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*Chairman:* Mr. Ismael THAJEB (Indonesia).

*In the absence of the Chairman, Mr. Fernandini (Peru), Vice-Chairman, took the Chair.*

### AGENDA ITEM 33

Economic development of under-developed countries (A/5532) (continued):

(e) Establishment of a United Nations capital development fund: report of the Committee on a United Nations Capital Development Fund (E/3790 and Add.1 and 2, A/5536, A/C.2/L.738 and Corr.1 and Add.1-4) (continued)

1. Mr. ILONIEMI (Finland) said that the removal of the obstacles which were preventing a great many countries from making full use of their productive capacity would create conditions favourable to their economic and social progress. That was what was expected of the forthcoming United Nations Conference on Trade and Development; but that improvement might not suffice initially, and direct assistance in the form of technical assistance and pre-investment and investment activities was necessary in those cases where exports were small in volume and undiversified.

2. The United Nations had already acquired considerable experience in the fields of technical assistance and pre-investment. The draft resolution before the Committee (A/C.2/L.738 and Corr.1 and Add.1-4) was a further step towards a diversification of the United Nations machinery for promoting the economic development of the less developed countries. The purpose of the study requested in paragraph 2 was to seek ways and means of implementing General Assembly resolution 1521 (XV). His delegation supported the proposal for such a study, since it felt that all possibilities of improving and strengthening the present assistance machinery should be considered. The reasons why the United Nations had not so far entered into the investment field were well known. Even now, there was little hope of any significant increase in the funds available for assistance, as the 1963 United Nations Pledging Conference on the Expanded Programme of Technical Assistance and the Special Fund had shown. At the same time, the inadequacy of the long-term

flow of capital from the industrialized to the developing countries made the proposed study urgently necessary.

3. In that regard, his delegation supported the Swedish representative's proposal (920th meeting) concerning a programme of bilateral investment projects under the auspices of the Special Fund. A thorough study of that novel idea would be useful and might suggest new possibilities, especially for countries whose resources were limited. Concerted action in the fields of technical assistance and pre-investment and investment activities would enable the United Nations to tackle problems of greater scope and would offer further prospects for development. However, the proposal to broaden the terms of reference and activities of the Special Fund should be considered in the context of other plans having the same general objective. Moreover, the question of trade between the industrialized and the less developed countries was closely linked to the provision of investment capital, which, in turn, exerted a strong influence on technical assistance policies. It was therefore extremely important to tackle those problems in a comprehensive manner.

4. Mr. ALI (Pakistan) recalled that the delegations, including his own delegation, which had initiated the idea of SUNFED, had known that they were entering a field traditionally reserved for bilateral diplomacy. They had realized, however, that the United Nations could not exert a real influence unless it enlarged the scope of its activities and was given the means to attack the real problems facing the nations of the world, including the problem of economic development. If that problem was to be solved, resolute action would have to be taken to eliminate the basic causes of economic backwardness, which in turn engendered political instability. Bilateral economic assistance had certainly played an important role in a great many countries, including Pakistan, over the past ten years, but the establishment of a United Nations capital development fund should not give rise to any conflict or contradiction between bilateral assistance and United Nations assistance. The two forms of assistance should complement each other with a view to accelerating economic development.

5. When he had demonstrated before the Second Committee at the fifth session of the General Assembly (121st and 127th meetings) the need for the establishment of a new international financial organization under the authority of the Secretary-General, it had been said that the International Bank for Reconstruction and Development met the needs of the under-developed countries. It had also been said that, even if a new institution were established, it would not have sufficient funds to operate effectively. In the meantime, the International Finance Corporation, the Special Fund and the International Development Association had been set up in response to strong pressure by the under-developed countries. Those countries now

wanted a capital development fund because there was as great a need for it as there had been for the other institutions, concerning whose establishment the same doubts had been expressed. The crucial issue was the question of resources. His delegation realized that many of the developed countries were contributing large sums to the developing countries. Some of them, like the United States, had been providing such assistance ever since the days of the Marshall Plan. Nevertheless, it was a fact that the gap between the developed and the developing countries was steadily widening and that the latter countries had no way of improving their position.

6. An increase in the amount of economic assistance not only would benefit the developing countries but was also essential for the economic expansion of the industrialized countries. In that connexion, he recalled that President Kennedy had explained, at a press conference, how foreign aid helped to maintain United States export levels.

7. The draft resolution before the Committee attempted to reconcile the proposal that a separate capital development fund be established with the proposal that the Special Fund enter the field of investment. His delegation gladly supported that compromise. He had been pleased to hear the statements of the Netherlands and Swedish representatives, who were now also sponsoring the draft. Their action supported his delegation's belief that the general atmosphere was about to change in favour of the fund, even though the great Powers had not so far indicated that they were reconsidering their position.

8. The developing countries had placed great hopes in general and complete disarmament, which would release immense resources, part of which could be devoted to their economic development. That was why the existence of a capital development fund could be of vital importance if disarmament took place. He appealed to the members of the Committee to adopt the draft resolution unanimously.

9. Mrs. GINOR (Israel) recalled that an investment of from \$2 to \$3 million was needed to increase the net national product of a developing country by approximately \$1 million. In other words, to achieve a growth rate of 5 per cent in national income, which was the minimum goal of the United Nations Development Decade, an amount of capital equivalent to 12.5 per cent of the national income must be invested. The low-income countries could scarcely hope to attain such a rate of savings, and their foreign trade earnings were inadequate to provide the foreign exchange they needed for that purpose.

10. Her delegation had on various occasions expressed its support for the establishment of a United Nations capital development fund. Since the idea had been first put forward, the international financial institutions had increased their loans to the developing countries and had improved the terms under which loans were granted. A case in point was IDA. However, the idea of a United Nations capital development fund remained valid. The Special Fund had performed its pre-investment functions to the satisfaction of all, and in many cases investment had been the logical result of its projects. The study requested would show whether those two activities should be combined and, if so, how that could be done effectively. The study might also provide an opportunity for more detailed consideration of the interesting proposals made by the

Swedish representative. For those reasons, her delegation supported the draft resolution under discussion and hoped that it would be adopted unanimously.

11. Mr. BRILLANTES (Philippines) said that his delegation, which represented a developing country, would support the draft resolution before the Committee. The operations of United Nations agencies, and particularly those of the Special Fund, had made it possible to create in the developing countries an infrastructure and the necessary conditions for pre-investment which would not have been possible without such assistance. Nevertheless, it was essential for the economic and social development of those countries that the United Nations move on from pre-investment activities to investment in the true sense and it should be given sufficient resources for the task. There was clearly a gap in the United Nations machinery in that regard. It was in order to fill that gap that the sponsors of the draft resolution were asking for the preparation of a study of practical steps to transform the Special Fund into a United Nations capital development fund.

12. Mr. KARAKOYLU (Turkey) said that his delegation had been in favour of the establishment of SUNFED and subsequently of a United Nations capital development fund, although establishment of the latter appeared, at least for the time being, to be materially impossible, for lack of adequate resources. His delegation was not opposed to requesting the Secretary-General to prepare a study of practical steps for transforming the Special Fund into a capital development fund which would include both pre-investment and investment activities. However, his delegation would not want the pre-investment activities which the Special Fund had carried out since its establishment, with most advantageous results for the developing countries, to be neglected in favour of investment activities following the transformation of the Fund.

13. The Tunisian representative had emphasized that there was a difference of purpose and nature between pre-investment and investment activities. The Turkish delegation considered that the proposed study should take that fact into account if those two types of activity were to be entrusted to a single agency. An effort should also be made at the time of the study to determine what were the minimum resources necessary for the Special Fund to carry out its investment activities. It was obvious that more than the \$100 million which the Assembly had judged necessary would be required for the Fund to perform its pre-investment function successfully. Adequate precautions would have to be taken to avoid duplicating the work of the agencies that were currently engaged in investment activities. To that end, it would be necessary to find an effective means of co-ordinating the work of those agencies with that of the Fund.

14. His delegation would vote in favour of the draft resolution.

15. Mr. CARRILLO (El Salvador) observed that the report of the Economic and Social Council (A/5503) showed that the Council's debate at its thirty-sixth session had emphasized the need for adequate finance for speeding the economic progress of the developing countries. It had been recognized that, although the principal effort must be made by the various Governments concerned, the developed countries also had a share in the responsibility. That was why the developing countries had for many years been pressing for the establishment of a United Nations capital development fund. He warmly congratulated the authors of the

draft resolution, which faithfully reflected the conclusions and recommendations contained in the report of the Committee on a United Nations Capital Development Fund (A/5536). His delegation would therefore support the draft text which, if it became a General Assembly resolution, would represent another step towards the ideal that the developing countries had so long been pursuing.

16. Mr. MALM (Sweden), exercising his right of reply, thanked the representatives who had supported the statement he had made at the 920th meeting. He hoped that his proposals might be discussed in greater detail when the study requested in the draft resolution was being prepared. He regretted, however, that the representative of the Soviet Union had apparently misunderstood his purpose. The Swedish delegation also favoured the idea of a truly multilateral capital development fund within the United Nations. But the Soviet Union representative had said that contributions to such a fund should be made in national currency or in kind. He appeared to be contemplating a system whereby the Soviet Union, for example, would make a contribution in roubles which would be used for purchases and payments in the Soviet Union, or would consist of that country's sending experts and machinery.

17. His delegation, on the other hand, had been thinking of a fund to which Governments would make contributions in convertible currency. His Government, for instance, would make contributions which could be utilized not only for purchases or payments in Sweden, but which the capital development fund could use in the most effective and rational way for the developing countries. In fact, it was precisely the preference of the donor countries for "tied" aid which was at the root of the ideas put forward by his delegation. In view of that attitude on the part of the principal donor countries, which was usually called bilateralism, his delegation had said that the Organization should arrange for bilateral assistance to be provided in such a way as to ensure the maximum results. It had never suggested that the Organization should serve as a cloak for private exploitation of the developing countries. So long as the principal donor countries preferred direct relations to multilateral machinery, and so long as the aid provided on that basis was welcomed by the developing countries, the United Nations might concern itself with that type of bilateral co-operation in order to produce increased aid under acceptable conditions. Participation in bilateral programmes under United Nations auspices should naturally be entirely voluntary. The aim should always be to obtain the maximum result from the over-all development effort. He was sure that the Soviet representative would agree with him on that point.

18. Mr. STANOVNIK (Yugoslavia) remarked that no delegation had either opposed the draft resolution before the Committee or expressed a contrary opinion. The draft dealt with a question which had been discussed for many years. The representative of Ceylon had said at the preceding meeting that the developing countries had joined ten years before in calling for the establishment of SUNFED. The result had been General Assembly resolution 1521 (XV), which stated, in operative paragraph 1, that the Assembly decided in principle that a United Nations capital development fund should be established.

19. After that decision of principle, some opposition and misgivings had remained. It was natural that efforts

should be made to meet all points of view; the best solutions were not always those reached by a single mind, but rather solutions that were viable. What the developing countries had been seeking persistently for twelve years was a common policy, and not simply an ideal organization. Once a common denominator had been found, it would then be practical to discuss what type of structure and organization would be most suitable. The developing countries had persisted in their efforts in the belief that the United Nations could take decisive steps to ensure their economic development and give full meaning to the Charter. The efforts to arrive at a common policy on which all United Nations action might be based had met with several objections. One objection was that a new financial agency within the United Nations might duplicate the work of the existing institutions. The fear had also been expressed that a new United Nations institution would give rise to a new bureaucracy which would further complicate the organization of work. The delegations of Denmark, Sweden and Finland had proposed a fresh attempt to determine whether the idea of the capital development fund might be realized through a transformation process. The developing countries, without in any way altering their position on what they considered to be the best solution, had agreed to such a new attempt, and that was all that the draft resolution was requesting. The proposed study should indicate ways and means of overcoming the fear of dispersion or duplication of effort among the various institutions.

20. He believed that the Secretary-General would find the Committee's discussion of great value in preparing the requested study. It was necessary that the study should be undertaken, for it would produce definite data, on the basis of which a decision might be taken. Many proposals had been heard, reflecting all possible shades of opinion. The Soviet representative, for instance, had said that the proposed transformation of the Special Fund necessarily meant that the United Nations would engage in investment activities and that it would take over the pre-investment activities currently performed by the Special Fund.

21. Some delegations appeared to think that the time had not yet come for the United Nations to engage in investment activities, and that it should concern itself solely with pre-investment. The Tunisian representative had observed that pre-investment activities should not be in any way neglected. The developing countries had always attached great importance to pre-investment, which had played a cardinal role for some years. If the absorptive capacity of those countries was not always proportionate to the needs of their populations, it was mainly because of the inadequacy of the pre-investment activities. If there could be more pre-investment, direct investment would become much easier. The developing countries had for many years maintained that technical assistance and pre-investment were not enough and that the next step must be taken. As the representative of the Ukrainian SSR had said, a large number of items included in the pre-investment programmes were in danger of remaining paper projects for lack of investment capital. The Swedish delegation, with the support of several others, had submitted some interesting proposals relating to the approach which should be adopted to solve the problem. The study which the Secretary-General was requested to prepare would certainly provide information likely to assist the Com-

mittee on a United Nations Capital Development Fund in its work.

22. The idea of the delegations which had advocated the establishment of the United Nations Economic Development Administration (UNEDA) had originally been that it should not confine its activities to investment but should also concern itself with technical assistance. When the study was available, consideration might be given to appropriate ways of ultimately combining those activities.

23. The international organizations concerned with financing seemed to meet the needs of the industrialized countries more than those of the developing countries, which, only too often, were unable even to prepare the plans required for the economic expansion; a specialized body should therefore give those countries the assistance they needed. The International Bank had been established primarily to facilitate the rehabilitation of the industrialized countries of Western Europe. Its structure had changed and must change further in order to meet new needs. Research must therefore be continued so that the Committee on a United Nations Capital Development Fund could make well-founded recommendations.

24. The Yugoslav delegation was aware of the fact that there were divergencies of view on the problems he had mentioned, and it felt that the Secretary-General should explore every possibility and every solution suggested. The draft resolution did not take sides but merely called for a further study which might usefully be considered by the United Nations Conference on Trade and Development and by interested bodies. He expressed the hope that the draft resolution would be adopted unanimously, for the subject should not give rise to controversy.

25. Mr. ARKADYEV (Union of Soviet Socialist Republics) said that, in advocating the establishment of SUNFED, his delegation had had in mind the founding of an organization to finance the industrialization of the developing countries through international co-operation. The Special Fund should not confine itself to pre-investment, as it was now doing. Ideas changed with time and it was impossible to foretell the future. The resources of the Special Fund would probably increase if they were properly used.

26. Referring to the statement of the Swedish representative, so far as he understood it, the idea was to combine the activities of the Special Fund, as a collector of funds, with those of SUNFED. He reserved the right to speak again when he had seen the text of the Swedish statement. The representative of Sweden had drawn a comparison between the Swedish contribution, paid in convertible currency, and that of the USSR. To discuss what the future contribution of the USSR might be would be pure conjecture, and it would be wiser to keep to the facts; but there were no grounds for claiming that a contribution in convertible currency was necessarily more useful than a contribution in capital goods.

27. In conclusion, he said that the USSR delegation, which was convinced that the study requested of the Secretary-General would be useful, trusted that the Committee would give favourable consideration to the draft resolution.

28. Mr. AUGUSTE (Haiti) said that, in order to complete the work begun by the Technical Assistance Board and the Special Fund, it was necessary to find more resources in order to carry out even vaster

projects. In addition, the developing countries would prefer the assistance they received to be free from certain influences which had not always been very beneficial in the past. His delegation was convinced of the importance of the draft resolution and trusted that it would be adopted unanimously.

29. Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs) said that the draft resolution would have no financial implications, so long as the Committee on a United Nations Capital Development Fund met for only eight or ten days and at some time between the end of the United Nations Conference on Trade and Development and the opening of the nineteenth session of the General Assembly. Nothing in the draft resolution and nothing which had been said in the debate appeared to conflict with that working hypothesis. However, if the meeting was to take place at some other time, it could be expected to have financial implications because of the strain placed on the Office of Conference Services throughout 1964 by a particularly heavy programme of conferences.

30. Mr. PARSONS (Australia) said that he would like more information about any possible financial implications of the draft resolution, as the Fifth Committee was currently giving budgetary problems very close scrutiny.

31. After an exchange of views, in which Mr. DE SEYNES (Under-Secretary for Economic and Social Affairs) and Mr. PARSONS (Australia) took part, Mr. STANOVNIK (Yugoslavia) pointed out that operative paragraph 3 clearly indicated that the Committee could not meet before the end of the Conference and should finish its work before the nineteenth session of the General Assembly. That seemed to preclude any possibility of financial implications.

32. The CHAIRMAN invited the Committee to vote on the draft resolution concerning the establishment of a United Nations capital development fund (A/C.2/L.738 and Corr.1 and Add.1-4). At the request of the delegations of France and the United States, he put to a separate vote operative paragraph 2 (a).

*Operative paragraph 2 (a) was adopted by 81 votes to 4, with 8 abstentions.*

*The draft resolution as a whole was adopted by 85 votes to none, with 10 abstentions.*

33. Mr. GUINNESS (United Kingdom) said that his delegation's vote should surprise no one. The United Kingdom had always opposed the establishment of a capital development fund, in the Second Committee and elsewhere. As resources for such a fund were neither available nor in sight, he thought it was pointless to establish a new body. The United Kingdom had always co-operated in the financing of development, through such institutions as the International Development Association, the International Finance Corporation and the International Bank. The present machinery for providing financial assistance seemed to meet the requirements of the situation. It was most unlikely that a new piece of machinery would increase the total resources available to the developing countries. His delegation considered a study of a transformation of the Special Fund into a capital development fund a waste of time.

34. In five years, the United Kingdom had doubled its economic aid to the developing countries and had recently substantially increased its contribution to IDA; it also intended to expand its assistance to the

extent that its resources allowed. For those reasons, the United Kingdom had been forced to abstain in the vote on the draft resolution as a whole, although it accepted in principle the extension of the mandate of the Committee on a United Nations Capital Development Fund.

35. Mr. FINGER (United States of America) explained the vote of his delegation. Several speakers had pointed out that the subject of a United Nations capital development fund had been under consideration by the Assembly for twelve years and that the two main issues involved were the volume of assistance and methods of financing. A great deal of progress had been made in both respects over the twelve years. The flow of capital and assistance had risen from \$3,200 million to \$7,000 million by 1960. During that period, the United States had contributed nearly two thirds of the total, as was clear from the study entitled International Flow of Long-term Capital and Official Donations, 1959-1961 (A/5195/Rev.1). Steady progress had also been made with regard to methods and, in particular, with regard to the use of international institutions. Loans from the International Bank and IDA had substantially increased, amounting in 1961 to over \$1,000 million in credits, which went almost entirely to developing countries in Asia, Africa and Latin America. The resources available for technical co-operation activities, which had been \$20 million twelve years ago, were now over six times that amount, and the quality of the assistance had greatly improved. The establishment of the Special Fund, at the thirteenth session of the General Assembly, had carried the concept of technical co-operation a long step forward into the area of pre-investment.

36. New instruments had been created for financing, such as the International Finance Corporation, the Inter-American Development Bank and the International Development Association which had a capital of almost \$1,000 million. IDA provided credits for up to fifty years with no interest charge and a ten-year grace period. A whole spectrum of international institutions now covered every type of assistance required by the developing countries, and, as the Yugoslav representative had pointed out, it could be adapted in the light of new requirements.

37. The IDA was providing exactly the type of loans that SUNFED was supposed to offer and was also providing many times more in the way of capital assistance than would be available to SUNFED or a United Nations capital development fund. Its resources had just been increased by an additional \$750 million to cover a three-year period. In conjunction with the International Bank, IFC, the Expanded Programme of Technical Assistance and the Special Fund, IDA had filled whatever gap remained in the United Nations system.

38. His country was convinced that the present system adequately covered existing needs and that it would not be advisable to establish new machinery. After four years of experience with the Special Fund and IDA, he felt that the risks of overlapping must be avoided if the danger of reducing the effectiveness of the resources used was to be avoided.

39. It was proposed in the draft resolution that a study should be made of the practical steps to transform the Special Fund into a capital development fund in such a way as to include both pre-investment and investment

activities. His delegation was convinced that in the present circumstances, that study could serve no useful purpose and had therefore voted against the paragraph containing that provision. The resources of the Special Fund were still 20 per cent short of the target and it was therefore difficult to see how the measures proposed could serve any useful purpose. Moreover, the Secretary-General, in the introduction to his annual report on the work of the Organization (A/5501/Add.1), had characterized the situation as disappointing. The United States had pledged a contribution of \$60 million for the Special Fund and the Expanded Programme, out of a total of \$150 million, provided that its contribution did not exceed 40 per cent of the total. In other words, it was prepared to contribute \$2 for every \$3 contributed by all other countries combined. It was naturally a great source of disappointment that the Special Fund was still far short of the funds required for pre-investment.

40. It would be most unwise to use the already insufficient resources of the Special Fund for capital investment. It would be equivalent to eating seed and jeopardizing the future crop. The Managing Director of the Special Fund had already pointed out that the first five Special Fund projects, completed at a cost of \$3 million, had paved the way for investments of some \$400 million. It would be particularly unfortunate if "seed money" that was doing such a productive job of pre-investment was to be misdirected at a time when other international institutions were available to provide capital, while the Special Fund had a unique role to play in the field of pre-investment. His delegation was therefore pleased to hear the representative of Yugoslavia recognize the usefulness of the pre-investment activities and the value of the projects already completed. Following the establishment of IDA, his country had become more and more convinced with each passing year, that it would be a mistake to establish an additional capital fund or attempt to transform the Special Fund into an organization to provide capital. For those reasons, it had not been in a position to support the type of study suggested.

41. In resolution 1219 (XII), the General Assembly had decided that, when it considered the resources prospectively available to be sufficient to enter into the field of capital development, principally the development of the economic and social infrastructure of the less developed countries, it would review the scope and future activities of the Special Fund and would take such action as it might deem appropriate. Those resources did not, however, even reach the amount necessary for pre-investment. Clearly, therefore, the time for such a review had not come. Many delegations had stressed that the draft resolution involved no commitment. His delegation did not think it was good policy to pay lip service to a concept it considered fundamentally unsound. Nor did it believe it wise to encourage studies of institutions which might remain empty shells until the necessary resources were available for them. That was why his delegation had voted in line with its convictions, secure in the knowledge that, on the basis of performance, his country had amply demonstrated its interest in the welfare of the developing countries.

42. His delegation was not convinced, either, that it was desirable to extend the mandate of the Committee on a United Nations Capital Development Fund and might reconsider the desirability of its own partici-



pation in that Committee's proceedings. Nevertheless, it would not raise any obstacle to the extension of the Committee's mandate if that was the general will. In conclusion, he pledged that his country would continue to give its co-operation to continuing consideration of the capital requirements of developing countries.

43. Mr. WOULBROUN (Belgium) felt that most of the objectives of the advocates of a United Nations capital development fund had already been achieved to an appreciable extent. The Special Fund had relatively large resources at its disposal for pre-investment projects. The IDA discharged the functions that certain delegations had wished to assign to SUNFED, including the granting of long-term, low-interest loans. Recently, a decision had been taken to increase the capital of IDA, and his Government would, subject to parliamentary approval, do its share in that effort, in addition to what it was doing to provide development capital both bilaterally and under the various multi-lateral programmes.

44. The advocates of the establishment of a capital development fund claimed that the institutions connected with the International Bank were not universal, but several of the countries which were not members of the Bank or its affiliates could have joined.

45. The argument that a capital development fund, if established, would operate as part of the United Nations proper lent itself to criticism. The International Bank and IDA were attached to the United Nations. They formed part, together with the other specialized agencies, of what was sometimes called the "United Nations family". Again, the Special Fund co-operated closely with the International Bank which, in certain cases, acted as an executing agency for Fund projects. Moreover, the International Bank was now showing signs of making its procedure more flexible.

46. Another argument used by the advocates of the establishment of a capital development fund was that the representatives of the under-developed countries could participate in that body's decisions on a footing of equality with the representatives of the industrialized countries. It should not be forgotten that the developing countries had full powers as far as the execution of their development projects was concerned, and that those projects could only be carried out at their request and with their consent.

47. That, however, was not the crux of the matter. The main question was whether the Governments of Member States were at present prepared to provide a new capital development fund with the resources necessary to ensure that it functioned properly. The resources available to the Special Fund were, however, still less than the amounts requested by its Managing Director. It was not clear, therefore, how it would be possible to obtain the much greater funds that would be needed by an institution of the kind proposed. Yet operative paragraph 2 (a) of the draft resolution just adopted seemed to imply that those resources existed and were available for that purpose since it proposed "a study of the practical steps to transform the Special Fund into a capital development fund". Those were the reasons why his delegation had abstained from voting on that paragraph and on the draft resolution as a whole.

48. Belgium was nevertheless determined to continue contributing on a large scale to the economic development of the developing countries and to participate

in financing measures to ensure that development. Its primary concern was that all efforts and resources should be directed in the most effective way towards practical action. Since the Committee had decided to request the Secretary-General to prepare a study, the report submitted by the Secretary-General would be examined with the greatest care by the Belgian Government.

49. Mr. ZADOTTI (Italy) said that his Government's position on the question of the establishment of a United Nations capital development fund was well known. It had been explained in detail both in the Committee on a United Nations Capital Development Fund and in the Second Committee. Since the draft resolution just adopted did not deal with the substance of the matter and was more concerned with procedure, the Italian delegation had no reservations concerning it and had therefore voted in favour of it.

50. However, it had abstained in the vote on operative paragraph 2 (a), because, notwithstanding the explanations given by the sponsors of the draft, that sub-paragraph seemed to be both too vague and too specific at the same time; it was especially too specific in that it proposed only one solution—the transformation of the Special Fund into a capital development fund. It would, he felt, be desirable to study carefully all other possible solutions before taking a decision. In spite of those reservations, his delegation had voted in favour of the draft resolution.

51. Mr. USHIBA (Japan) said that his delegation had always recognized that the volume of foreign economic aid to the developing countries must be raised substantially above its current level in order to speed up economic development. It was also aware of the urgent need of those countries for development capital. However, it did not believe that there was a reasonably unanimous view at present, either among the under-developed countries or among the industrialized countries, as to the means of raising and channeling the capital needed. The countries which would be expected to make the largest contributions, without which a capital development fund, even if established, would be unworkable, were not convinced of the need for such a body and had not changed their attitude with regard to the establishment of a new fund. It was therefore doubtful that the proposed study would make them change their view.

52. The *ad hoc* Committee established under Economic and Social Council resolution 851 (XXXII) on co-ordination of technical assistance activities was preparing a general study of United Nations activities in the field of technical assistance and was to submit its report in 1964. The Japanese delegation would prefer to study that document carefully before considering any new fields of activity for the United Nations. It had therefore abstained in the vote on operative paragraph 2 (a) and on the draft resolution as a whole. However, the Japanese Government would spare no effort to intensify its co-operation with the developing countries and the industrialized countries dealing with that very important problem through various appropriate channels, whether bilaterally or multilaterally, and particularly through the strengthening of existing international financial institutions.

53. Mr. CAPPELEN (Norway) said that his delegation had always felt it inadvisable to press for the establishment of a capital development fund so long as the only possible contributors were opposed to the

idea. However, it did favour an extension of the terms of reference of the Special Fund and the transformation of the latter into a capital development fund. The Special Fund should, in fact, be able to undertake investment activities as soon as it had adequate resources at its disposal. Since that possibility had been taken into account in the study which the Secretary-General was requested to prepare, his delegation had voted in favour of the draft resolution.

54. Mr. TRUKHAN (Byelorussian Soviet Socialist Republic) said that his delegation had voted in favour of the draft resolution because it provided for an extension of the mandate of the Committee on a United Nations Capital Development Fund and for the transformation of the Special Fund into a capital development fund. The latter measure would enable the Special Fund to concentrate on investment activities, i.e., direct financing of the economic and industrial development of the less-developed countries, on the basis of General Assembly resolution 1317 (XIII). His delegation joined with the developing countries in deploring the fact that the Special Fund had confined itself, since its establishment, to so-called "pre-investment" activities. That was a type of activity which had relatively little effect on development programmes.

55. In carrying out the studies requested of them, the Committee on a United Nations Capital Development Fund and the Secretary-General should take due account of the comments which had been made in that connexion. The Special Fund should promote the industrialization of the less developed countries; its resources should consist of voluntary contributions, and all countries wishing to participate in its activities should be allowed to do so. Finally, if those conditions were met, the Fund should make loans on favourable terms, preferably free of interest.

56. Mr. STEWART (Canada) said that his delegation was convinced of the need to increase the resources which the Governments of the industrialized countries placed at the disposal of the developing countries and to improve the terms on which that type of assistance was provided. For that reason, his Government had recently announced that it was reviewing its aid programmes with a view to intensifying its activity in that field and to resorting more frequently to multilateral programmes. For example, Canada had practically doubled its contribution to the Special Fund and its present contribution amounted to 5 million Canadian dollars. It gave substantial support to the World Food Programme and had paid an additional contribution of 42 million Canadian dollars to IDA. He wished to point out, in that connexion, that the additional resources now available to IDA would enable it to commit annually, over the next three years, a total of \$250 million, or \$100 million more than in previous years.

57. However, the Canadian Government believed that it was neither essential nor desirable to establish new multilateral financial aid programmes, whether by transforming the Special Fund into a capital development fund or in any other manner. The main objective at present was to obtain additional resources and to develop more effective methods of using those resources by means of the existing multilateral machinery.

58. For those reasons, his delegation had been unable to vote in favour of the draft resolution.

59. Mr. HOLMES (Ireland) said that he had always favoured the idea of establishing a United Nations capital development fund. However, his delegation considered that it would be useless to decide on such action as long as the countries which would be called upon to provide the capital for the fund opposed its establishment. So long as that situation continued, it would be pointless to recommend further studies or to seek agreement on the transformation of the Special Fund into a capital development fund. The United Nations Conference on Trade and Development might well take decisions which would prompt a number of countries to modify their position on the matter.

60. For those reasons, the Irish delegation had abstained in the vote on the draft resolution.

61. Mr. BOLT (New Zealand) said that his delegation had abstained in the vote on the draft resolution. It had been pleased to hear one member of the Committee explain that the draft dealt only with matters of procedure. In point of fact, the New Zealand delegation had never opposed the idea of establishing a capital development fund. From the procedural point of view, however, it had always favoured action within the existing institutional framework.

62. His delegation felt that the proposed study was premature, in so far as the Special Fund did not yet have the resources it would need for its pre-investment activities, activities which should on no account be slowed down. The activities of the Special Fund should expand, but only to the extent that resources permitted.

(d) Accelerated flow of capital and technical assistance to the developing countries (A/5546, A/C.2/L.739/Rev.1 and Add.1 and 2, A/C.2/L.761)

63. Mr. ROUANET (Brazil) said that economic co-operation between the wealthy and the poorer nations was one of the most important features of present-day international relations. The United Nations had played a key role in that process at both the theoretical and the operational level. The developing countries were looking increasingly to it for assistance, a fact which had contributed to the growth of the Organization's activities.

64. The principal instrument of the United Nations in its struggle against under-development was the Economic and Social Council, which during the past years had been entrusted with the study of a tremendous range of problems. Owing to the growing complexity of its task, the Council had been obliged to set up a network of subsidiary bodies in both the social and economic fields. Nevertheless, there was still one deficiency which reduced the effectiveness of the United Nations in promoting development. That deficiency existed because none of the Council's subsidiary organs dealt exclusively with the international flow of development capital to the developing countries. It had been aggravated with the extinction of the Economic, Employment and Development Commission and especially of the latter's Sub-Commission on Economic Development. Although the Commission's mandate had been very broad and covered items now being considered directly by the Council, the existence of a subsidiary organ dealing exclusively with economic development had allowed the Council to study in more detail than was now possible the question of capital financing. In fact, the last session of the Sub-Commission on Economic Development, in 1950, had been concerned entirely with that question, as had the last

session of the full Commission, held in 1951. Even at that time, there had been need for a body to deal exclusively with the problem of financing. It was essential, therefore, that a permanent body should be set up to keep under constant and systematic review the flow of international assistance and development capital.

65. In chapter VI of the report entitled The United Nations Development Decade: Proposals for Action (E/3613 and Corr.1 and 2), the Secretary-General, after drawing the broad outlines of the problems involved in that field, suggested that Member States might wish to consider the ways in which the Economic and Social Council could best discharge its functions in relation to the regularization of capital flows. Again, in paragraph 157 of the report entitled The Capital Development Needs of the Less Developed Countries (A/AC.102/5), he commented that, although the General Assembly and the Economic and Social Council were increasingly concerned with the total magnitude of capital aid to the less developed countries, there was at present no established mechanism in the United Nations for keeping under systematic and continuous review developments in the field of capital aid. Still more recently, in its report on its third session (A/5536), the Committee on a United Nations Capital Development Fund had recommended the General Assembly to take into consideration its desire for a continuous study of the needs for and flow of capital for development. In his remarks to the Second Committee (881st meeting), the Under-Secretary for Economic and Social Affairs had also stressed the importance of that problem.

66. Noting that the proposal to set up a standing committee of the Council had given rise in the Committee on a United Nations Capital Development Fund to three kinds of objections, he pointed out that fears of increased co-ordination and duplication problems, while generally speaking justifiable, were unfounded in that case. It would be a mistake to reject, on grounds of principle and regardless of the merits of each case, any proposal to make good a deficiency in the institutional machinery. Even the decision the Second Committee had just taken to extend the mandate of the Committee on a United Nations Capital Development Fund could not possibly affect the present issue. That decision related to a temporary organ, charged with a specific task for a specific period. On the other hand, the proposed committee would be a permanent body, and it was most unlikely that the two organs would function simultaneously.

67. As to the second objection, that the study of capital flows could be taken up by the General Assembly and the Economic and Social Council, it was obvious that the task involved was an extremely technical one which could be carried out effectively only by a committee of experts, preferably with experience in central banking and monetary matters. It was to be feared that, because of their very nature, the General Assembly and the Council would be able to consider the problem only on the basis of generalities.

68. The third objection was that the problem of financing should not be given undue importance at the expense of other aspects of development, such as trade, since all aspects were closely inter-related. But the fact that no development problem could be isolated from its general context was no reason why it should not be carefully considered

by a special body. The Economic and Social Council had among its subsidiary bodies a Committee on Housing, Building and Planning and a Committee for Industrial Development, which dealt with matters which could not be logically isolated from other aspects of the broad process of economic development.

69. The sponsors of the draft resolution (A/C.2/L.739/Rev.1 and Add.1 and 2) had taken special care to propose no step which might prejudice the decisions to be taken by the United Nations Conference on Trade and Development. They had drafted operative paragraph 1 in such a way as to give the Economic and Social Council full latitude in regard to the nature of the new machinery proposed; the Conference would therefore have complete liberty to make any recommendations on the subject which it considered appropriate.

70. In paragraph 2, the Secretary-General was requested to review the conceptual and methodological problems involved. It was most necessary that the presentation of data on the matter should conform to uniform criteria, so as to facilitate a proper assessment of the magnitude of capital transfers in relation to needs, especially within the context of the United Nations Development Decade. It was the fact that the data provided were not comparable which was largely responsible for certain ambiguities which deprived the information in the Secretary-General's report on the capital development needs of the less developed countries (A/AC.102/5), especially in table 2 on possible capital formation in the under-developed countries, of a great part of its value. The ambiguity, conceptual as well as statistical, that still existed must be eliminated, as was pointed out in paragraph 153 of that report.

71. In conclusion, he stressed that the draft resolution was non-controversial and hoped that it would be adopted unanimously.

72. Mr. MEHTA (India) said that the report entitled International Flow of Long-Term Capital and Official Donations, 1959-1961 (A/5195/Rev.1) presented a hopeful picture. The flow of capital had risen from \$700 million in 1960 to \$1,200 million in 1961, with successive rises from one year to the next. That increase had occurred in both the bilateral and multilateral channels of capital flow.

73. Nevertheless, the report concerning the period 1960-1962 (A/5546) showed that there had been a levelling off, even a marked fall, in the over-all quantum of aid, which had decreased by about \$400 million. When it was realized that, in the same period, the combined gross national product of the developed countries had increased by \$5,000 million, it could be reasonably concluded that the loss of momentum in the aid programme had amounted to over \$1,000 million. Similarly, the aid commitments from the centrally planned economies, which were also of great importance, had also gone down by a significant percentage.

74. While he was happy to note that there had been an increase in the assistance provided to other developing regions, aid provided to the countries of Asia should not be abridged, since that region was both the most crowded in the world and the poorest.

75. In adopting resolution 1711 (XVI), the General Assembly had not just been reaffirming its resolution 1522 (XV). The target of 1 per cent of the combined



national incomes of the economically advanced countries, set for the annual flow of international assistance, was not compatible with a relaxation of effort. The draft resolution before the Committee was designed to give a certain mobility to that target so that it could keep pace with the expanding incomes of the rich countries.

76. The essential objective of the United Nations Development Decade was a heightened and determined international effort to ensure the steady progress of the economies of the under-developed countries and to prevent their stagnation. In the report on the capital development needs of the less developed countries, it was pointed out that, according to an expert study, if additional external capital was supplied at an annual rate of 30 to 50 per cent of the rates of investment prevailing in a country at the beginning of the development process, the country concerned could mobilize sufficient saving out of the increases in its income to keep pace with its own growing capacity to use capital. It was precisely that impulse which was being weakened in the developing countries, particularly in Asia and the Far East. The purpose of the draft resolution was to accelerate the flow of external capital in order to permit the growth of the less developed countries, and to make development needs a relic of the past.

77. It was well known that the United Nations family channeled less than 10 per cent of all the financial aid provided, and that the United Nations itself handled only a fraction of that marginal share. As the Secretary-General had pointed out in his third report on promotion of the international flow of private capital (E/3665/Rev.1), there were no grounds for postulating that the creation of an institution would in itself cause a significant increase in the flow of foreign capital to the less developed countries. But the Secretary-General had further pointed out that such measures would clarify the picture and bring some urgency to it. It was obvious, that, when the less developed countries asked for the establishment of new institutions and fuller studies and research, they were primarily seeking an increase in international aid.

78. The draft resolution contained two recommendations. The first was for the establishment of a new body which would keep under systematic and constant review the flow of international assistance, a task that the Committee on a United Nations Capital Development Fund could not carry out since it operated on a strictly *ad hoc* basis. In that connexion, the draft resolution did not make any specific recommendation concerning the nature of the organ which should be set up.

79. The second recommendation, relating to conceptual and methodological problems, was designed to ensure complete and orderly presentation of data on the flow of capital. Experience had shown that the comparison of data had led to serious difficulties, particularly in the case of studies made by bodies outside the United Nations, such as the Organization for Economic Co-operation and Development (OECD). Moreover, various Governments had instituted such inquiries in order to obtain a clearer picture of their balance-of-payments position.

80. In that field, the presentation of information and data provided by the Secretary-General had been steadily improving, the co-operation of the International Monetary Fund having been particularly helpful. A study on the subject should draw on all the intellectual resources of the United Nations, together with those of the International Bank, IMF, OECD and other similar bodies. It was necessary to evolve a common yardstick for measuring the flow of capital, which was an important sphere of international co-operation. Further, such an inquiry would help to bring home to the developing countries the need to collect and supply precise and comparable data. That question should be considered by an expert committee representative of the various parts of the world.

81. In conclusion, he expressed the hope that the recommendations contained in the draft resolution would be unanimously adopted.

The meeting rose at 6.20 p.m.