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## CONTENTS

### Agenda item 39:

<i>Establishment of a United Nations capital development fund: report of the Committee on a United Nations Capital Development Fund (continued). . . . .</i>	183
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**Chairman:** Mr. Pierre FORTHOMME  
(Belgium).

## AGENDA ITEM 39

Establishment of a United Nations capital development fund: report of the Committee on a United Nations Capital Development Fund (*continued*) (A/5748, A/5997; A/C.2/L.796/Rev.2 and Corr.1 and Add.1 and 2)

1. Mr. ATTOUNGBRE (Ivory Coast) said that his delegation had approved of the consolidation of the Special Fund and the Expanded Programme of Technical Assistance as a first step towards investment activities. It therefore took a favourable view of the establishment of a United Nations capital development fund and would vote for the draft resolution before the Committee (A/C.2/L.796/Rev.2 and Corr.1 and Add.1 and 2) in the hope that the fund would come into being soon. Many countries which had already taken stock of their resources and drawn up detailed development programmes must now tackle financing proper and a capital development fund was a vital necessity for them.

2. Mr. ILONIEMI (Finland) said that the draft resolution was related in several ways to the decision taken by the Committee on the consolidation of the two technical voluntary co-operation programmes. At the eighteenth session of the General Assembly, the Finnish delegation had stated that the consolidation within a single United Nations body of the different stages of development assistance, from the advisory services to investment, was a highly attractive idea. Broadening the scope of activities of the United Nations Development Programme would serve that purpose and the Finnish delegation would therefore support such an initiative. By sponsoring the recommendation A.IV.8 of the United Nations Conference on Trade and Development on the gradual transformation of the Special Fund,<sup>1/</sup> it had already indicated its support for such a transformation of the activities of the United Nations Development Programme.

<sup>1/</sup> See *Proceedings of the United Nations Conference on Trade and Development*, volume I: *Final Act and Report* (United Nations publication, Sales No.: 64.II.B.11), pp. 47-48.

3. However, the Finnish delegation did not think that any purposeful results would be achieved by insisting on the setting up of a United Nations capital development fund as proposed in the draft resolution. The recent United Nations Pledging Conference had shown that programmes based on voluntary and non-political support could be enlarged and improved only to the extent that they commanded the confidence and support of the major contributing countries. The establishment of a new body competing for its share of the limited resources available would by no means improve the situation. The extension of the new Programme's mandate was therefore the path to follow.

4. Therefore, although the Finnish delegation considered several parts of the draft resolution acceptable, it would be unable to support it as a whole.

5. Mr. MURGESCU (Romania) associated himself with the remarks made at the preceding meeting by the Yugoslav representative. The establishment of a capital development fund, by extending the scope of United Nations assistance, would meet the real needs of the developing countries, especially the need for industrialization which was essential for promoting a country's balanced development and enabling it to adapt its agriculture to modern methods, to take a more active and diversified part in world trade and thus to achieve economic independence. The Romanian delegation, which supported any action that would increase United Nations aid in that sector, would vote for the draft resolution.

6. Mr. TIGOUÉ (Togo) said that his delegation had noted with interest the arguments put forward by the industrial countries during the debate on agenda item 51 concerning the consolidation of the Special Fund and the Expanded Programme. Those countries had expressed the view that there would be no advantage in establishing a new body which would apply the same criteria as existing international financial institutions and that it would be sufficient to strengthen the existing bodies. But such reasoning was unfounded for, although the International Development Association was trying to make its conditions for the granting of assistance more flexible and to view the needs of the developing countries more sympathetically by offering them long-term low-interest loans, its advance in that direction was still half-hearted and the criteria applied remained unchanged. The need for the establishment of a capital development fund was still great and therefore the Togolese delegation would vote in favour of the draft resolution.

7. Mr. MAKEEV (Union of Soviet Socialist Republics) said that, in introducing the draft resolution, the Yugoslav representative had very appositely recalled that various United Nations organs had already adopted

fourteen resolutions on the matter and that the General Assembly was about to adopt a fifteenth. The Soviet delegation was far from satisfied with the present draft resolution, for its adoption would not solve the problem of the establishment of a capital development fund.

8. The reasons were well known and the representatives of the developing countries had described them at length. The developed countries who were opposed to the establishment of a capital development fund pointed out that there were already various international financial institutions in existence. That was so, but it should not be forgotten that those institutions, whether the International Bank, the International Development Association or the International Finance Corporation, were governed by unacceptable criteria. Their primary aim was to further the interests of private capital seeking investment where the opportunities for profit were greatest. As had been stated in the Economic and Social Council and the Committee for Industrial Development, those financial institutions were unwilling to grant assistance to be used for industrialization, particularly in the public sector. As the Pakistan representative had said to good effect, their capital was provided at high interest rates and the developing countries had actually to buy their aid.

9. It was for those various reasons that the developing and the socialist countries had long advocated the establishment of a United Nations capital development fund which would offer very low-interest loans and grants, mainly for industrialization in the developing countries. Such a fund would be independent of the International Bank and other financing institutions. It would also be governed by entirely different criteria. In that spirit the Soviet and other delegations, at the twentieth session of the General Assembly, had expressed their approval of specific action to consolidate the Expanded Programme and the Special Fund into a United Nations capital development fund which retained the characteristics of the two programmes but whose scope would be wider, so as to include activities of investment proper. The fund could be supported by voluntary contributions and by deposits made in their national currencies by the different countries. All the necessary conditions and its juridical basis already existed. Resources were not lacking, for the Special Fund alone had \$300 million of unused resources at its disposal. The Inter-American Development Bank had started operations with \$150 million.

10. General Assembly resolutions 1215 (XII), 1219 (XII) and 1240 (XIII), which provided for the transformation of the Special Fund into a capital development fund, were perfectly clear and the Soviet delegation could not understand why some delegations which had, however, taken part in their adoption had since changed their minds. The position of the Soviet delegation, on the other hand, had never varied.

11. The Soviet delegation considered that the text of the present draft resolution was not sufficiently outspoken and left doubts as regards the eventual establishment of a capital development fund. Operative paragraph 3, in particular, mentioned only one of the recommendations adopted by the United Nations Conference on Trade and Development and not the best one at that. In order to make clear what the Governing

Council's work should be, operative paragraph 3 should be reworded as follows:

"Urges the Governing Council of the United Nations Development Programme to consider, at its second meeting in 1966, the ways and means for an effective implementation of the provisions of section III of General Assembly resolution 1219 (XII), dated 14 December 1957 and part C of its resolution 1240 (XIII), dated 14 October 1958, the provisions of General Assembly resolution 1936 (XVIII) of 11 December 1963, as well as the recommendations (A.IV.7 and A.IV.8) of the United Nations Conference on Trade and Development on the question of the establishment of a capital development fund, including the possibility to ensure through the United Nations Development Programme the beginning of the investment activities by the apportionment for this purpose of a part of funds contributed for the Programme by the participating countries."

12. That wording was almost identical with the text of the amendment submitted by the USSR and other socialist countries regarding agenda item 51 (A/C.2/L.800/Rev.1). Accordingly, when the Governing Council of the United Nations Development Programme considered the establishment of a capital development fund, it should take into account all the General Assembly resolutions indicating the agreed procedure for establishing the fund, in addition to the recommendations of the United Nations Conference on Trade and Development.

13. Similarly, operative paragraph 5, sub-paragraphs a and b, should be replaced by the following text:

"To undertake, taking into account the results of the work of the Governing Council of the United Nations Development Programme, in co-operation with the Secretary-General and in consultation with the Member States, further efforts with a view to reaching a large measure of agreement on the draft legislation (statute) of the United Nations capital development fund, bearing in mind starting investment operations in the nearest future through a gradual transformation of the United Nations Development Programme by the apportionment for this purpose a part of funds available for this programme from participating countries, as well as other additional voluntary contributions."

14. He hoped that the sponsors of the draft resolution would give careful consideration to the amendments which he had proposed.

15. Mr. BELEOKEN (Cameroon) said that his delegation had voted in favour of the consolidation of the Special Fund and the Expanded Programme on the understanding that it would be a step towards establishing a capital development fund. As the Yugoslav representative had pointed out in introducing the draft resolution, and as a number of other delegations—including some from the developed countries—had also stated, the establishment of a capital development fund was a vital necessity for the developing countries, as the fund would be an essential complement to their national efforts to promote economic development.

16. He was surprised that so many reservations had been expressed on a draft which, when all was said

and done, was only a compromise text and was, if anything, rather weak. The draft resolution did not go far enough and its purpose was merely to ensure that the decisions and recommendations adopted by a large majority in the General Assembly and the United Nations Conference on Trade and Development were put into effect. The voting on the recommendations had been significant and, in the circumstances, there was no need for a discussion on the legal validity of the recommendations and decisions adopted. The USSR representative's suggestions were highly relevant and would certainly improve the text of the draft resolution considerably. He thought that they should indeed be taken into account.

17. Mr. DAVIES (Nigeria) said that his delegation, in co-sponsoring the draft resolution, had thought that the establishment of a United Nations capital development fund would be a first step towards the channelling of all investment aid through one multilateral agency supervised by the United Nations. It had also visualized the eventual concentration in one comprehensive programme of all capital aid for pre-investment as well as investment. That approach did not imply any criticism of the efficiency of existing financial institutions; and his country was grateful for the substantial aid which it had recently received from the International Bank for implementing its national development plan. It was not a question of replacing those international institutions, his delegation merely wished to ensure an effective and equitable co-ordination of the resources available through a United Nations multilateral institution. Neither did the sponsors of the draft resolution wish—as certain delegations seemed to believe—simply to create another institution which would function in the same way as those already in existence. It would be useless to establish a fund if the necessary resources were not available, or if they were scattered over a number of different institutions. The development fund which his delegation envisaged would eventually assume a role similar to that played by a central bank in relation to the trading banks in any country. In that connexion, it might be worth while to await the results of the work of the Committee on Invisibles and Financing Related to Trade, which had been instructed by the Conference on Trade and Development to consider the ways and means of recruiting capital for development.

18. His delegation would therefore vote for the draft resolution, which was aimed at setting up a capital development fund which would have resources of its own, would grant loans at much lower rates of interest than those prevailing at the present time, and would also co-operate with existing financial institutions in order to ensure the most effective utilization of available resources. His delegation supported the draft resolution for two main reasons: first, the investment funds available fell far short of the requirements of the developing countries. As the President of the International Bank had stated, the developing countries could absorb another \$3,000 million to \$4,000 million, and additional resources could be allocated more efficiently and more equitably if they were channelled through the fund. Secondly, under the existing bilateral arrangements, some of the developing countries were finding it very difficult to meet local costs, and that had led to the assumption that their absorptive capacity was

low. The management of a capital development fund would be able to consider that problem in the context of an over-all policy designed to accelerate economic development in the developing regions.

19. His delegation understood the position of the developed countries which were opposed to the establishment of a capital development fund. It was quite natural that the main contributing countries were unwilling to abandon control of existing institutions, for the benefit of other countries which were not making the same sacrifices. That argument should not be allowed to prevent the establishment of a fund; but the question could be raised when the organization and management of the fund were being considered.

20. Mr. REISCH (Austria) said that his delegation had always advocated an extension of the activities of the Special Fund to cover investment, and had therefore supported recommendation A.IV.8 of the United Nations Conference on Trade and Development under which the criteria of the Special Fund would be broadened to enable it to play an effective role as a bridge between pre-investment and capital investment. It was convinced that that would be a sound procedure, and had accordingly abstained from voting on recommendation A.IV.7 on the establishment of a separate capital development fund. It shared the concern expressed by the Netherlands representative regarding the draft resolution which, by trying to combine the provisions of two recommendations, might render the results achieved less effective in practice. His delegation would prefer the existing distinction to be maintained and would therefore abstain in the vote on the draft resolution.

21. Mr. ROOSEVELT (United States of America) said that he had listened very attentively to the excellent statement by the Yugoslav representative, and to the comments made by other delegations, including that of Nigeria. His country's position was perfectly clear. The launching of a capital development fund was dependent on the existence of certain conditions. Nothing as yet indicated that such conditions existed; and, besides, as the Netherlands representative had pointed out, the draft resolution left some uncertainties as to which of the two inconsistent methods of creating such a fund was proposed.

22. The Managing Director of the Special Fund had frequently stressed the need for increasing the resources available for pre-investment; and, as the Committee's vote on the consolidation of the Special Fund and the Expanded Programme had clearly shown, that view was shared by the overwhelming majority of delegations. Nevertheless, some representatives were suggesting that resources should now be diverted to other uses. Investment activities, however necessary they might be, should not be undertaken at the expense of the pre-investment programme, which was the essential antecedent and prerequisite of investment.

23. Further, there already existed a number of international financial institutions; and, while they might have certain defects and shortcomings, specific remedial measures had been taken. For example, the International Development Association was now granting loans at very low rates of interest and with very long repayment periods. Hence it could no longer be

maintained that rates of interest were inhibiting the use of capital in development. Moreover, the financial institutions were now undertaking investment activities in the social sector. The International Bank had already done so, particularly in education. Those activities were undeniably part of a genuine investment programme. His country had already made sizable contributions to the international and regional organizations concerned and, subject to approval by Congress, it was planning to increase its contributions to the International Development Association as well as the Inter-American Development Bank by a very considerable amount.

24. The regional international institutions had turned their attention to the financing of economic and social development and had adjusted their methods and objectives accordingly. The governing bodies of those institutions had agreed that as new requirements emerged they should be met and would indeed be met, which was a *sine qua non* for the success of their operations. The advocates of a capital development fund were, of course, perfectly entitled to express their views, but at the moment there did not seem to be any need to establish a new body. It would be better to increase the efficiency of existing organizations, which were perfectly capable of undertaking those activities.

25. Mr. WILMOT (Ghana) said that it was pointless to reconsider all the arguments for and against the establishment of a capital development fund since the General Assembly had already adopted a decision of principle on the subject and the United Nations Conference on Trade and Development had recommended the gradual transformation of the Special Fund into a capital development fund.

26. His delegation supported the establishment of such a fund, being convinced that maximum assistance should be channelled through the United Nations. While it was true that some international institutions engaged in investment activities, the latter were inadequate and had so far proved profitable only to the developed countries. Moreover, the institutions concerned were profit-making organizations with all the consequent limitations and not genuinely international. Many countries prepared to invest in the developing countries had therefore avoided them.

27. The establishment of a capital development fund would promote the flow of capital to the developing countries and the achievement of the objectives of the United Nations Development Decade. The impossibility of securing additional funds was not a convincing argument. The developed countries, which had two thirds of the world's income but only one third of its population, had sufficient capital to meet the developing countries' needs. In the years immediately following the Second World War they had been able to carry out massive programmes of assistance to the developed countries themselves, such as the Marshall Plan. Hence, it was not the resources but goodwill which was lacking now. Their current assistance to the developing countries, while useful, amounted to less than 1 per cent of their national incomes.

28. The United States representative had stated that the material conditions required for the establishment of a capital development fund did not yet exist. The

Ghanaian delegation did not share that opinion and noted that the United States representative had omitted to specify the conditions in question.

29. Reference had been made to the need to allocate more resources to pre-investment activities. There was indeed such a need, but there was also a need for investment activities proper. No one had suggested that there should be investment at the expense of pre-investment, but a greater flow of both those forms of assistance should be channelled through the United Nations. It might be advisable to make provision for separate contributions to the United Nations capital development fund at the Pledging Conference.

30. Lastly, he announced that his delegation would vote for the draft resolution and wished to become a co-sponsor.

31. Mr. FRANZI (Italy) said that since 1953 the General Assembly had been concerned with the establishment of a body to be responsible for United Nations investment activities in the developing countries. Before rejecting the idea that the United Nations could undertake investment activities proper or voting hastily on a draft resolution which was unlikely to muster unanimity, the results of those twelve years of discussion should be examined very calmly.

32. That examination led the Italian delegation to take an optimistic view. Of course, it recognized that the objectives as regards financial assistance to the developing countries had not been achieved and that those countries' terms of trade had continued to deteriorate. Still it was true that the establishment of the United Nations Special Fund could be traced back to the project to set up a Special United Nations Fund for Economic Development (SUNFED) and that the discussions held in the United Nations on the problem of financial assistance had led to the establishment of IDA and IFC and the regional development banks, and ultimately to the decision to increase the capital of the World Bank, the International Monetary Fund and the IDA. The Asian Development Bank, to mention only the most recent regional bank, was a modern and dynamic agency of economic assistance which enjoyed the confidence of the United Nations, the developing countries and several industrialized countries. The Italian Government had decided to contribute towards its capital formation an amount not exceeding \$10 million.

33. Several hundreds of millions of dollars were thus made available, on increasingly more favourable terms, to the developing countries through the United Nations and its related organizations. Of course, the financial assistance provided directly by the United Nations should be increased and it should stimulate a greater flow of capital to the developing countries and become, as quickly as possible, with the consent and participation of all the developed countries, a centre for the distribution of capital on the most favourable terms. But the time did not seem ripe for such an ambitious undertaking as the establishment of a capital development fund and the United Nations must be enabled, by avoiding any hasty decision, to continue its slow but sure efforts to persuade, as it had been doing for many years.

34. The draft resolution did not appear consistent with the true interests of the developing countries. As the Netherlands representative had pointed out, it was a medley of recommendations A.IV.7 and A.IV.8 of the United Nations Conference on Trade and Development, which were substantially different as regards the ways and means required to carry them out. His delegation, which had abstained in the vote on recommendation A.IV.7, still experienced the same difficulties in connexion with the draft resolution. The sponsors of the draft resolution should prepare, on the basis of recommendation A.IV.8 alone, a new text which would take into account the consolidation of the Special Fund and the Expanded Programme. That recommendation contained all the elements required for exploring the possibilities of expanding United Nations technical assistance and pre-investment activities to include investment proper. The scope of the draft resolution would thus be limited but without abandoning the idea of a capital development fund. The Managing Director of the Special Fund had emphasized that the machinery necessary for an expansion of the assistance provided directly by the United Nations existed already and could start to operate as soon as the necessary funds were available. His delegation was prepared to co-operate forthwith in preparing a new draft resolution.

35. Mr. Saad KHALIL (United Arab Republic) said that the developed countries' opposition to the establishment of a capital development fund should not cause the developing countries to despair. Actually the campaign waged by the latter since 1949 for United Nations investment activities had resulted in some signal successes, such as the establishment of the Special Fund, the World Bank and IDA, and had induced the developed countries to change their attitudes on several occasions.

36. The current situation of the world money market was eloquent evidence in favour of establishing a United Nations capital development fund. The terms on which loans were granted were such that the flow of capital to the developing countries was virtually nullified by the servicing of their external debts. If transport costs, which upset those countries' balances of payments, were added, the balance-sheet became negative.

37. The argument concerning the proliferation of international institutions was unconvincing. The World Bank itself had set up IDA and IFC. Furthermore, the President of the Bank himself had recently stressed that its resources were not enough to cover the developing countries' needs. It was common knowledge that the Bank allotted only some 17 per cent of its funds to the industrialization of those countries. Hence it was untenable to claim that the Bank and its subsidiary organizations could adequately undertake investment, especially since the Bank was unable to change the terms on which those loans were at present granted.

38. United Nations technical assistance had produced excellent results, but it could not be continued much longer without its logical complement, namely, investment proper. Again, the establishment of a capital development fund would make it possible to provide

assistance that was not subject to political conditions, which often accompanied the granting of loans.

39. For those reasons the delegation of the United Arab Republic would vote for the draft resolution.

40. Miss MEAGHER (Canada) said that for almost fifteen years the United Nations had had before it various proposals for the establishment of a United Nations capital development fund, and the absence of a fund bearing that particular title had caused some dissatisfaction. Her delegation did not share that sentiment, since capital development funds already existed within the United Nations family and there were encouraging signs of their continued growth. Indeed, there was no disagreement about the goals to be attained, for everyone wished to see an increasing flow of capital to the developing countries; the disagreement related only to the best means of accomplishing that end.

41. Some felt that a new institution was needed or, alternatively, that appropriate changes should be made in the Special Fund; others, including Canada, believed that existing institutions offered the best hope of progress in the capital development field. Her Government's position in the matter had not changed. Canada had always maintained, both in the General Assembly and at the United Nations Conference on Trade and Development, that it would be unwise to dissipate further the funds and personnel available for capital development programmes. It believed that the main objective must not be to establish yet another international institution but to encourage an increasing flow of investment capital to the developing countries. A United Nations capital development fund was unlikely to have any significant new resources at its disposal, and it was not clear what it could do, in practical terms, that the World Bank and its affiliates was not already doing. Such a fund would be competing with IDA with no certainty that it could achieve better results. Indeed, the proliferation of international institutions might have the effect of slowing the increase in the flow of capital to the developing countries. The Secretary-General's note on the transformation of the Special Fund into a capital development fund (E/3947) confirmed her delegation's fears that the resources available for the Special Fund's pre-investment work, which was vitally important to the developing countries, would diminish as a result of such a change. It was because her Government hoped to see those resources increased that it had supported the consolidation of the Special Fund and the Expanded Programme. Canada looked forward to greater achievements by the Special Fund in the future as it engaged in new undertakings such as pilot and demonstration projects designed to encourage investment in the industrial sector.

42. The World Bank and its affiliates, in particular IDA, was continuing to adapt its policies to the changing needs of the developing countries. The International Development Association had received \$125 million from the Bank's net income for the years 1963-1964 and 1964-1965. That was, of course, in addition to the \$758 million which had been allocated to IDA up to June 1966 to finance its fifty-year credits, which carried a minimal interest charge of 0.75 per cent. It should also be noted that the World Bank and its



affiliates was now prepared to spend increasing sums in local currency for various projects.

43. Moreover, IFC would be able to borrow up to four times the amount of its own capital from the World Bank. The proposal to permit IFC to borrow from the Bank should provide it with as much as \$400 million. There was every reason to believe that the Bank and IDA would play an increasingly important role in achieving the objectives of the Development Decade. At the last annual meeting of the Board of Governors of the World Bank and its affiliates, the Canadian Minister of Finance had supported the resolution to replenish IDA's resources.

44. There were, of course, other institutions both within and outside the United Nations family which were actively engaged in investment in the developing countries. The World Food Programme and the three regional development banks could be cited as examples. Her delegation supported the draft resolution introduced at the present session of the General Assembly which was designed to increase and make permanent the investment assistance available in the form of food aid. Canada was also providing substantial assistance through two of the regional banks.

45. Mr. DJOUDI (Algeria) observed that the draft resolution included some provisions which had received virtually unanimous support as part of the draft resolution adopted by the Committee with regard to the consolidation of the Expanded Programme and the Special Fund.

46. A number of delegations which were opposed to the establishment of a capital development fund had referred to the role played by IDA. It was true that IDA performed a useful function by granting long-term, low-interest loans which could be repaid in local currency; however, it could not meet all the existing needs and, moreover, it was not administered in keeping with the principles of the United Nations, since only four countries held more than half of the votes.

47. Hence, it was the need to extend United Nations activities to the field of investment that had prompted the sponsors to submit their draft resolution, which merely recommended continued studies looking to the establishment of the fund pending a solution of the problem of finding the necessary additional resources; he hoped that the Committee would adopt the resolution.

48. Mr. CARANICAS (Greece) observed that the present question had been under discussion for nearly fifteen years; although there had been major changes in the international situation as a result of the attainment of independence by a great many countries, the Committee now had before it a draft resolution which was very similar to the proposals originally submitted by the countries which at that time had been referred to as "under-developed"—proposals which Greece had, until very recently, joined in sponsoring.

49. All the efforts made in the meantime had certainly not been wasted, for they had resulted in the establishment of new institutions and the strengthening of old ones. The whole range of United Nations economic activities had gained new impetus from the establishment of the United Nations Conference on Trade and Development as an organ of the General Assembly,

while the World Bank had created new organs designed to meet the wishes of the developing countries: in 1956, IFC (whose total investment in thirty countries had reached \$127.4 million by the end of 1964); in 1960, IDA, which granted fifty-year, non-interest-bearing loans to the developing countries and had extended industrial development credits totalling \$111 million by the end of 1964. The credits granted by the World Bank and its affiliates for purposes of industrial development alone had amounted to \$1,300 million over a period of ten years. There were also such multilateral institutions as the European Investment Bank, the European Development Fund and the African Development Bank, soon to be joined by the Asian Development Bank; finally, there was the Inter-American Development Bank, which had recently established a Fund for Special Operations so that it could grant long-term, low-interest loans. Moreover, the International Monetary Fund had established a system of compensatory financing. Over and above the World Food Programme and the credits granted under bilateral agreements by the United States, France, the USSR, the United Kingdom and Yugoslavia, various consortiums had been established, such as the one whose members had undertaken to provide \$4,445 million to India for the first four years of its third development plan.

50. Nevertheless, however impressive, the results obtained were still inadequate, as had recently been noted by the President of the World Bank, who had stated that the developing countries could profitably use an additional \$3,000–4,000 million a year, although aid from public sources already amounted to \$6,000 million a year and aid in the form of long-term private capital amounted to some \$3,000 million a year. Furthermore, the loan conditions accorded to the developing countries under multilateral programmes were generally such as to considerably increase the burden of the external debt of those countries. With the exception perhaps of the loans granted by the Special Operations Fund of IDB, which was a purely regional body, and by IDA, which was not universal in character, since the countries of Eastern Europe did not participate in it, multilateral aid was furnished on unfavourable and sometimes uncertain terms, so that, paradoxically, bilateral aid was often more advantageous, particularly in the case of the long-term 2.5 per cent loans granted by the United States or the USSR. It was questionable, therefore, whether it was to the developing countries' advantage to press for the implementation of a project that sought to obtain credits on terms little more advantageous than those of bilateral aid, which they could obtain more rapidly. In his statement opening the general debate (955th meeting), the Under-Secretary for Economic and Social Affairs had noted a certain disenchantment on the part of legislators towards international assistance by Governments; it must be acknowledged, however, that some of the developing countries had not done everything necessary to attract capital.

51. The draft resolution had been presented with great eloquence but he had had the impression that its supporters were preaching to the desert air and that the debate was somewhat unreal. At a time when the contributions which had just been announced for the Expanded Programme of Technical Assistance and the

Special Fund barely amounted to \$157 million, it was easy to understand the doubts expressed, by the United States delegation, for example, about contributions which might be announced for a new programme.

52. He was therefore inclined to agree with the Netherlands representative that it would perhaps be preferable for the Special Fund, while continuing its pre-investment activities, to pass on gradually to investment activities proper. His country had voted at Geneva for recommendations A.IV.7 and A.IV.8 and it would also vote for the draft resolution under discussion if its sponsors maintained it. However, he regarded that draft as little more than the expression of a wish and considered that its sponsors would be well advised to withdraw it, leaving themselves free to bring up the matter again at the twenty-first session; that would enable them to win for the moment the favour of the countries which must in the last analysis provide the necessary funds.

53. Mr. NEAL (Liberia) said that he supported the draft resolution as he felt that in the interests of the developing countries any measure which sought to increase the flow of capital to those countries deserved to be approved. However, that draft would serve no purpose unless it was sincerely supported by all delegations and, in the light of the Greek representative's statement, it might perhaps be better to withdraw the draft with a view to reviewing the entire text, rather than to waste time in useless discussion.

54. Mr. CUHRUK (Turkey) said that his country, which had voted for recommendations A.IV.7 and A.IV.8 of the United Nations Conference on Trade and Development, had not changed its position and remained convinced of the need to set up machinery for investment activities within the United Nations. As the draft resolution embodied the two essential ideas enunciated in the recommendations of the Conference, his delegation would support it, subject to any amendments to it which might be made.

55. Mr. BEN AISSA (Tunisia) considered it essential that the consolidation of the Expanded Programme and the Special Fund, which would strengthen United Nations technical assistance activities, should be supplemented by the establishment of a fund to provide poor countries with the investment capital they needed to carry out the programmes they had drawn up and to exploit the resources they had inventoried. Far from overlapping with the other sources of assistance, that fund would supplement them. Moreover, if the Special Fund undertook investment activities proper in the interval before the setting up of the capital development fund, it would be able to complete the very useful projects it had already started. His delegation accordingly hoped that all States which really desired the advancement of the developing countries would vote for the draft resolution.

56. Mr. OSOGO (Kenya) said he shared the Liberian representative's view and regretted that the admirable draft resolution before the Committee had been submitted at a time which did not appear favourable from the standpoint of the countries which might contribute to the capital development fund. It must not be forgotten

that the fund's sources of financing would be the same as for the World Bank, the regional banks and IDA and, if they dried up, they might cause an excellent project to fail. Moreover, the establishment of a new fund would give rise to new administrative expenses which might absorb the additional resources available. He believed, therefore, that the sponsors of the draft would be well-advised to withdraw it and to prepare a new proposal suggesting that investment activities might be undertaken under the United Nations Development Programme.

57. Mr. BARIGYE (Uganda) said that no purpose would be served by revising the draft resolution since the objections to which it had given rise were not formal only, the representatives of the principal donor countries being apparently opposed to the actual substance of the draft. He did not believe that over the longer term it would be pointless to maintain the draft in its present form since almost all United Nations enterprises in the economic field had followed the same process. The draft did not call for immediate measures and contemplated only preliminary steps, which could perhaps allow delegations to change their positions.

58. Contrary to what the delegations opposed to the draft had said, the capital investment fund would not duplicate existing institutions, none of which was at present performing the function which the Fund would be assigned. The disadvantages of bilateral assistance and the inadequacy of multilateral assistance were too well known for anyone to be able to deny the need either to establish a capital development fund or to extend the activities of the new Programme to include investment proper. His delegation accordingly hoped that the Committee would adopt the draft resolution.

59. Mr. POLLA (Uruguay) said that the Committee had taken a great step forward by deciding on the consolidation of the Expanded Programme and the Special Fund and that clearly nothing must be done which might prejudice that achievement. The activities of the Special Fund were, of course, extremely useful since, as the Managing Director had pointed out, its anti-poverty activities were based on the fact that poverty resulted from lack of education and training and the fact that pre-investment activities were calculated to stimulate investment. However, the developing countries, aware of the need to expand the resources available to them to carry out their programmes, wished to give new impetus to investment.

60. His country would therefore vote in favour of the draft resolution, but would do so in the same spirit as that in which it had supported the two recommendations of the Geneva Conference, namely that investment activities proper should not be undertaken unless sufficient resources were available to ensure that they would not endanger the pre-investment activities which the Special Fund was successfully carrying out at the present time.

61. Mr. BRADLEY (Argentina) said that his country, which was one of the sponsors of the draft resolution and had voted for recommendations A.IV.7 and A.IV.8

of the Conference, unreservedly supported the arguments advanced by its co-sponsors. Argentina could not allow itself to be swayed by the arguments against that text—arguments with which all had long

been familiar—and it would accordingly vote for the draft resolution.

The meeting rose at 6.5 p.m.