tended to get bogged down in the discussion of details, often of a purely editing character. The Committee decided that:

- a) a third session - probably in August or September 1963 - will be required to work out the final report. According to Mr. Mosak, the Chairman of the Committee, UN conference facilities both in New York and Geneva are unlikely to be available at the proposed time. Mr. Tarlok Singh suggested in a tentative offer to hold the third session at New Delhi;
- b) in the meantime the Secretariat will prepare a revised draft report, while the experts may revise their own reports and submit additional suggestions for the Secretariat's revised draft;
- c) other countries will be invited by the Secretariat to send reports on their respective planning experience.

6. Although the second session of the planning experts did not accomplish its planned objective, the discussions tended to proceed generally on a high level. But even more important, the positions taken by various experts were highly informative as to their experiences and present preoccupations. For this reason I have taken extensive notes on the meeting's discussions (there are some typewritten copies of these notes in my office - extension 2121).

"Planning in every Country"

7. The Committee did not reach an agreement that instruments and techniques of economic planning were essentially the same in all countries; the use - and effect - of these instruments will differ from country-to-country on account of varying social and political conditions and will alter with changes in the stage of economic development. While the formulation of plans requires a great degree of centralization, the implementation may take many shades

between a highly centralized to a substantially decentralized - but well coordinated - planning system. However, the Committee felt that the need for centralized decision-making and control appears most urgent at a very early stage of economic development when "the breaking-up of the vicious circle of underdevelopment requires concerted action." As a country moves into higher stages of development, priorities change and direct actions from the center may be lessened.

8. The experts from the highly developed Western economies, from the USA, France and Netherlands, stressed the need for a clear distinction between planning technicians and the politicians responsible for final decision-making on the priorities of economic development. It is up to the planning technicians to outline clearly a number of alternative roads open to economic development while the role of the politician consists in choosing the alternative most acceptable to their particular society. A distinction between planners and politicians was considered particularly useful in view of technical assistance to less developed countries which according to the experts could be provided only at the level of the planning technicians.

Demand Analysis Approach vs. Production Potential Approach

9. In particular the Brazilian expert, Mr. Furtado, felt that many underdeveloped countries have adopted the demand analysis approach in their plan projections - a technique which he felt would be adequate to deal with cyclical problems, i.e., with problems of optimum utilization of the existing capital stock and labor. As the low-income countries have to step up development by way of changes in the economic and social structure, he suggested that the production potential approach - attributed to Russian planning in the Secretariat's draft - offers better prospects for underdeveloped countries. Of course, the two approaches are complementary and both have to be considered in a properly balanced plan. Step-by-step approximations on both the demand and production sides - with perhaps more emphasis on the one vs. the other side - will permit the structural changes referred to by Mr. Furtado to be built into a plan projection.

Use of Aggregate Models

10. Related to the discussion of the demand vs. production approach was a discussion of the aggregate model vs. the project approach. Again the Committee stressed that the two approaches are complementary. However, Mr. Furtado suggested that in Latin America aggregate model plans have been of lesser operational significance than plans consisting of a set of projects. The most outspoken critic of aggregate models, was Mr. Bor, the Russian expert who argued that aggregate models are only meaningful in practice if built up from the individual projects to sectors and to the economy as a whole. On the other hand, most experts agreed that aggregate models - even if not fully backed by projects - are useful for illustrating the issues of resource mobilization vs. growth and of domestic vs. foreign savings.

Sector Allocation

11. The allocation of resources to various sectors was discussed in the Secretariat's draft report in comprehensive terms, including some considerations on shadow prices. The Russian expert, however, felt that this general discussion would be too abstract to be useful for planners in underdeveloped countries. He suggested that specific statements be made on the priority to be given to the "leading-link" industries. Though using somewhat different terms, Mr. Bor had clearly in mind that the linkage effect of an investment be given first priority while cost-benefit considerations would be made only in a second step. Mr. Bor recognized that in many small underdeveloped countries domestic market limitations would reduce the potential for heavy industries. But ultimately, according to the Russian view, any country which desires to gain economic independence will have to enter into the technologically most advanced industries with substantial linkage effects on the domestic economy. As a corollary to these arguments Mr. Bor felt that "expensive" infrastructure investment should be kept as small as possible following rather than leading output in the commodity producing sectors.

Planning Agency

12. There was unanimity about the need for setting up the planning agency at the center of political and economic power; in particular it was pointed out that a planning agency should be able to have some control over the "technical ministries."

World Bank Image

13. While the Secretariat's draft report did not explicitly mention the World Bank, favorable comments on the Bank and IDA were made by the experts from India and UAR. At the suggestions of the IBRD representatives (a statement by Mr. Waterston to the Committee of Experts is reproduced in Annex III) references to the Bank and to the need for replenishment of IDA resources were to be included in the revised report which will be discussed in the third session of the Committee.

cc: Mr. J. Burke Knapp
Mr. Geoffrey M. Wilson
Mr. Richard H. Demuth
Economic Advisers

ANNEX I

LIST OF MEMBERS OF GROUP OF EXPERTS ON PLANNING
OF ECONOMIC DEVELOPMENT, AND OTHERS ATTENDING THE
SECOND SESSION, MARCH 25 - APRIL 5, 1963.

Members of Group of Experts on Planning of Economic Development

Professor M. Z. Bor	Director, Scientific Research Institute of Planning and of Norms of the Gosplan Moscow, USSR
Professor P. de Wolff	Director, Central Planning Bureau The Hague, Netherlands
Mr. A. M. El Morchidy	Director-General, Ministry of Planning Cairo, UAR
Mr. Celso Furtado	Minister Extraordinary, Ministry of Planning, Brasilia, Brazil
Dr. Borivoje Jelic	Director, Federal Planning Bureau Belgrade, Yugoslavia
Mr. Paul Lemerle	Inspecteur des Finances, Charge de Mission au Commissariat General du Plan Paris, France
Professor Max Millikan	Director, Centre for International Studies Massachusetts Institute of Technology Cambridge, Massachusetts
Mr. Tarlok Singh	Member, Planning Commission New Delhi, India
Mr. Zdenek Vergner	Director, Research Institute of National Economic Planning Prague, Czechoslovakia
Mr. Satoru Yoshiue	Director, Economic Research Institute Economic Planning Agency Tokyo, Japan

Representatives of Specialized Agencies and Inter-Governmental Organizations

Mr. Burt	International Atomic Energy Agency
Mr. A. Gagliotti	United Nations Educational, Scientific and Cultural Organization
Mr. E. Ojala	Food and Agriculture Organization
Dr. J. Peterson	World Health Organization

Representatives of Specialized(Cont'd.)

Mr. M. Schaeffer	European Economic Community
Mr. A. Waterston	International Bank for Reconstruction and Development
Mr. H. Wyss	International Bank for Reconstruction and Development

Staff Members of United Nations Headquarters and of Regional Offices

Mr. Philippe de Seynes	Under-Secretary for Economic and Social Affairs
Mr. Jacob L. Mosak	Director, Bureau of General Economic Research and Policies
Mr. Andrew G. Brown	Secretary, Expert Group on Planning for Economic Development
Mr. A. Aidenoff	Statistical Office
Mr. A. Attir	Division of Public Administration
Mr. T. C. Chang	Acting Assistant Director, Economic Development Branch, Bureau of General Economic Research and Policies
Mr. C. Convers	Division for Public Administration
Miss J. Henderson	Director, Bureau of Social Affairs
Mrs. C. Doblin	Evaluation and Research Division
Mr. D. McGranahan	Assistant Director, Survey, Research and Development Branch, Bureau of Social Affairs
Mr. Hiroshi Kitamura	Economic Commission for Asia and the Far East
Mr. B. Oyrzanowski	Economic Commission for Africa
Mr. David Pollock	Economic Commission for Latin America
Mr. J. Rudzinski	Economic Commission for Europe

ANNEX II

LIST OF DOCUMENTS PREPARED BY EXPERTS, BY
THE UN SECRETARIAT AND BY THE GOVERNMENTS OF
COLOMBIA, PAKISTAN AND HUNGARY

Outline of Study on Planning for Economic Development.	EPPC/EDP/R.A.
Planning for Economic Development, Study prepared by the Government of Colombia.	EPPC/EDP/R.2
Planning for Economic Development, Study prepared by the Government of France.	EPPC/EDP/R.3
Planning for Economic Development, Study prepared by Mr. Paul Lemerle, Inspecteur des Finances, Charge de Mission au Commissariat General du Plan, Paris, France.	EPPC/EDP/R.3/ Add.1
Planning for Economic Development, Study prepared by Professor Peter de Wolff, Director, Central Planning Bureau, The Hague, Netherlands.	EPPC/EDP/R.4
Planning for Economic Development, Study prepared by the Government of Pakistan.	EPPC/EDP/R.5
Planning for Economic Development, Study prepared by Mr. Ahmed Mahmoud El Morchidy, Director-General, Ministry of Planning, Cairo, United Arab Republic.	EPPC/EDP/R.6
Planning for Economic Development, Study prepared by Mr. Borivoje Jelic, Director, Federal Planning Office, Belgrade, Yugoslavia, and Professor Albin Orthaber, University of Ljubljana, Yugoslavia.	EPPC/EDP/R.7
Planning for Economic Development, Study prepared by Mr. Borivoje Jelic, Director, Federal Planning Office, Belgrade, Yugoslavia.	EPPC/EDP/R.8
Report on Planning for Economic Development, Preliminary draft by the United Nations Secretariat.	EPPC/EDP/R.9
Report on Planning for Economic Development, Preliminary draft by the United Nations Secretariat, Corrigendum.	EPPC/EDP/R.9/Corr.1
Planning for Economic Development, Study prepared by the Government of Hungary.	EPPC/EDP/R.10

- Planning for Economic Development, Study prepared by Mr. Zdenek Vergner, Director, Research Institute of National Economic Planning, Prague, Czechoslovakia. EPFC/EDP/R.11
- Planning for Economic Development, Study prepared by Professor Mikhail Z. Bor, Director, Scientific Research Institute of Planning and of Norms of the Gosplan, Moscow, USSR. EPFC/EDP/R.12
- Planning for Economic Development, Study prepared by Mr. Satoru Yoshiue, Director, Economic Research Institute, Economic Planning Agency, Tokyo, Japan. EPFC/EDP/R.13
- Planning for Economic Development, Importance of Meteorological Factors in Economic Development Planning, Study submitted by the World Meteorological Organization. EPFC/EDP/R.14
- Planning for Economic Development, Study prepared by Mr. Tarlok Singh, Member Planning Commission, Government of India. EPFC/EDP/R.15
- Planning for Economic Development, Preliminary unofficial study transmitted by Professor Max Millikan, Director, Centre for International Studies, Massachusetts Institute of Technology, Cambridge, Massachusetts. EPFC/EDP/R.16
- Three-year plan for economic and social development, 1963-65, submitted by Government of Brazil.

ANNEX III

STATEMENT TO GROUP OF EXPERTS ON PLANNING FOR ECONOMIC DEVELOPMENT

BY

ALBERT WATERSTON, IBRD

1. Paragraph 111 (of the draft report by the Secretariat) discusses measures taken by governments in developing countries to increase foreign private investment and indicates that such investment has been largely concentrated in export industries and public utilities. Private investors face special risks when investing abroad. Within the last few years there have been a number of proposals for an international scheme under which private investors could insure against these risks.
2. The Development Assistance Committee of OECD, or DAC, asked the International Bank to prepare a study of the practicability and desirability of a multilateral guarantee system. Such a study was made and published in March 1962. The report made no recommendations for or against a multilateral investment insurance program, noting that it was not possible to estimate the amount of additional investment which might be induced by such a scheme and that there was therefore no basis on which to judge whether governments would be justified in making financial commitments on the scale required. Since the Bank's report has been given preliminary consideration by DAC, and is now with governments, the Committee may wish to consider the problem as well as some of the proposed solutions.
3. The Committee may also wish to know that the International Bank is making a study of the desirability and practicability of establishing special institutional facilities for the conciliation and arbitration of disputes between governments and private investors. A working paper in the form of a draft convention has been circulated for comment to the Bank's member countries.
4. Paragraph 113 states that although the number of multilateral agencies providing foreign funds, as well as their operations, have increased their total resources are small in comparison with funds available under bilateral aid programs. May I mention another comparison which the Committee may wish to consider: the amount of multilateral funds available in relation to the absorptive capacity of less developed countries. This comparison is particularly important because, as the Secretariat's report says, developing countries themselves have frequently indicated a preference for multilateral over bilateral loans and other assistance. When the suggested comparison is made for multilateral funds available for loans to less developed countries on conventional terms, it is found that the supply exceeds the demands made upon such funds. Thus, the International Bank has never been embarrassed by a shortage of funds and has never had to turn down a loan because of a lack of funds; nor is there a likelihood that it will have to do so in the foreseeable future.

5. I do not wish to imply by this that some less-developed countries could not make effective use of substantially larger foreign loans for investment than the International Bank could lend. Quite the contrary. The Bank in recent years has become increasingly aware of the fact that some of our less developed member countries could invest effectively much larger sums than the Bank could lend them on conventional terms. The problem is that these countries can no longer service all the credits they require for sound development projects of high priority if they have to borrow them only on conventional terms. Obviously, these countries are even less able to meet their requirements through export credits discussed in paragraph 112 of the Secretariat's report.

6. As all of you know, it was to meet the need for additional multi-lateral loan funds on "softer" terms that the International Development Association, IDA, was created as an International Bank affiliate in 1960. In the 2 $\frac{1}{2}$ years or so since it was established, IDA has extended 36 credits totalling \$450 million to some 18 member countries, free of interest, and carrying only a $\frac{3}{4}$ of one per cent annual service charge for loans which are repayable over 50 years. IDA has already demonstrated that the need for such funds is substantially greater than the \$750 million of lendable funds now at its disposal. The question of increasing IDA's resources is now under active consideration by the Bank's member countries. The Committee may wish to include in its report some indication of the lessons of IDA's experience, especially the fact that there is a demonstrated need to replenish IDA's funds to an extent which will make it possible for IDA to achieve the objectives for which it was created.

INTERNATIONAL BANK FOR RECONSTRUCTION AND DEVELOPMENT

OFFICE MEMORANDUM

To: Files

August 27, 1963

From: H. Wyss

Subject: UN COMMITTEE OF EXPERTS ON PLANNING OF ECONOMIC DEVELOPMENT

Introduction

1. General Assembly resolution 1708 (XVI) invited the Secretary-General:

"with the assistance of a group of experts composed with due regard to their familiarity with various planning techniques under different economic systems, and in co-operation with the appropriate institutions of different countries, to prepare a study summarizing the experience gained and the techniques in use in the planning of economic development by different countries."

The Economic and Social Council resolution 979 (XXXVI) of August 1, 1963 recalled the above resolution and

"looks forward to the submission of the report of the Expert Group on Planning for Economic Development."

2. The Secretary-General convened a first session of a group of ten experts, of representatives of UN Regional Offices, of the Specialized Agencies and of Inter-Governmental Organizations in Geneva in August 1962.^{1/} On the basis of an outline adopted by the Committee, the UN Secretariat, Bureau of General Economic Research and Policies, prepared a draft study entitled "Report on Planning for Economic Development." This draft served as a basis of discussion by the Committee during its second session held at New York in March/April 1963.^{2/} At New York the Committee was not able to reach a consensus on the final version of the report - essentially because of the opposition of the expert from the USSR to an integrated treatment of planning experience in "centrally planned" and in "mixed" economies, as suggested in the Secretariat's draft. The Secretariat was asked to prepare a revised draft report including the proposals made by the experts during the second session.

3. A third session of the same group of experts, of representatives of UN Regional Offices, the Specialized Agencies and of Inter-Governmental Organizations was convened in Geneva from August 5 to August 16, 1963 (the list of

1/ IBRD Office Memorandum by H. Wyss on UN Committee of Experts on Planning of Economic Development, dated August 24, 1962.

2/ IBRD Office Memorandum by H. Wyss on UN Committee of Experts on Planning of Economic Development, dated April 16, 1963.

participants is given in Annex I). The objective of the meeting in Geneva was to work out an agreed version of the "Report on Planning for Economic Development" which would be submitted to the General Assembly by fall 1963.

Summary of Meeting

4. Two members of the Committee (Mr. Bor from the USSR and Mr. Furtado from Brazil) who had been among the most articulate participants during the first two sessions did not attend the meeting in Geneva. This probably facilitated the consensus eventually reached by the Committee on a final report which is still subject to editing by the UN Secretariat. The Chairman of the Committee, Mr. Mosak, expected that the report will be submitted to the UN General Assembly by late October or early November. (A second volume of the report consisting of country studies on planning prepared by the ten experts and by the Governments of Colombia, Pakistan and Hungary is scheduled to be published by the end of the year).

5. The third session was directed toward reconciling the opposing positions set forth at the New York meeting. Thus, the experts tended to concentrate on discussions of a purely editorial character, particularly with respect to the parts of the report dealing with the experience in "centrally planned" economies. Nevertheless, whenever the discussion was addressed toward points of substance, it proceeded generally on a high level and gave a reasonably good idea about the preoccupations and particular experience of the various experts. I took extensive notes on the more important meetings (some typewritten copies of these notes are in my office - extension 2121).

Plan Preparation in "Centrally Planned" Economies

6. An excellent summary on plan preparation in "centrally planned" economies was written by the experts from Czechoslovakia and from Yugoslavia. It shows a remarkable similarity with the methodological problems which economic planners face in "mixed" economies. In particular, it is clear that the problems of linking plans at the aggregate and project levels are by no means solved. Special questions arise from the absence of market prices; this in turn appears to have led to an early concern about shadow prices, particularly regarding the shadow rate of interest which is estimated by a crude approximation of the (inverted) average "recoupment period of capital invested in the economy."

Shadow Prices Suggested by the Bank

7. Mr. Tarlok Singh (India) pointed out the difficulties arising from the use of a shadow rate of interest in the choice among different projects and made a specific reference to suggestions which the Indian Government received from the Bank through its last economic report. In particular, Mr. Singh wondered whether the use of a shadow rate is meaningful if investment decisions made in the private sector are determined by market rates differing considerably from the shadow rates suggested. The Committee seemed to feel that where reasonable shadow prices can be established and used by the planning authorities, this should be done. (At my suggestion, Mr. de Wolff who was in charge of revising the paragraph on using shadow prices, made an even stronger reference to the use of an appropriate shadow rate of foreign exchange for a

better appreciation of the real value of foreign exchange in countries with an overvalued exchange rate).

International Aspects of National Planning

8. The main new issue brought into the open at the Geneva meeting was the different approach taken by the Committee with respect to the chapters on plan preparation, implementation and organization on the one hand and to the chapter on "national plans and international policies": the former chapters were carefully screened by the experts to exclude unbalanced or openly critical statements (e.g., the Indian expert showed considerable concern about the generally favorable comments in the report about decentralization of planning) and as a result have become rather straight-forwardly descriptive. On the other hand, the chapter on "national plans and international policies" took an entirely different character: under the leadership of Mr. Tarlok Singh a wealth of recommendations was included, the most important of them being addressed to foreign aid. A subcommittee was established to redraft this chapter. Mr. Singh suggested that the IBRD representative be of assistance to this subcommittee. As a result several favorable references were made to the Bank and to IDA, multilateral aid was strongly preferred to bilateral aid - this provoked some comments from the French representative - and the replenishment of IDA resources was warmly endorsed by the Committee (the references to the Bank and IDA are contained in the excerpts of Chapter 5 given in Annex II). Finally, the favorable references of low interest rates on loans from the "centrally planned" countries were, at my suggestions, balanced by an indication of the (short) repayment period. Two other references to the Bank were made; however, in the final draft they were toned down in rather general terms and without a specific mentioning of the Bank:

- a. encouragement of floating loans by less developed countries - government and private corporations - in capital markets of advanced countries by "appropriate financial institutions", i.e., by some guarantee arrangements;
- b. greatly increased participation of foreign public capital in industrial ventures, private and public, in less developed countries.

Conclusion

9. The final version of the "Report on Planning for Economic Development" gives a broad survey of the problems of economic planning - at the preparation and implementation stages. It also includes a discussion of the organizational aspects of development planning. The report necessarily reflects the experiences particular to the experts invited by the UN Secretariat. As only three less developed countries were represented - Brazil (Mr. Furtado not being present for more than one-half of the meetings), India and UAR - and as all of these three countries have already achieved considerable progress toward industrialization, little in the report is said about the practical feasibility and application of economic planning in countries at an early stage of economic development. Also much of the discussion in the report is in economist's

terms which may be rather difficult to follow by responsible administrators in very low-income countries. It would thus appear that there is still room - and need - for thorough studies, both on the economic and administrative side, helping administrators in countries at an early stage of development in their planning efforts.

cc: Mr. J. Burke Knapp
Mr. Geoffrey M. Wilson
Mr. Richard H. Demuth
Economic Advisers

ANNEX I

LIST OF MEMBERS OF GROUP OF EXPERTS ON PLANNING
OF ECONOMIC DEVELOPMENT, AND OTHERS ATTENDING THE
THIRD SESSION, AUGUST 5 TO 16, 1963.

Members of Group of Experts on Planning of Economic Development

Professor M. Z. Bor ^{1/}	Director, Scientific Research Institute of Planning and of Norms of the Gosplan Moscow, USSR
Professor P. de Wolff	Director, Central Planning Bureau, The Hague, Netherlands
Mr. A. M. El Morshidy	Director-General, Ministry of Planning Cairo, UAR
Mr. Celso Furtado ^{1/}	Minister Extraordinary, Minister of Planning, Brasilia, Brazil
Dr. Borivoje Jelic	Director, Federal Planning Bureau Belgrade, Yugoslavia
Mr. Paul Lemerle	Inspecteur des Finances, Charge de Mission au Commissariat General du Plan Paris, France
Professor Max Millikan ^{2/}	Director, Centre for International Studies Massachusetts Institute of Technology Cambridge, Massachusetts
Mr. Tarlok Singh	Member, Planning Commission New Delhi, India
Mr. Zdenek Vergner	Director, Research Institute of National Economic Planning Prague, Czechoslovakia
Mr. Satoru Yoshiue	Director, Economic Research Institute Economic Planning Agency Tokyo, Japan

^{1/} Did not attend the third session.

^{2/} Attended only second week of third session.

Annex I (Cont'd.)

Representatives of Specialized Agencies and Inter-Governmental Organizations

Mr. A. R. Ayazi	Food and Agriculture Organization
Mr. H. Jacobi	Food and Agriculture Organization
Dr. A. Barkhuus	World Health Organization
Dr. Mochi	World Health Organization
Mr. R. J. Blandy	International Labor Organization
Mr. P. Carre	General Agreement on Tariffs and Trade
Mr. O. Lloyd	International Atomic Energy Agency
Mr. A. Maddison	Organization for Economic Co-operation and Development
Mr. J. Paelinck	European Economic Community
Mr. H. M. Phillips	United Nations Educational, Scientific and Cultural Organization
Mr. H. Wyss	International Bank for Reconstruction and Development

Staff Members of United Nations Headquarters and of Regional Offices

Mr. J. L. Mosak	Chairman, Group of Experts on Planning for Economic Development Director, Bureau of General Economic Research and Policies
Mr. A. G. Brown	Secretary, Group of Experts on Planning for Economic Development
Mr. S. Braun	Chief, Centrally Planned Economies Section, Bureau of General Economic Research and Policies
Mr. O. Talwar	Bureau of General Economic Research and Policies
Mr. M. Balboa	Economic Commission for Latin America
Mr. J. Rudzinski	Economic Commission for Europe
Mr. G. Ligthart	Economic Commission for Europe

ANNEX II

EXCERPTS FROM CHAPTER 5: "NATIONAL PLANS AND INTERNATIONAL POLICIES"^{1/}
(PARAGRAPHS 6 - 13). SPECIFIC REFERENCES TO IBRD, IDA AND IFC ARE UNDERLINED.

6. As noted in earlier chapters, by no means all countries have been in a position to overcome the difficulties connected with a careful assessment of the prospective foreign exchange requirements implicit in their plans. This is due to various reasons. Even if all necessary data were available it is a difficult and time-consuming task, since it entails detailed analysis of the composition, as well as of the level, of domestic output and expenditure. But very often the necessary data are lacking to a large extent. Information about the development during the pre-planning period forms a rather weak basis as it does not reflect the impact of new projects on foreign exchange requirements. And it is particularly difficult to calculate this impact separately, dependent as it is on the exact time shape of the investments connected with the projects, on the part of it which can be supplied domestically, on the unpredictable changes in the price level of foreign investment goods and on many other uncertainties. Nevertheless, the foreign exchange requirements of programmes for domestic investment and output are of great importance for the success of these programmes in underdeveloped countries, and hence it will no doubt pay to try to arrive at at least a rough estimate of their size. It is not only that targets for investment may not be reached if the requirements prove greater than expected. It is also that, if the requirements had been better assessed initially, this might have suggested a lower level and to a certain extent perhaps even a different pattern of domestic investment which would have placed less strain on the balance of payments. Where the scope of development efforts envisaged already represents the minimum essential in relation to need, as may well be the case, a more accurate assessment of foreign exchange needs could enable international agencies and the more developed countries to form a clearer appreciation of the size of the problem and, therefore, endeavour to assist in greater measure than they might feel called upon to do in the ordinary course.

7. It is apparent that among the underdeveloped countries, even the most intensive efforts to expand supplies of foreign exchange through export-promotion and import-substitution have not been sufficient in themselves to yield supplies required by plans. Plans have, in fact, generally been predicated on the assumption that the supplies of foreign exchange earned through exports or released through import-substitution would be augmented by an expanding flow of foreign capital, both private and public. Such foreign capital, moreover, is often accompanied by an important flow of technical skill and knowledge, which too are scarce in the less developed countries.

8. Given the need for foreign funds, the underdeveloped countries have generally adopted a wide range of measures to obtain an enlarged flow of these funds. They seek the collaboration of private foreign capital both

^{1/} Subject to editing by UN Secretariat.

Annex II (Cont'd.)

with private enterprises and with public enterprises. The tendency of private foreign capital in some cases to limit participation to the private sector tends to diminish its role in the implementation of development plans of underdeveloped countries. As a matter of general policy on the part of international agencies and the developed countries, a broader approach in line with the national plans is therefore to be hoped for. In order to attract foreign private capital, most countries have provided assurances with regard to property rights as well as to the remittance of profits and the repatriation of capital; in addition, various kinds of tax incentives have been offered to foreign investors. Despite these measures, foreign investors are often deterred by the political risks they fear to be connected with projects which otherwise may look attractive. Various proposals have been made to overcome these difficulties. Possibilities of a multilateral insurance scheme covering the risks involved have been investigated. However, because these risks are very hard to estimate, there are great practical difficulties in implementing such a scheme. One other possibility which seems to offer better prospects might be the setting up of a widely acceptable code for international investments, stipulating rules for the mutual relations between the public authorities of a country and the foreign investors. These rules would outline the general conditions governing foreign private capital and would refer to the same type of assurances presently given by many countries on a bilateral basis. They would, moreover, stipulate the conditions to which investors ought to subject themselves - for example, the conditions with respect to publicity, auditing procedures, etc. Rules might even cover joint ventures of foreign private capital with domestic capital of private or public origin of the type already referred to above. The institutional framework for the reconciliation and arbitration of disputes arising between public authorities and foreign private investors would have to be agreed upon. Although the code would not be binding on the negotiating partners, its existence is likely to facilitate negotiations and to reduce the uncertainties which at present often impede positive results.

9. It must be recognized, however, that even the most efficient regulations for the international flow of private capital will not prevent an uneven distribution of this flow. Private capital has been and will mainly be attracted to those countries endowed with resources for which world demand is buoyant. Several countries are even suffering from the fact that their national private savings are leaking away. An efficient foreign exchange control might not always be sufficient to check this movement. These characteristics have led some observers to suggest that the government of the capital-exporting countries themselves should actively formulate measures to encourage a large flow of private capital which could be tailored to suit the plan requirements of the developing countries. The International Finance Corporation may further expand its efforts as a sponsor to stimulate substantial flows of private capital and this may to a greater extent be in line with local development plans. Suggestions have also been put forward to the need for encouraging floatations of loans in the capital market of the advanced countries by appropriate financial institutions in the developing countries. These suggestions need to be given more concrete form through the efforts of inter-

Annex II (Cont'd.)

national agencies and the developed countries and an early and substantial beginning made to facilitate access to the major capital markets to governments and institutions of underdeveloped countries engaged in the planned development of their economies.

10. In the fact of uneven distribution and uncertain flows of private capital, however, official economic assistance has played a growing role in speeding economic growth in the less developed countries. This includes assistance from international developed private enterprise countries and the centrally planned economies. Official grants and loans have, as a rule, tended to offset the marked concentration of private capital flows. Indeed, without official assistance, plans of many countries which have received little or no part of international flow of private capital in recent years would have greatly suffered. On the other hand, as the pace of development increases greater external assistance from other governments and from international agencies, flows of private capital may also be stimulated.

11. Bilateral external assistance has played a large role in assisting the development of many countries and may continue to do so for several years to come. That such assistance has considerable value and is needed on a still larger scale is widely recognized. On the other hand, in recent years certain limitations inherent in the present methods of and approach to bilateral economic assistance have become more apparent, and there is now widespread expression of a strong preference for a growing proportion of economic assistance on a multilateral and international basis. Assistance from one country to another has tended increasingly to limit purchases to the donor country and thus to raise the cost of development. The balance of payments problems of individual donor countries have been frequently reflected in the terms and conditions on which their credits have become available for underdeveloped countries. Through the limiting of aid almost exclusively to specific projects in need of capital equipment, there has been a certain degree of rigidity in the use of foreign exchange resources, and the current balance of payments situation in many recipient countries has thereby become more difficult. It may even be said that excessive emphasis on bilateral assistance may have tended to delay a co-ordinated approach to balance of payments problems on the part of developed countries; this has been a disadvantage to the underdeveloped countries. Moreover, it cannot be gainsaid that bilateral assistance can lend itself readily to the influence of non-economic considerations and policies. In the circumstances, efforts made by the International Bank for Reconstruction and Development to assist donor countries to co-ordinate their economic assistance through consortia and consultative groups for a multilateral approach to aid for industrial countries and to broaden the scope of its own loans and those granted on easier terms through the International Development Association are to be welcomed and are deserving of greater support from member countries. Also, the United Nations Special Fund constitutes an important beginning for a wider scheme of international economic assistance through the United Nations such as has been urged for many years by and on behalf of the less developed countries. While certain adjustments will be needed in this field for a period, there is little doubt that the extension of multilateral and international arrangements for economic assistance to the less

Annex II (Cont'd.)

developed countries is calculated to enhance the effectiveness of aid and to speed the development of these countries and even to assist in the solution of important problems as between the developed countries themselves. Moreover, without a considerable degree of international action in relation to economic assistance, the terms and conditions of aid to the underdeveloped countries may remain excessively burdensome and it may be difficult to develop an integrated and sustained approach to individual national plans as a whole.

12. The importance of terms and conditions of economic assistance being so determined as to facilitate development to the greatest extent possible is now being increasingly recognized and has been specially stressed in the organs of the United Nations itself as well as in its specialized agencies, particularly the International Bank for Reconstruction and Development. The main considerations urged are, first, that in "tying" credits to specific projects, plan priorities may sometimes be distorted, and the current needs of an economy for components and raw materials, more specially for securing the fullest utilization of existing capacities, may be neglected. Second, opinion in the underdeveloped countries is unanimous that achievement of their planned targets of investment and output would be greatly facilitated if external assistance were assured to them as far as possible for their plan periods and sufficiently in advance rather than from year to year and with considerable delays as has been the situation so far. In recent years, the mounting burdens of service payments on foreign loans has given rise to a strong need for a larger flow of grants as well as of loans on developmental terms as regards both interest rates and amortization periods. In each succession plan, under present conditions, the burden of repayments of capital and interest becomes larger and leaves less free foreign exchange for development. In this background, the replenishment of the resources of the International Development Association now being considered is an essential step forward in the balanced economic growth of the underdeveloped countries. In connection with the long-term development of the underdeveloped countries, the role of food surpluses of some countries has been already significant and further bilateral and international efforts outlined under the World Food Program could make a contribution of great value to the intensification of development, specially in relation to agriculture, social programmes and the further utilization of manpower resources.

13. If uncertainties with regard to the prospective supply of foreign aid have introduced a provisional element into national plans, the need for flexibility in planning has been even more apparent in relation to foreign exchange receipts from trade. The marked short-term instability in export earnings that confronts most underdeveloped countries places a heavy burden on their ability to adapt plans to rapidly changing circumstances. Some countries have sought to lessen the impact of external instability on the domestic economy by channelling exports through marketing boards, others by means of variable export levies. Where exchange control has been applied, the use of foreign exchange budgets, which are subject to revision every few months in the light of current balance of payments situation, has also helped to ensure that supplies are adjusted to requirements in an orderly manner.

Annex II (Cont'd.)

Through several national policies, attempts have been made to mitigate the harmful effects of such instability, but there are serious limitations to what can be accomplished through the individual action of underdeveloped countries. Successful instances can be observed where an underdeveloped country has been able to reach a long-term contract with its most important customer country for the sale of a fixed quantity of a major export product at a guaranteed price. But such instances are few. It is in recognition of this fact that a number of international commodity agreements, involving multilateral contracts for purchase and sale, export quotas and buffer stocks, have been concluded in the post-war years and that forums for international discussions and consultations have been provided in commodity councils and study groups. But, at an operational level, progress has been rather slow, and there is also the question whether an individual commodity approach is adequate, in itself, to meet the requirements of comprehensive economic development. In this connection, the new arrangements introduced by the International Monetary Fund for providing assistance to member countries encountering temporary shortfalls in their exports has been noted with satisfaction by the Economic and Social Council along with the fact that the whole subject of compensatory financing would be on the agenda of the forthcoming United Nations Conference on Trade and Development.