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Chairman: Mr. Ismael THAJEB (Indonesia).

## 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. PERERA (Ceylon) said that the long history of the proposals for a United Nations capital development fund was one of frustration for the developing countries. Although the industrial nations had rejected those proposals almost unanimously, the developing countries would persevere in their efforts, since they were convinced that existing institutions were inadequate for development financing. Measures to remove barriers to the exports of developing countries were not by themselves sufficient to meet their increasing foreign exchange needs. A growing proportion of those needs would have to be covered by capital aid in the next few years, since it took time for development projects to stimulate exports. Moreover, a large part of the capital provided by the developed countries flowed back to them as a result of the increased demand for their goods and services and thus made a direct contribution to their economic growth.

2. The developed countries should make that capital available on a sufficiently large scale and on terms acceptable to the developing countries. The best instrument for that purpose would be a multilateral fund under the direct control of the United Nations and operating in conformity with the principles and purposes of the United Nations Charter. His delegation had therefore co-sponsored the draft resolution (A/C.2/L.738 and Corr.1 and Add.1-4) on the understanding that it did not imply the abandonment of the idea of establishing a separate capital development fund, which had been the intention of earlier General Assembly resolutions.

3. One of the virtues of multilateral aid dispensed through an agency of the United Nations, a virtue whose importance in Ceylon's experience had been enhanced by recent events, was that it was insulated

from political pressures and other extraneous factors. The confidence of responsible opinion in his country in the value of bilateral aid had been somewhat shaken recently as a result of the unilateral withdrawal of such aid by a great and generous donor country. Whatever might be the justification for such action in the eyes of the donor country, the unilateral withdrawal of bilateral aid could cause very serious difficulty to small developing countries like Ceylon and could throw into disarray urgent programmes of economic development to an extent quite out of proportion to the quantum of aid withdrawn. In the period of the United Nations Development Decade, the greatest responsibility, therefore, attached to any action involving the withdrawal, for whatever reason, of economic aid. While his country would, of course, continue to welcome and accept with gratitude bilateral aid extended to it by friendly nations, it would be happy to see an increase in the multilateral aid that was channelled through the mechanisms of the United Nations, because such aid depended, not on the political judgement of any single country, but on the collective judgement of the States Members.

4. Mr. AYARI (Tunisia) supported the draft resolution, which was procedural rather than substantive in nature. It was high time that the international community undertook a study of the total flow of long-term capital to the developing countries. That study should cover capital transferred by the United Nations and international financing institutions, as well as that furnished under regional, sub-regional and bilateral arrangements. The purpose of a capital development fund was not so much to increase resources for development as to make the best use of the resources available.

5. The mere transformation of the Special Fund into a capital development fund or the extension of its mandate to include investment posed problems, because of the basic difference between pre-investment and investment. The activities of the Special Fund consisted of research and feasibility studies to prepare the ground for possible investment. Investment proper required a more technical examination of projects to assess their efficiency and economic, financial and social potentiality. As far as Africa was concerned, the most pressing need was for pre-investment studies, including pilot projects, since African economies were not yet ready for large-scale industrial investment. Consequently, if it was decided to transform the Special Fund into a capital development fund, the Fund's pre-investment functions should be continued.

6. His delegation attached importance to three points, which should be taken into account in the study requested in the draft resolution. First, it favoured a "project" approach to capital development such as that adopted by the International Bank and its affiliates, rather than an over-all approach encompassing entire

development plans. However, projects should not be studied in isolation and should be related to over-all development plans. Secondly, his delegation felt that a purely political approach to investment would be dangerous for the United Nations and for the countries concerned, and it favoured a disciplined approach to projects, based on a study of their efficiency and practicability. Thirdly, the study should take into account the evolution of the International Bank and its affiliates and the expanding role of the International Development Association.

7. At the preceding meeting, the Swedish representative had mentioned the possibility of linking the United Nations with bilateral investment programmes. That would be a fruitful subject for research, since it was important to ensure the co-ordination of United Nations activities with bilateral transfers of capital.

8. Mr. SIMHA (India) said that his delegation favoured the establishment of a separate capital development fund rather than the transformation of the Special Fund into a capital development fund. However, in view of the need for the speedy establishment of the fund and of the general agreement on the need for a study on the transformation of the Special Fund, his delegation had sponsored the draft resolution before the Committee and would support a study based on the formula of "no prejudice, no commitment".

9. The report of the Committee on a United Nations Capital Development Fund on its third session (A/5536), particularly paragraphs 6 and 7, showed the need for an increase in development aid and for new institutional arrangements. The sponsors of the draft resolution did not intend any criticism of existing institutions or forms of aid but wished to meet the need for an accelerated flow of capital to the developing countries. They wanted, not a diversion of funds from existing channels, but a net increase in the aggregate flow of aid. In that connexion, the developing countries themselves could make greater efforts to increase their own national resources.

10. Mr. CHANG (China) drew the Committee's attention to the comments of his Government—reproduced in the annex to the Secretary-General's report (E/3790)—concerning the draft Statute for a capital development fund as set forth in the report of the Committee on a United Nations Capital Development Fund on its second session (E/3654). The primary responsibility for achieving the goal of accelerated economic growth rested with the developing countries themselves, but they needed the help of the developed countries. Although the progressive increase in the flow of long-term aid through various channels was encouraging, it still could not keep pace with ever-mounting needs. Thus, the desire for the establishment of a United Nations capital development fund remained to be fulfilled. The principle of establishing such a fund had been laid down in General Assembly resolution 1521 (XV), which China had supported. The only differences of opinion were on the procedure to be followed. A study of the practical steps to transform the Special Fund into a capital development fund would appear to be a move in the right direction. His delegation therefore supported the draft resolution.

11. Mr. BOIKO (Ukrainian Soviet Socialist Republic) recalled that, in resolutions 1219 (XII) and 1240 (XIII), the General Assembly had visualized the possibility of transforming the Special Fund into a capital development fund by providing for a review of the scope and future activities of the Fund. Different

types of activity were contemplated. The Special Fund concentrated on pre-investment and had given considerable assistance to the developing countries in determining the most economically effective projects for investment. However, expenditure by the Special Fund and the recipient countries would be wasted unless projects were speedily implemented. There was therefore an increasingly urgent need for a review of the scope and activities of the Special Fund.

12. If it was not possible to establish a separate capital development fund, the Special Fund should be transformed by strengthening its activities in the field of development financing. A transformation of that kind would make it possible to implement resolution 1521 (XV), in which the General Assembly had decided in principle that a United Nations capital development fund should be established. However, the establishment of the fund should be preceded by a detailed study of its financial policy, management, organization and membership. In that connexion, he referred to the comments of the Ukrainian Government—reproduced in the Secretary-General's report (E/3790)—on the draft Statute for a capital development fund. That fund should have entirely new goals and principles. Its aim should be to assist the developing countries in establishing a powerful industrial sector and a modern agriculture and it should devote particular attention to the State sector.

13. No restrictions of a political character should be placed on the envisaged fund and it should be based on the principle of universality. It was illogical that in the United Nations Development Decade, the assistance offered by some States should be rejected. The attitude of certain countries in that respect was contrary to the interests of the developing countries and had no legal foundation. The discriminatory wording of article VIII of the draft Statute concerning participation in the fund, contradicted the provisions of article XII, which referred to the financial regulations and policies of the United Nations. The financial regulations permitted the acceptance of contributions even from individual private donors. It was therefore illogical to deprive sovereign States of the right to make contributions. The Ukrainian delegation objected to article III, paragraph 1, of the draft Statute, which would allow the fund to deal with private companies in a participating State. Private interests were sometimes contrary to the interests of a country's economic development and the fund should deal only with State organs and Governments. The existence in the world of three groups of States should be reflected in the guiding principles of the fund and embodied in its Statute. His delegation supported the idea of voluntary contributions which would give flexibility to the fund and enable the under-developed nations to obtain assistance from all countries.

14. His delegation supported the draft resolution before the Committee.

15. Mr. EL BANNA (United Arab Republic) pointed out that the General Assembly had decided to establish a capital development fund and that its draft Statute had been formulated, but that in spite of the appeal made by the Economic and Social Council in resolution 921 (XXXIV), the highly developed countries maintained their opposition to the proposal. Yet the increasing foreign exchange requirements of the developing countries must be met if the aims of the United Nations Development Decade were to be achieved in a true spirit of international co-operation.

The increase in the lending operations of existing international bodies was welcome but a large proportion of development aid should be pooled and disbursed by the United Nations. International assistance would then become a genuinely co-operative undertaking by all countries regardless of their different ideologies and stages of development. A United Nations capital development fund would not compete with, but rather supplement, other forms of international, regional or bilateral aid. Both quantitatively and qualitatively, it would fill an important gap in the existing system. Since the Special Fund had already gained considerable experience in pre-investment activities, it would be logical for it to enter the field of actual investment. The study of its possible transformation could serve as an important guide for the United Nations Conference on Trade and Development.

16. All those considerations had prompted his delegation to co-sponsor the draft resolution.

17. Mr. SELMECI (Hungary) recalled that his delegation had repeatedly favoured the idea of a United Nations capital development fund. The resolutions on that subject adopted by the General Assembly and the Council since 1948 had not led to the desired results. The IDA had been established outside the United Nations but it had failed to satisfy the developing countries because of its inadequate management—52 per cent of its votes were held by four Powers—and the inequitable distribution of its funds. It had been realized that existing financial agencies were not sufficiently democratic and were unable to meet the needs of the developing countries. Hence the idea had been mooted of establishing a capital development fund which would be under the political control of the General Assembly with free access for all States and with equal voting rights. The agreement of many delegations to the establishment of the Special Fund had been provisional. It had originally been set up as a compromise between the advocates and opponents of a capital development fund, a fact that was well reflected in General Assembly resolution 1219 (XII) and confirmed by resolution 1240 (XIII). Those resolutions provided the legal grounds for the proposal to establish a capital development fund on the basis of the Special Fund.

18. His delegation whole-heartedly welcomed the draft resolution. The proposed study would constitute a further important step towards the establishment of a capital development fund. Many developing countries were dissatisfied with the Special Fund. Its structure, terms of reference and policy were such that it concentrated on small pre-investment activities rather than on industrial projects. But it was a United Nations body which handled substantial contributions from both developed and developing countries. All that was needed was a basic change in its rules and objectives, as the Brazilian representative had pointed out to the Committee on a United Nations Capital Development Fund.

19. His delegation endorsed the views expressed in paragraph 37 of the report of the Committee on a United Nations Capital Development Fund (A/5536) concerning the scope of the proposed study. It hoped that a completely new organization would be established. Its membership must be universal and its managing body must be constituted on the basis of equitable geographical distribution. Contributions must be voluntary. Its essential aim must be the promotion of industrial development in the developing

countries. It must stress the promotion of the public sector and extend long-term, low-interest—or even interest-free—loans to the developing countries.

20. On that understanding, his delegation was ready to support the draft resolution, including the proposal to extend the mandate of the Committee on a United Nations Capital Development Fund.

21. Mr. ZELLEKE (Ethiopia) noted that the idea of establishing a United Nations capital development fund had first been mooted at a time when the problems of development and its financing had not been clearly understood. As a result, the proposal had failed to elicit the necessary support. As a compromise, the Special Fund had been set up mainly for the purpose of financing pre-investment activities. Such activities were obviously important, but they presupposed the existence of capital for actual investment. Every dollar spent on pre-investment multiplied the investment potential of the recipient country. In many developing countries, the shortage of capital was becoming more and more pressing. Very often they had to abandon preliminary investigation of profitable projects through lack of investment capital. His delegation therefore welcomed the idea of studying the possible transformation of the Special Fund so that it could finance both pre-investment and investment. He whole-heartedly supported the draft resolution.

22. Mr. CUBILLOS (Chile) said that his country's support of the proposal to establish a United Nations capital development fund was well known. In all the bodies which had dealt with the subject, his delegation had striven indefatigably for the successful outcome of the proposal. The relentless struggle was now entering a new phase. Some might think that the failure of the Committee on a United Nations Capital Development Fund to adopt practical and decisive measures for the establishment of the fund was a setback. Nothing could be further from the truth. In the past, the proposal had encountered even greater opposition. The abandonment of the SUNFED scheme in favour of the establishment of the Special Fund and IDA had disappointed those who wanted the United Nations to set up its own organization for financing economic development. But sound ideas endured and his delegation was not disheartened. The Committee on a United Nations Capital Development Fund had already drawn up a draft Statute and had recommended the study of practical measures to transform the Special Fund into a capital development fund.

23. His delegation had co-sponsored the draft resolution in the conviction that the proposed study could represent an important step forward, particularly as General Assembly resolutions 1219 (XII) and 1240 (XIII) had contemplated the possibility of enlarging the mandate of the Special Fund. Its support of the draft resolution in no way signified that it had abandoned the original idea of establishing an autonomous organization within the United Nations with the specific aim of financing economic development plans. It still sought the fulfilment of the many resolutions adopted on that subject and considered the present stage as transitional.

24. Mr. MARAMIS (Indonesia) said that recent events had shown that the United Nations must play a much larger role in the provision of development assistance. The developing countries faced grave difficulties if they planned long-range development with assistance from sources outside the United Nations. As the repre-

sentative of Ceylon had pointed out, the interplay of domestic and international politics might cause changes which would drastically alter their plans. It was the sovereign right of any nation to determine its own aid policy, but the sudden disruption of development programmes could do irreparable harm. The ultimate objective of development was the laying of a solid foundation for world-wide prosperity and peace. The people of the industrialized world had as large a stake in the achievement of that objective as the people of the backward regions. Their common interests transcended all political, economic, social and cultural differences. Bilateral aid would be needed for some time to come but, unless it became more objective, it might only retard the pace of development and cause resentment.

25. The developing countries had long advocated that development resources channelled through the United Nations should be substantially increased. The United Nations itself must enter the field of capital investment in order to ensure a just, rational and sustained distribution of resources. Could the United Nations provide effective leadership during the Development Decade when it was excluded from the vital area of international finance?

26. The adoption of the draft resolution would not bring about the immediate establishment of a United Nations capital development fund, but it would help the Committee dealing with that subject to fulfil its mandate. His delegation supported the text as a practical step towards the establishment of the fund, on the understanding that it represented no commitment to a particular course of action. His delegation still preferred the establishment of a separate financial institution. Since all were agreed that the draft resolution implied no commitment whatsoever, his delegation hoped that it would enjoy unanimous support.

27. Mr. ARKADYEV (Union of Soviet Socialist Republics) said that during the past twelve years, the USSR delegation had consistently supported the desire of the developing countries for a United Nations capital development fund.

28. The Soviet Union delegation supported the proposal of the developing countries to transform the Special Fund into a capital development fund and considered that such a fund should be based on the principles of the Special Fund, as set out in General Assembly resolutions 1219 (XII) and 1240 (XIII).

29. He noted with satisfaction that the views of the Soviet Union were shared by many representatives of developing countries, as had been shown in the discussions in the Committee on a United Nations Capital Development Fund and the general debate in the Second Committee. He recalled that the Special Fund had been established as a compromise between those who had supported and those who had opposed the establishment of SUNFED. Many delegations, particularly those from the developing countries, had explained that their support was provisional and that the Special Fund should eventually develop into SUNFED. That same idea was reflected in resolutions 1219 (XII) and 1240 (XIII), which, it should be noted, had been adopted unanimously. The Special Fund had therefore been regarded as a prototype of SUNFED. He welcomed the statement of the Managing Director of the Special Fund (882nd meeting) to the effect that the Fund planned to extend its activities to the industrial field and provide greater assistance to the developing countries in the promotion of industrial

projects. The Special Fund should become a capital investment fund in the true sense of the term and its main purpose should be to assist the developing countries in their industrial development by means of interest-free or low-interest loans. The fund should have new goals and principles. It should be established on the principle of universality and its managing bodies should be constituted with due regard to the equitable representation of the various groups of States in the world. Contributions to the fund should be voluntary and in national currencies or in kind, namely, equipment, machinery and technical information.

30. He regretted that, in preparing the draft Statute, the Committee on a United Nations Capital Development Fund had not taken account of the proposal made by the Soviet Union that participation in the fund should be open to all States which so desired. Nor had the Committee found it possible to support his country's suggestion that contributions should be voluntary and loans granted on a long-term, low-interest basis.

31. With regard to the draft resolution, he drew attention to operative paragraph 2 (a), in which mention was made of the pre-investment and investment activities of the proposed fund. The Soviet Union delegation continued to believe that the fund should be primarily concerned with the industrialization of the developing countries and with the development of the State sector.

32. His delegation trusted that the draft resolution would be adopted and hoped that the submission of the proposed study to the United Nations Conference on Trade and Development would help to speed up the establishment of the fund.

33. Mr. TELL (Jordan) said that, like the Indian representative, he looked forward to the establishment of the new fund. The Special Fund was doing effective work and was providing needed technical assistance to developing countries. His delegation considered, however, that the Expanded Programme of Technical Assistance should be kept separate from the Special Fund. He stressed that, in supporting the draft resolution, his delegation was in no way committing itself to a rigid position.

34. Mr. GHEBEH (Syria) said that the Yugoslav representative had ably explained that the transformation of the Special Fund into a capital development fund was a safe way in which to meet the need for multilateral aid. It was generally recognized that aid and loans provided to the developing countries through bilateral agreements played an important role and would continue to do so. However, it was well known that bilateral assistance had certain shortcomings, such as the lack of an equitable basis for providing capital. Moreover, the multilateral flow of capital would ensure more liberal terms of interest. He agreed with the representative of Sweden that the co-ordination of United Nations activities with bilateral capital transfers would enhance the value of the proposed fund. He would vote in favour of the draft resolution.

35. Mr. HAMID (Iraq) said that his delegation was interested in the question under study for two reasons. First, Iraq was a developing country that would like to ensure a better life for its people and for all mankind through universal co-operation which could best be achieved within the framework of the United Nations.

Secondly, Iraq was a member of the Committee on a United Nations Capital Development Fund.

36. As other speakers had pointed out, the envisaged fund was still no more than a theory and its prospects of materializing were not very promising. The discussions in the Committee on a United Nations Capital Development Fund had shown that some developed countries were still opposed to the idea of the establishment of a capital development fund. At the Committee's third session, however, the proposal had been made that the Special Fund might be transformed into such a fund. His delegation therefore saw hope for the establishment of a capital development fund, since the proposal provided for both investment and pre-investment activities. Iraq had benefitted from the pre-investment activities of the Special Fund and appreciated the assistance given in that field. His delegation hoped that, if the idea of a capital development fund were kept alive, the highly developed countries might eventually change their attitude.

37. Those were the reasons which had led his delegation to co-sponsor the draft resolution under study. It was confident that it would be useful to extend the mandate of the Committee on a United Nations Capital Development Fund, in view of its experience. His delegation hoped that the moderate nature of the draft resolution would guarantee its unanimous adoption by the Committee and in plenary meeting.

38. Mr. SMID (Czechoslovakia) reiterated his delegation's support for a capital development fund. The third session of the Committee on a United Nations Capital Development Fund had made a positive contribution towards the establishment of such a fund. The proposal to transform the Special Fund into a capital development fund was logical in view of General Assembly resolutions 1219 (XII) and 1240 (XIII) and of the world economic situation.

39. The study called for in the draft resolution should consider the possibility of transforming the Special Fund into a genuine capital development fund along the lines of SUNFED. On that understanding, his delegation would vote for the draft resolution.

40. Mr. DJOBO (Togo) said that his country had fully supported the establishment of a United Nations capital development fund. The fund should make

capital available to the developing countries at low-interest rates. There were at present two groups of countries in the world: those which were engaged in industrialization and those which were carrying out research or surveys to discover sources for their economic development. Togo belonged to the latter group and was still giving priority to pre-investment activities. He doubted whether the Special Fund would have sufficient resources to undertake both pre-investment and investment activities once it had been transformed into a capital development fund.

41. As the Indian representative had pointed out, the draft resolution merely called for a study and did not imply any commitment regarding the capital development fund. The Togolese delegation sympathized with the motives of the sponsors, who had submitted the draft resolution in an attempt to overcome objections to the establishment of a separate capital development fund. His delegation would therefore vote for it but hoped that the proposed study would take into account the need for pre-investment as well as investment activities.

42. Mr. ROUANET (Brazil) said that there were two courses open to the United Nations with respect to the establishment of a capital development fund. It could either set up a separate fund or transform an existing institution. His delegation preferred the former, but believed that all possibilities must be considered. In that spirit, it had endorsed the proposal of the Committee on a United Nations Capital Development Fund that a study should be made of the way in which the General Assembly might take practical steps to transform the Special Fund into a capital development fund. His delegation had always regarded pre-investment as a provisional activity of the Special Fund and it therefore endorsed the draft resolution under consideration. The study should stress the draft Statute, to which any newly established body should conform. His delegation shared the concern expressed by some representatives of developing countries that the new fund's investment activities should not prevent it from continuing to provide assistance in the pre-investment field.

43. The Brazilian delegation supported the draft resolution and hoped that it would be unanimously adopted by the Committee.

The meeting rose at 1 p.m.