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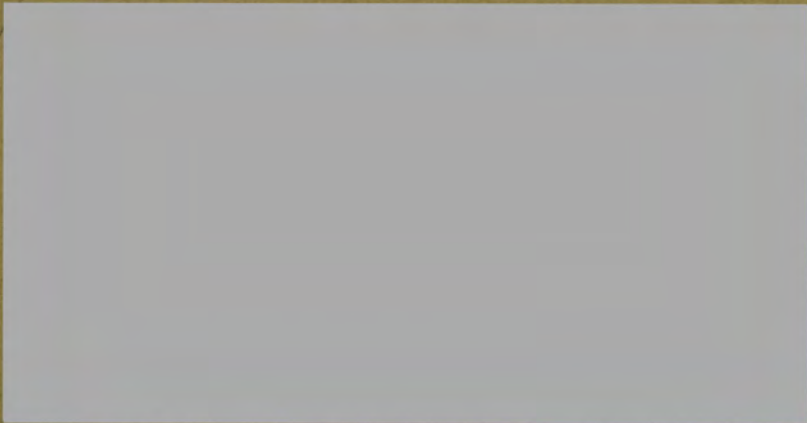


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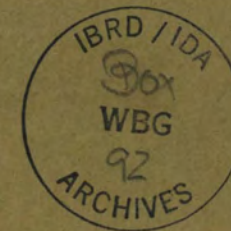


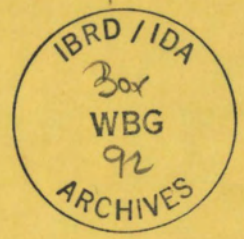
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RAJAN



Address by Mr. K.S. Sundara Rajan, Economic Minister, Embassy of India and Executive Director for India, World Bank, Washington DC, at the Organizational Meeting of the Committee on the World Food Crisis on December 9, 1965

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I deem it a great privilege and honour to be called upon to address this distinguished assembly on one of the most important and critical problems of the world, viz. The World Food Crisis, involving hundreds of millions all over the globe. I shall speak with particular reference to India which accounts for more than one-seventh of the population of the world. India's food position was never very comfortable but the unprecedented drought this year -- the worst in the last 100 years -- has made the situation one of grave concern.

2. In the past India had suffered very much from famines and the last famine we had in 1943 over 3 million people died in Bengal alone. That was the culminating result of a continued fall in the per capita availability of food since the beginning of the century, aggravated by war conditions. It was only after we attained our independence that the curve of agricultural production turned upward. With great efforts we stepped up the production of our foodgrains from 51 million metric tons in 1950-51 to 89 million metric tons in 1964-65 and the average individual calorie intake rose from 1700 in 1950 to 2000 in 1962-63. But this is only two-thirds of the calories available in industrialised countries. What is more, the bulk of these calories is derived in India from carbohydrates and the intake of proteins and protective foods like vitamins and minerals, in the form of milk, meat, fruits and vegetables is much less. Even so as I have pointed out, the average Indian in 1965 is better fed than he was 20 or 30 years ago. Though much the greatest part of the increased food supplies had come from our own production, we acknowledge the generous food aid given by this country under Public Law 480 and by the U.S. voluntary agencies. The 32 million metric tons of foodgrains received from this country in the last 15 years has been of crucial importance in keeping prices stable and removing under-nutrition. Sometimes it is asked whether such food aid does not become a crutch and prevent the receiving country from putting forth its best efforts. It would undoubtedly be if we depended on the P.L. 480 programme year after year. In the next few minutes I shall show you the concrete measures taken by us to step up our foodgrains production to 125 million metric tons by 1970-71 and to get independent of P.L. 480 imports also by that date. These have been reiterated by our Food and Agriculture Minister only two days ago in our Parliament.

3. At the outset I must point out that India has eight times as many people per square mile as the United States. What is worse, much of the arable land available has been cultivated for thousands of years. Because of the pressure of population, even the poorest lands are used for raising some crop or the other. Of the net sown area of 340 million acres, only one-fifth is irrigated and independent of vagaries of the monsoon. The peasants are poor, the farms are small and the use of tractors and other modern farming machinery is extremely limited. But the farmers, by and large, are intelligent and hardworking. Conservative by instinct as peasants everywhere are, they are nonetheless willing to learn and try new techniques of raising crops through greater input of fertilisers, use of improved seeds and pesticides. I am stressing these positive aspects, because very often in the press and elsewhere, India is being presented as a country with an impossible and insolvable food and agricultural situation. It is not generally realized that with all the disabilities of poor land, small holdings, lack of fertilizers and absence of modern farming equipment, the Indian farmer had before

World War II been able to raise as much crop per acre as any of his compeers elsewhere. For instance, if we take the production of wheat, in 1938*, the last year before World War II, the average yield in the United States was 13.3 bushels per acre whereas in India it was 11.3. What has happened in the last 25 years is that with improved seeds and much greater application of chemical fertilisers and pesticides, farmers in this country have been able to double the yield of wheat per acre. Countries like U.K. and Netherlands have done even better. Our yields, however, have increased hardly by 15 per cent. The population has, in the meantime, grown relentlessly -- it is some 75 per cent more than what it was three decades ago. There are no more virgin lands which we can bring under the plough.

4. Though the present moment is one of grave crisis, the future is not without hope. If only the friendly countries which have been taking interest in our truly democratic planning and have given aid thus far would bear with us and increase the quantum of aid and improve its form and content, we would very soon be able to get over the ridge and become independent of food imports for all time. This is not just an empty boast but the end-result of a carefully worked out and detailed plan for the next five years. This plan has been examined by many distinguished foreign experts and found to be feasible. The most important feature of this plan is a package of using high yielding seeds, concentrated application of fertilizers and water with adequate plant protection measures, remunerative prices and ample credit facilities.

5. It has been established by numerous field trials that we can step up yields four-fold and five-fold in many parts of the country by using high yielding varieties of seeds. Two varieties of rice, Taichung Native I and Tainan 3, are yielding 5,000 to 6,000 pounds an acre, four to five times the current average yields. Similarly for wheat, new "dwarf" varieties of Mexican wheat (Sonora 64, Lerma Rojo and V-18) have been found to give yields as much as 5,000 pounds per acre. Several hybrid varieties of corn suitable to Indian conditions have been evolved both by Indian and foreign scientists and these again improve the yield four to five times. Hundreds of farmers in different parts of the country have already secured yields of 2, 3 and 4 metric tons per acre. They have formed tonnage clubs, condition of membership being continued production of 2 or 3 tons per acre.

6. We propose to plant next year the improved varieties in some 4.5 million acres in carefully selected areas and step it up during the next five years to over 33 million acres. Seeds for these new varieties are being grown under carefully controlled conditions in Central and State farms.

7. All the improved varieties of seeds require optimum inputs of fertilisers and water and a greatly intensified plant protection programme. The area under improved seeds alone will require in 1970-71 fertilisers equivalent to 1.3 million metric tons of nitrogen, 500,000 metric tons of P^{20} and 300,000 metric tons of K^{20} . Our current production of fertilisers is 320,000 metric tons of nitrogen and 150,000 metric tons of P^{20} but factories are under construction which during the course of the next two years would more than double the production. Several new large factories have been planned. The American International Oil Company in association with Government is

*Both these figures have been taken from the Agricultural Statistics 1939 - published by the U.S. Department of Agriculture (pages 16 and 17).

putting up a plant of 200,000 metric tons of nitrogen at Madras. Armours and Allied Chemicals in association with Indian private interests intend to put up two plants. Another large plant is going up at Kampur. In his statement in Parliament made on December 7, the Food & Agriculture Minister of India has re-emphasised that Government would welcome private capital, both Indian and foreign, in these fields. However, to the extent private capital is not forthcoming, Government of India is prepared to step in and erect the plants either in association with private foreign interests or by themselves, if need be. One thing is certain -- if we have to avoid mass starvation and famine and catastrophes of the kind we are threatened with, we must have some 2.4 million metric tons of nitrogen and 1 million metric tons of phosphatic fertilisers produced within the country by 1970-71. As new plants even under ideal conditions cannot be expected to produce more than 80 per cent of their installed capacity, we will have to provide for a capacity of 3.2 million metric tons of nitrogen. We would, therefore, urge all aid-giving agencies -- the U.S. Agency for International Development, the Export-Import Bank, the World Bank and its affiliates, and other aid-giving Governments -- to give top priority to this field of fertiliser production and manufacture. As I have already said, private foreign capital would be welcomed with both hands and whatever money could be raised on private long-term loans, for instance under the U.S. Extended Risks Guarantee Scheme, from Trust and other funds in this country, will be utilized to the utmost. We would also request -- and this is very essential -- that until our own factories come into production, the aid-giving governments should make their aid freely available for financing imports of fertilisers. We are importing as much fertilisers as we could from our own export earnings but the export earnings are not sufficient to pay for all our essential maintenance imports like crude oil, sulphur, copper and other basic materials and in addition service the aid loans we have already taken. That is why we have to depend upon external assistance, which please note is not given in the form of grants but in the form of low interest long-term loans. We will also expand our manufacture of pesticides, particularly carbaryl, endrin, sevin etc. Power sprayers can be manufactured within the country. For aerial spraying Government have at present only some 10 aircraft. These are proposed to be increased ten-fold in the next three years.

8. Tractors, power tillers and connected equipment, diesel and electric motors and pumps of various kinds are already being manufactured in India but the manufacturing facilities for the first two will have to be greatly expanded. We are also producing some heavy earthmoving equipment but schemes for putting up new facilities for manufacture in association with two of the leading manufacturers in this country are at an advanced stage. The earlier these schemes materialise the less would be our dependence on external assistance for this vital sector. However, until we are able to produce our own earthmoving equipment in the required quantities, we will have to import the equipment required for our irrigation, hydro-electric and other construction projects.

9. The area under irrigation is at present 73 million acres and we plan to increase it to 95 million acres by 1970-71. In our Fourth Plan we have provided two billion dollars for this purpose and only 10% of that will be in foreign exchange, mainly for the import of heavy earthmoving equipment, components and spare parts. This also is an item of high priority. After considerable internal discussions, the Government of India have finally come to the conclusion that water should be used intensively for securing optimum

production. I am mentioning this point because one of the criticisms, I should say valid criticisms, made by foreign experts against Indian practices is the use of irrigation more as a protective measure against drought and famine than for intensive production. This is a practice which we inherited from the British and you can well understand how with competing regional claims, it is difficult to effect a change, particularly in a democratic set up. However, Government have decided and announced it as their policy that the country's irrigation resources would not be spread out but used intensively. Where previously there was one long-term crop, there will be two short-term crops. There are thousands of tanks, reservoirs, wells and canal systems -- some of them have been in use for hundreds of years -- and all of them will be repaired and deepened. Many such new minor irrigation works will be undertaken and pushed with all speed, because they give quick results. These works as well as tubewells will be used to supplement the water resources from the big irrigation projects. Special facilities are being given for extending power lines for tubewells in rural areas.

10. We have already several agricultural research institutes all over the country and their work has received international recognition but so far co-ordination of their activities and utilization of their research by our Extension Services has not been to the extent anticipated. These will be improved and further special training programmes are being instituted for our Extension Services, particularly the village level worker. Multiple cropping will be encouraged and rotation of crops on scientific lines will be the rule rather than the exception.

11. One of the criticisms made in the past is that in our eagerness to maintain stability of prices and keep down the rise in the cost of living for the economically weaker sections of the population, we had not given remunerative prices to farmers. This had been rectified now and we are now giving incentive prices. Simultaneously, the credit facilities available to the farmer have been greatly expanded. These have already had an impact on production. Government has also decided to have buffer stocks of foodgrains.

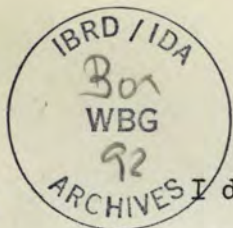
12. We are also expanding production of subsidiary foods - milk, poultry, and eggs, fishing, vegetables and fruits. Intensive poultry development schemes on modern lines have caught up in the States of Madras, Punjab and Maharashtra and they are being extended to other areas. In this field particularly the services of the Peace Corps workers have been very useful. The programme for mechanization of fishing craft is being greatly accelerated and cold storage and refrigerated transport facilities expanded.

13. We are aware that increasing our food production is only part of the problem. As I said in the beginning, our population which is already 490 million, is increasing by 11 million every year and at this rate, we will reach the billion mark, before the end of this century. This population explosion in India is the direct result of the comprehensive health programmes undertaken by the Government of India which during the last 20 years have brought down the death rate by one-half. Fortunately, the Government of India adopted an officially sponsored Family Planning Programme as far back as 1948. There are now over 11,000 Family Planning Centres where advice is given by qualified personnel and contraceptives are supplied free. The main difficulty so far has been the lack of a safe, reliable, relatively cheap and simple device for contraception. A breakthrough in this field has been achieved with the Intra-Uterine Contraceptive Device. We have started

manufacturing the Lipkes Loop in India, and a mass programme has been instituted. In the last three months alone, over 200,000 insertions have been made. As a result of all these measures, it is hoped to bring the birth rate from the present 40 per 1000 to 25 per 1000 during the next ten years.

14. What I have said so far will show that we, the people and the Government of India are taking concrete measures, both on the agricultural front and on the population front, to get progressively independent of food imports and eliminate them altogether within the next five years. However, in the immediate future, we have a catastrophic situation arising out of the unprecedented failure of the monsoon. We must do everything possible to see that famine is averted and no deaths due to starvation occur. That in fact, is the noble objective of this Committee and this meeting. We hope to solve the longer term problem with the assistance of friendly Governments, particularly that of the United States, in the fields of fertilizer manufacture and fertilizer imports.

Thank you.



March 17, 1966 - K. S. S. Rajan
Speech to Eighth World Conference of Societies for
International Development, N.Y.C. (Panel Participant)

STRATEGY AND ORGANIZATION OF INTERNATIONAL AID FOR DEVELOPMENT

I deem it a great honour and privilege to participate in a discussion on this vitally important subject of strategy and organization of international aid for development. The problem is one that concerns the lives of not only 1,700 million people living in 97 countries, but it is also of almost equally great interest to the developed part of the world.

2. As Dr. Asher has said, in a very large number of countries, both developed and developing, there is more expert knowledge now on the problems, processes, techniques and difficulties of development than at any time before. There is now a body of professionally competent people, development economists, planning and development administrators and technicians. It is illustrated by this conference itself - the increasing numbers that attend it from all parts of the world. There is now much more unanimity among all these experts and professional people on what needs to be done by both the developed and the developing countries to accelerate the process of economic development though the emphasis naturally varies from person to person. Even Governments, I believe, are dimly aware of what has to be done, but the difficulty is how to get it across to the legislatures, the parliaments and the people at large. These are again, I should say, problems common both to the developed and the developing countries.

3. Before we go to the question of strategy and organization, could we just see what these basic questions are? With an informed audience as you all are, I need not spend much time. They have been reiterated by the Development Assistance Committee of the OECD headed by Ambassador Willard Thorp at its high level meeting held in July 1965 and they are accepted by almost all its member Governments and by institutions like the International Bank for Reconstruction and Development and in the various United Nations forums including the United Nations Conference on Trade & Development and the Economic and Social Council.

(i) The first and foremost of these is the imperative need for a sizeable increase in the volume of net flow of aid, which has remained static since 1961. Actually, whether considered in relation to the GNP of the aid-giving countries or in per capita terms for the aid-receiving countries, there has been progressive deterioration since 1961. The present flow of public and private capital from all industrialised countries, net of amortisation, interest and dividends is possibly only \$5.5 billion. This is less than one half per cent of the GNP of the industrialised countries, and comes just to \$3 per head from all sources for the aid-receiving countries as a whole. If you consider the larger developing countries, e.g. my own country India, the per capita aid received is much less and as that excellent 1965 review of the Development Assistance Committee states*, big countries are penalised for their size to a degree not justified by any special advantages which they may have.

(ii) The second problem is the need for improving the terms of aid. Since much of the aid is received in the form of loans, the rate of interest should be reduced to 3 per cent or less and the amortisation and grace periods extended.

(iii) The third important factor is the quality of aid. In his recent address to the Economic and Social Council, Mr. George Woods, the President of the World Bank, referred to it as "dilution in the quality of aid" - (i.e.) the result of aid being tied to purchases within the aid-giving country, which reduces the real value of aid by at least 30 per cent. This is particularly disadvantageous to the recipients, because when it comes to repaying the loan and paying interest, the payments have to be made in freely convertible currency. There is another kind of tying namely the tying of aid to big projects, which is almost as disadvantageous from the point of view of some receiving countries as the country type of tying. There are quite a few developing countries, like my own, which require what we might call, for want of a better term, "non-project assistance", i.e. raw materials, components and individual machinery items.

(iv) The fourth point is the assurance of aid on a long term basis. The importance of this is recognised in the five year authorisation of Development Loans asked for By President Johnson.

4. I have talked so far about what the aid giving countries should do. The boot is not on one leg only and I must briefly outline the action which the developing countries have got to take on their part. This too, I believe, is fairly non-controversial. First, the aid-receiving countries have to make the maximum efforts they can to help themselves. They must mobilise as much of their resources as possible for their development projects and programmes. They should draw up their plans on a multi-year basis, taking the best available professional advice from within and outside the country and using, where necessary, the latest Analytical Techniques and econometric models. The inclusion of projects in the Plan should be for their economic content and value and not for prestigious reasons. Seeing that the growth of agriculture has generally lagged behind the growth of industry, more emphasis should be placed on agricultural programmes. In the administration of aid-financed projects - as in fact in others - the highest standards of integrity and efficiency should be observed. Excessive emphasis on import substitution has led to costly errors and delayed vital projects. Before finance is sought for projects, there should be adequate preparatory work in the form of feasibility studies and industrial projects particularly should be chosen so as to make use of local raw materials. Local demand should be adequate and where the country is not large enough for this purpose, regional arrangements with neighbouring countries should be entered into. In the present competitive situation, it is of importance that industrial plants should be based on the most modern technology - assuming of course that the country needs such a plant and there is economic justification for it -- and they should be of optimum size in order to have the full benefit of the economies of scale. Aid administration procedures should be streamlined but I would say that this is a matter in which there is room for improvement

both among the aid-giving countries and institutions and the aid-receiving countries.

5. Having outlined the main points which are well known to you and are emphasised in several excellent reports and treatises but would bear repetition, may I now turn to the strategy and organization of development aid? I would like to deal at some length with the channelling of aid through consortia and consultative groups, a method developed by the World Bank since 1958 and in increasing vogue - rather in increasing demand by both aid-givers and recipients. The first consortium meeting was held in 1958 for India under the chairmanship of the World Bank to review the foreign exchange requirements of India's Second Plan. The United States, the United Kingdom, the Federal Republic of Germany, Canada and Japan attended as members and the International Monetary Fund sent an observer. After reviewing the economic situation and the progress of the Plan, the consortium members pledged certain amounts of aid. In 1961 the India Consortium was expanded to include France, Italy, Netherlands, Belgium and Austria. The Bank sponsored a similar consortium for Pakistan in 1960. Since then, consultative groups, more or less with the same objective of coordinating the assistance efforts, have been sponsored by the Bank for Colombia, Nigeria, Sudan, Tunisia, Malaysia, Morocco and Thailand. The OECD had organised similar consortia for Turkey and Greece and the Inter-American Development Bank for Ecuador. The main aid-giving countries together with the World Bank and in some cases, the Regional Development Banks, are participating in these consultative groups. The International Monetary Fund usually sends an observer.

6. These consortia and consultative groups provide a coherent framework, within which the several aid-givers are able to assess the development potential, performance and aid requirements of the recipient country. The technique is for the recipient country and the aid-giving governments and institutions to consider jointly the development programme, the economic performance and the needs of external assistance in a comprehensive and continuing fashion rather

than piecemeal. These consultative groups enable the character and terms of aid to be adapted to the special circumstances. They help to identify and to attend to the priority development needs of the developing country in a coordinated way. They also provide a forum where the aid giving countries can discuss among themselves and with the recipient country the terms and pattern of aid appropriate to the country's financial position and requirements. Wide disparities in the terms of aid are reduced somewhat and the effort involved in individually presenting and of reviewing projects with each aid giver is avoided.

7. The organisation of a consortium or a consultative group involves a good deal of advance preparation and continued effort. Well in advance of the meeting, the recipient country or the sponsoring authority prepares detailed memoranda reviewing the country's economic performance, its plans and economic outlook for the coming year, its requirements of aid etc. Where the memoranda are prepared by the recipient country, the World Bank or sponsoring authority prepare a review of their own highlighting the features and the action to be taken. Some six weeks after the circulation of the papers, meetings of the consortia or consultative groups are held, usually in Paris or in Washington. These meetings are attended by representatives of the aid giving countries and institutions and the recipient country and the International Monetary Fund sends an observer. The several points raised in the memoranda are first discussed fully and frankly with the representative of the recipient country who thereafter withdraws and the discussion is continued among the aid givers. For the sake of convenience, the meetings of two or three consultative groups are held one after another, so that the representatives of aid-giving countries, who are more or less common, do not have to be shuttling back and forth, between their capitals and Paris/Washington, as the case may be.

8. The consortium or consultative group method has several advantages both for the aid giving countries and the aid receiving countries. Not all aid giving countries can spare the economic staff required to make detailed analysis of

the recipient country's development plans and economic performance. If there is a consultative group, they get the benefit of an objective analysis by an institution like the World Bank. The observance of particular criteria, priorities and standards of performance is accomplished more easily and with less irritation through the consultative group than through bilateral negotiations. Further, the aid giving countries can rest assured that through the consultative group, the total aid available is being channelled in the most efficient manner possible to meet the priority needs in a coordinated way. Aid thus given is most effective and gives the best possible return.

9. From the developing countries' point of view too, the consultative group method has several advantages. They find it much easier to deal with a group or an international institution like the World Bank acting on behalf of the group than to discuss these matters with each individual country. There is no duplication of effort in presentation and the group as a whole reviews the development programme and the economic problems. The terms of the aid loans and their distribution among projects, non-project items and technical assistance are more easily discussed with the consultative group as a whole than bilaterally. The members of the group themselves by exercising mutual pressures, help to liberalise the terms and the character of aid. Also the recipient countries could discuss with members of the group some of their closely connected problems, say the difficulties and restrictions which the country meets with in expanding its exports. To the extent, exports are better there will be less need for aid and the consultative group may be able to suggest practical solutions. Compensatory financing and supplementary financing - particularly the latter as sketched in the World Bank scheme - could be discussed with great advantage in the consultative group.

10. These groups could also help in mitigating some of the extreme effects of tying of aid. For instance, in the foreseeable future, no aid giving country will be prepared to abandon the principle of tying, but the aid receiving country

could invite tenders for projects or raw materials like steel, fertilisers and components from all the members of the consultative group. Thereby greater competition will be generated and the recipient country will benefit by the reduced prices. At the same time, since each country will be financing only the goods supplied by it, there will be no balance of payment difficulty. I would therefore suggest that the consortium/consultative group approach should be adopted more and more in the future and that sponsoring institutions like the World Bank should not be deterred by the significant amount of additional work that will be thrown on them. The end result, I am sure, will be well worth the trouble and the expense.

11. My second suggestion for improving the organisation and strategy is that all major aid-giving countries should have a Minister or Administrator at the Cabinet level solely to look after development aid. This suggestion is not made in any light-hearted manner. Daily contact with the complex issues of development, the problems they pose, the questions they raise and the methods by which they could be resolved, cannot but have a strong and beneficial impact on the policy making level. There are no doubt experienced civil servants and administrators to grapple with these problems, but no amount of reasoning and briefing by them can carry as much conviction as that arising from constant exposure to these questions. To instance one case only, I doubt whether such a far-reaching decision as giving development loans free of interest in appropriate cases would have been taken by the United Kingdom, had it not been for the new Ministry of Overseas Development. The U.S. Government has in the Administrator of the Agency for International Development such a high level authority. In a majority of the countries, however, there is no Minister for development aid or overseas development, and the responsibility is divided between the Finance, the Economic and the Foreign Ministers. Since these Ministers are mostly preoccupied with problems of more immediate concern to them, one cannot be surprised if the problems of development aid receive low priority.

12. It may be asked whether on the receiving side also a similar organisational change should not be made. I do not think the position is the same, because the Minister for Overseas Aid/External Assistance, if ever such an office is brought into existence, will not be a very popular person. Inside his country, he will be subjected to powerful pressures and outside the country, he will have such a difficult job that it is hard to see whether any political figure of first rank will care to take such an assignment. As it is, in most developing countries, external assistance is the concern, and I should say a major concern, of the Finance Minister, who is usually one of the top political figures. Since the implementation of development projects and programmes is largely dependent on external assistance, the Finance Minister or the Planning Minister as the case may be, would take special interest. He is well conversant with the problems and also in a position to enforce his views. However, at the administrative level, the volume of aid received and the role they play in the development programme of many developing countries, justify the creation of a separate department for external assistance. Constitution of such a department would bring together persons who have acquired the experience and expertise and would ensure that the problems of external assistance are kept in the forefront. Such a department could give attention to research and analysis of problems relating to external assistance and also to more effective publicity within the country and outside.

13. Even more important than a new department or ministry is the need for aid giving countries having a ready and workable machinery, by which they could allocate funds for aid without too much controversy. In several countries there is no such machinery or foreign aid act with the result that even when the Government is convinced of the need for giving aid, it is forced to resort to various subterfuges for raising the finance or has just to cut the aid bill. Raising aid through a special tax has been recommended, but it would make the aid appropriations unpopular and it is in the interests of all concerned that

aid should not be a matter of party or electioneering controversies.

14. On the matter of organisation, I have one more suggestion to make. The major aid-giving countries of the West have in the Development Assistance Committee of the OECD a high level body of experts, constantly studying the problems of international development. I have already referred to the significant achievements of that body and the value of its excellent annual reports. But this Committee does not have the benefit or experience of discussing development problems with their counterparts from the developing countries. Until the United Nations Conference on Trade & Development of 1964, there was no dialogue on development questions between the industrialised and the developing countries. In the Economic and Social Council of the United Nations and in the annual conferences of the International Monetary Fund and the World Bank, representatives of developing countries had expressed their points of view. But there has never been that discussion and analysis of questions, examination of new ideas and exchange of experience as occurs within a committee. Even as between one developing country and another, there was no dialogue. Conferences like the present one and seminars organised from time to time by various societies and institutions including the United Nations no doubt bring together experts from both developing and developed countries. They are good and I would cite the instance of the Report of the UNCTAD Expert Group on International Monetary Issues to show how broad agreement could be reached at expert level, even on such controversial issues as international liquidity. There should be some means by which developing countries themselves could pool their experience and knowledge and carry on the dialogue on a continuing basis among themselves and with the DAC at an expert level. I realise that we have in the United Nations Trade & Development Board a permanent machinery and that the meetings of the members of the Board and its subsidiary bodies have facilitated a much greater exchange of views and ideas than before. This is all to the good and we will see the results thereof in the years to come. My

suggestion is for a smaller expert group exclusively for studying development questions on a continuing basis. This group could study in an objective way the pros and cons of particular development policies which, when discussed bilaterally or in international forums, tend to become controversial.

15. Further, these specialist bodies and the DAC itself could study the economic benefits which flow back to aid givers and publicise them. There is first the fuller utilisation of industrial capacity in the aid-giving country and this might have a multiplier effect on its economy. Taking the case of steel, for which there is a large demand in developing countries, and the industrialised countries have surplus production capacity, it would be to the benefit of both the aid-giver and the aid-receiver, if additional aid is given for steel. I know of cases where a special steel loan, badly needed by the recipient country had led to the reactivation of a steel plant in the aid-giving country. Workers who had gone on dole returned to work. Such instances could be multiplied and in fact there could well be a drive for the utilisation of surplus capacity for economic development in the same way as surplus foods for peace and for freedom. The fact that the provision of aid is also to the long-term economic advantage of the aid-giver needs to be emphasised. I cannot do better than quote from the White Paper (Command 2736) presented by the Ministry of Overseas Development of the United Kingdom:

"The provision of aid is to our own long-term economic advantage. We have a special interest in encouraging the expansion of international trade; this will be promoted by increasing prosperity which aid can help to further. By helping to raise incomes in the developing countries we can provide expanding markets for exports and safeguard the supply of our imports and the return on our investment. These are real advantages, and we should seek to secure them as far as we can."

16. I should also make a brief mention about the Development Finance Companies or Development Banks which give medium and long-term funds to protective enterprises. The World Bank and the International Finance Corporation have helped in the founding of many new Development Banks all over the world. They have given such Development Banks technical and financial assistance and it has been found from actual experience that this is one of the most rewarding ways in which the development of small and medium size industries could be assisted in developing countries. Such Development Banks have helped to mobilise domestic savings and are able to channel them in combination with technical know-how and modern management techniques into productive activities. Many aid-giving countries and institutions are operating through these Development Banks. All development banks which function efficiently, should receive international assistance, regardless of whether they are in the public or private sector. Similar development financing institutions should be established to cater to the needs of the agricultural sector.

17. Mr. Chairman, I have finished. In response to your call, I have done some loud thinking. Thank you.