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THE WORLD BANK

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Friedman UNCTAD Files - "For SSM" UNCTAD [Handwritten] Apr. 3, 1968
(Dev. Finance & Growth)

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The World Bank Group
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Irving Friedman UNCTAD Files: Growth, Development Finance, and Aid - Correspondence

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL DEVELOPMENT
ASSOCIATION

INTERNATIONAL FINANCE
CORPORATION

- ① A note on what we are preparing for MacN.
- ② Note on "Reports paid" -

OFFICE OF THE PRESIDENT

- (1) UNCTAD Conf. - Sarva
(Deputy to Karmay) - special committee
for so called Committee II - returned -
- (2) few things of interest -
 - (1) what happened to SF program
 - (2) request for IBRD study on
terms conditions of debt of debtors -
(not on IBRD as well)
- (3) Continue our study on suppliers' credit
(also MF)
- (4) 19% target GNP - (include special
definition of private capital) - differing
views on ^{target} dates - (USAID Dept.) united
model
- (5) List of projects to be considered in IBRD
w.r.t. IDA programs financing, regarding projects.

Mr. Friedman

GROWTH, DEVELOPMENT FINANCE AND AID
(SYNCHRONIZATION OF INTERNATIONAL AND NATIONAL POLICIES)

World Bank

World Bank Group Matters

The following text is submitted to the Third Committee for consideration:

1. The Conference recognizes the contribution of the work of the IBRD and its affiliates in the promotion of development of developing countries. The Conference notes with appreciation the completion of negotiations for the replenishment of the resources of the IDA at a higher level. It also notes that the World Bank Group has continuously adjusted its activities to the needs of the developing countries.

2. The Conference encourages governments of countries, members of the World Bank and its affiliates, to continue their support for the work of these institutions and recommends to those governments to advise their representatives in the competent organs of the IBRD and its affiliates to consider the following questions, while bearing in mind the need to safeguard the Bank's ability to borrow:

- (a) that the Bank Group should devote as large a part as possible of its resources for assistance to developing countries;
- (b) that the Bank Group should be alert to the necessity for new approaches in its lending policies and procedures, for example in keeping under review the advisability of financing non-private and semi-public productive enterprises and the possibility of extending IDA financing to projects and programmes designed to correct regional imbalances in the developing countries;
- (c) that the Bank Group should continue, in appropriate cases, to extend loans for purposes wider than the financing of individual projects and that it should consider, wherever necessary, the financing of local costs;
- (d) that the Bank Group should continue co-operating with regional financial institutions both in co-ordinating their operations and, where appropriate, in financing jointly projects of regional importance;

- (e) that the Bank Group should continue and, to the extent feasible, increase its operations relating to rural and urban development (including public sanitation and water supply) education, agriculture and projects designed to foster economic integration;
- (f) that the Bank Group should extend, to the extent feasible, its co-ordinating services relating to particular countries, such as consultative groups;
- (g) at the request of the parties involved, the Bank Group should co-operate in the consideration of measures to deal with external debt problems;
- (h) that the Bank should keep under review the possibility of applying the legal provisions of its Articles of Agreement empowering it to give guarantees for loans to developing countries;
- (i) that the activities of the International Finance Corporation should be expanded in particular with regard to undertakings in developing countries and especially to projects which promote economic integration;
- (j) that the IDA should explore the possibility of receiving trust funds in administration from various governments and institutions;
- (k) that the IDA in distributing its funds should give particular attention to the least-developed among the developing countries, in particular to those developing countries which have not yet received adequate international aid.

PREFERENTIAL OR FREE ENTRY OF EXPORTS OF MANUFACTURES
AND SEMI-MANUFACTURES OF DEVELOPING COUNTRIES TO
DEVELOPED COUNTRIES

The Conference,

Having examined the problems relating to the application of a generalized non-reciprocal non-discriminatory system of preferences in favour of the developing countries,

Having taken cognizance of the Charter of Algiers (TD/38), the report of the Special Group of OECD (TD/56) and document TD/II/C.2/L.5 of the Group of 77,

Recognizing the progress achieved since the first Conference as reflected in the OECD report which involves a major change in commercial policies as between developed market-economy countries and the developing countries,

Recognizing the unanimous agreement in favour of the early establishment of a mutually acceptable system of generalized non-reciprocal and non-discriminatory preferences which would be beneficial to the developing countries,

Considering that it was not possible to achieve sufficient progress in respect to some key questions related to this problem,

Convinced of the need for further intensive work so as to elaborate such a system

1. Agrees that the objectives of the generalized non-reciprocal, non-discriminatory system of preferences in favour of the developing countries including special measures in favour of the least advanced among the developing countries should be:

- (i) to increase their export earnings;
- (ii) to promote their industrialization;
- (iii) to accelerate their rates of economic growth;

2. Establishes, to this end, a Special Committee on Preferences, as a subsidiary organ of the Trade and Development Board, to enable all the countries concerned to participate in the necessary consultations. Any member country which is unable to participate in the Special Committee may make its views known to the Secretary-General of UNCTAD who will bring them to the attention of the Special Committee.

3. Decides that, for the purpose of the action to be taken in accordance with paragraph 2 above, due account should be taken of the agreements and comments contained in the report of the Second Committee (TD/38).

4. Requests that the first meeting of the Special Committee be held in November 1968 to consider the progress made by that time, and further requests that a second meeting be held in the first half of 1969 so that the Committee can draw up its final report to the Board; the aim should be to settle the details of the arrangements in the course of 1969 with a view to seeking legislative authority and the required waiver in GATT as soon as possible thereafter.

5. Notes the hope expressed by many countries that the arrangements should enter into effect in early 1970.

When the compromise package of recommendations on Growth, Development Finance and Aid was taken up by the Conference on March 28, the Secretary-general, Dr. Prebisch, offered one clarification about the recommendation on Supplementary Financial Measures. He said that in the high level contact group, in reply to a specific query by a representative of a developing country, three representatives of developed countries clearly stated that the Bank staff scheme had not been superseded or put aside by this (draft) resolution. Dr. Prebisch also said that paragraph 2 of the resolution recognized the main basis of the Bank staff scheme.

The voting on the resolution was 80 for, none against, and 8 abstentions. The French made a statement reiterating their familiar position, for the record. Rumania was the one Eastern Bloc country that voted for the resolution; the U.S.S.R. and the other Eastern Bloc countries abstained.

Speaking on behalf of Nordic countries, Denmark noted that they had come to the Conference with the hope that the principles elaborated in the World Bank staff scheme and the I.G.G. Report would be accepted at the Conference. They would do everything possible in the future work of the Inter-governmental Group to make this a reality.

The Asian Group was prepared to go to a vote on some paragraphs; it is understood that Dr. Prebisch persuaded them not to do so. In his view, this recommendation is a useful compromise.

The deep disappointment of the developing countries was expressed by Brazil and Ceylon, on behalf of the Group of "77".

Summary 4/1

Form No. 75
(2-60)

INTERNATIONAL BANK FOR
RECONSTRUCTION AND DEVELOPMENT

INTERNATIONAL FINANCE
CORPORATION

INTERNATIONAL DEVELOPMENT
ASSOCIATION

ROUTING SLIP		Date
		April 1, 1968
NAME		ROOM NO.
Mr. Irving S. Friedman		1223
	To Handle	Note and File
	Appropriate Disposition	Note and Return
	Approval	Prepare Reply
	Comment	Per Our Conversation
	Full Report	Recommendation
	Information	Signature
	Initial	Send On
REMARKS		
Herewith copy of the Resolution adopted by the UNCTAD on Supplementary Financial Measures, together with a brief explanatory note.		
<i>N. A. Sarma</i>		
From	N. A. Sarma	

VI SUPPLEMENTARY FINANCIAL MEASURES

1. The Conference reaffirms the objective of the proposal for Supplementary Financial Measures set out in Annex A.IV.18 to the Final Act of the First Conference. This states that "the new scheme should aim to deal with problems arising from adverse movement in export proceeds which prove to be of a nature or duration which cannot adequately be dealt with by short-term balance of payments support. Its purpose should be to provide longer term assistance to developing countries which would help them to avoid disruption of their developing programmes."

2. Any measures desired to meet this need should, on the basis of appropriate criteria, which should, to the extent possible, be objective, provide reasonable assurance of help to protect a country's development plan or programme against the effects of export shortfalls, to the extent that they cannot be met by short-term balance of payments support.


3. The Conference expresses its appreciation of the Report prepared by the staff of the IBRD, and of the Reports of the IGG. These reports have defined the issues involved and clarified many of them. The Conference agrees that further work is required to resolve some outstanding issues. The principal issues are:

- (i) The definition and method of assessment of reasonable expectations;
- (ii) The scope, nature and acceptability of the understandings between the administering agency and individual participant countries on their development programmes and the policies to be adopted in order to carry them out;
- (iii) The measures to be taken by countries applying for assistance;
- (iv) The relationship between supplementary finance and the IMF Compensatory Financing Facility.

4. A matter requiring additional attention is how to determine in quantitative terms the disruption which has resulted from export shortfalls and consequently, what are the financial implications of proposals to meet the objectives of Part A of Recommendation A.IV.18.

5. Some of the issues set forth in paragraphs 3 and 4 above would arise not only from consideration of the World Bank Staff Scheme but from consideration of other measures to meet the objectives of Part A of Recommendation A.IV.18, including those submitted to the Intergovernmental Group. Any additional proposals clearly responsive to the Recommendation should receive due attention, with the aim of working out the most effective measures possible.

6. The Conference decides:

- (i) to continue in existence the Intergovernmental Group suitably expanded;
 - (ii) to request the Group to consider and attempt to resolve the issues set forth in paragraphs 2 through 5;
 - (iii) in the light of the foregoing considerations to instruct the Group to work out measures for supplementary finance;
 - (iv) To instruct the Group to report thereon to the TDB as early as possible, and no later than the ninth session of the Trade and Development Board;
 - (v) to direct the Trade and Development Board to study and take early action on the findings of the Intergovernmental Group, taking account of any proposals for action in the field of international commodity policy which may be submitted to the Board of Governors of the IBRD and the IMF on the basis of the studies which they have requested to be presented to them at their next annual meetings;
 - (vi) to instruct the Chairman of the Group to report on its progress to the seventh session of the Trade and Development Board.
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Note

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