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Item 9(c)

ECONOMIC DEVELOPMENT OF UNDER-DEVELOPED COUNTRIES

Methods of Financing Economic Development

Note by the Secretary-General

1. This note, containing background information, has been prepared by the Secretariat in order to facilitate the Council's consideration of item 9(c) of the provisional agenda: "Methods of Financing Economic Development of Under-developed Countries".
2. This subject is before the tenth session of the Council as a result of recommendations by the Council and of recommendations by the fourth session of the General Assembly. The background information concerning the Council's own actions is given below in paragraphs 3-7. Information concerning the General Assembly's recommendations is given in paragraph 8 below.
3. At its eighth session, the Economic and Social Council had before it resolution 198 (III) adopted by the General Assembly on 4 December 1948, requesting the Council to give "further and urgent consideration to the whole problem of economic development of under-developed countries in all its aspects" and to inform the fourth session of the General Assembly of the measures devised and those contemplated for the future with regard to the problem.
4. In order to assist the Council in its consideration of this question, the Secretary-General presented to the eighth session of the Council a note dated 4 February 1949 (document E/1119) in which the several resolutions and recommendations concerning economic development which had been adopted during 1948 by the United Nations organs concerned were reviewed. It was then pointed out that while the General Assembly in the above resolution centred its request upon "the whole problem in all its aspects", the Economic and Social Council in resolution 139 (VII) B had suggested that the Economic and Employment Commission undertake further studies with a view to defining "the central problems of

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economic development and to make detailed recommendations for dealing with those problems". This note also described briefly the relevant activities of the Economic and Employment Commission and the Sub-Commission on Economic Development. Prior to the adoption of resolution 139 (VII) by the seventh session of the Council, the Economic and Employment Commission at its third session had noted in connexion with the first report of its Sub-Commission on Economic Development that the Sub-Commission had "properly decided to devote more time at future sessions to more specific problems". The Commission had further considered "that one of the fields of activity which requires urgent consideration is that concerning the mobilization of the under-developed countries' domestic resources, human, natural, financial and technological, and that studies in this field should be undertaken forthwith so that the technical assistance which may be rendered at the request of member countries by the United Nations and its specialized agencies toward the mobilization of these resources can be utilized most effectively". The Sub-Commission on Economic Development accordingly devoted its second session almost entirely to problems of technical assistance.

5. In view of these prior decisions the Council at its eighth session reviewed its resolution 139 (VII) and adopted resolution 179 (VIII) in which it agreed that the Economic and Employment Commission and the Sub-Commission on Economic Development should adhere to their present programmes of work and so place before the Council recommendations concerning specific problems of economic development and further requested the Secretary-General to prepare, in co-operation with the specialized agencies, a report for the ninth session of the Council on "methods of financing economic development of under-developed countries, including methods of stimulating the international flow of capital for this purpose, paying due attention to questions of a social nature which directly condition economic development".

6. The ninth session of the Council had before it a report prepared by the Secretariat on Methods of Financing the Economic Development of Under-Developed Countries (E/1333, E/1333/Add.1 and E/1333/Corr.1), in response to resolution 179 (VIII). It also received the report of the fourth session of the Economic and Employment Commission in which the Commission took note of the report of the third session of the Sub-Commission on Economic Development dealing with the mobilization of financial resources for economic development and

indicated that in its view the Sub-Commission's report dealt inadequately with the problem of financing. The Commission suggested that since "the data before it and the analyses of the problems involved are insufficient to make any specific recommendations", the Council should arrange for a series of specific studies in the field of financing.

7. While the Council's work at its ninth session was primarily devoted to the formulation of an expanded programme of technical assistance, the Council also decided (resolution 222 (IX) D) that "a comprehensive discussion of actions necessary to stimulate capital investments, whether financed from domestic or foreign sources, be held if possible at the next session of the Council". In this connexion it requested the Secretary-General to undertake four specific studies in the field of financing and to complete as many of them as possible for the Council's tenth session. This action of the Council was based on previous actions and recommendations of the eighth Council session, of the fourth session of the Economic and Employment Commission as well as the third regular session of the General Assembly.

8. The Council at its ninth session also prepared, for the fourth session of the General Assembly in response to its resolution 198 (III), a report (document A/972, chapter II A) consisting of an account of the actions concerning economic development of under-developed countries taken by the Council during its eighth and ninth sessions and of related actions taken by the specialized agencies. The resolution which the fourth regular session of the General Assembly adopted on Economic Development of Under-Developed Countries (306 (IV)), and which appears on the provisional agenda of the tenth session of the Council as item 9(c) is as follows:

The General Assembly,

Having considered the report presented by the Economic and Social Council in accordance with the provisions of General Assembly resolution 198 (III) of 4 December 1948,

1. Notes the measures already devised by the Council, its commissions and the specialized agencies regarding the economic development of under-developed countries and regions, especially those in the field of technical assistance for economic development;

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2. Takes note of the arrangements made by the Council to give detailed consideration at an early session to other questions related to the economic development of under-developed countries and regions;
3. Looks forward specifically to receiving the Council's studies of and recommendations for international action concerning the urgent problems of the financing, in all its aspects, of economic development in under-developed countries;
4. Recommends that the Economic and Social Council:
 - (a) Continue to give urgent attention to the problems of economic development of under-developed countries, giving due consideration to questions of a social nature which directly condition economic development;
 - (b) Stimulate its commissions and the specialized agencies to give similar urgent attention to these problems;
 - (c) Include in its annual report to each regular session of the General Assembly a special chapter on the measures being taken to promote economic development, together with recommendations for the further improvement, if necessary, of such measures.

The Council's attention may be drawn in particular to paragraphs 3 and 4(c) of the resolution on the question of financing economic development.

9. The following paragraphs describe the position with respect to the four studies requested by the Council referred to in paragraph 7, above, and to the other studies and materials available to the Council in connexion with this item.

(a) One of these studies was described by the Council as a Survey of Private Foreign Investments in Selected Countries, the Factors Accounting for these Investments, and the Existing Conditions Governing Foreign Investments.

A study of policies affecting private foreign investments is now nearing completion.

(b) A second study was described as Methods of Increasing Domestic Savings and of Ensuring their Most Advantageous Use for the Purpose of Economic Development. This study has been completed and distributed to the members of the Council (E/1562 and E/1562/Corr.1 & 2). It is based on the results of a meeting of experts on financing of economic development held at Lake Success from 24 October to 2 November 1949. This meeting was called

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by the Secretary-General under the terms of General Assembly resolution 200 (III) which requests him to arrange for "the organization of seminars on special problems of economic development". The report is divided into three parts comprising (1) a survey of general views expressed by the experts who participated in this meeting; (2) a summary of their discussions; and (3) papers prepared by each participant describing the experience of his country in obtaining domestic financial resources for economic development, together with an annotated guide prepared by the Secretariat.

(c) A third study described as Effect of Economic Development on Volume of Savings. The Secretariat has considered this request and has reported to the Economic and Employment Commission that it is convinced that an adequate report which would cover the subject in a realistic manner would be extremely difficult to prepare because the statistics on savings of under-developed countries are not sufficiently precise and detailed to relate them to various types of economic development projects. The Secretariat would need further guidance before embarking on this study.

(d) A fourth study related to an International Clearing-House of Information on Investment. No report has thus far been planned by the Secretariat on this subject, although certain studies now under preparation may be expected to throw some light on this question.

(e) In addition to the report on Methods of Financing the Economic Development of Under-Developed Countries (see paragraph 6, above) and the study on Methods of Increasing Domestic Savings and of Ensuring their Most Advantageous Use for the Purpose of Economic Development (see paragraph 9(b), above), the following reports have also been made available to the Council which are relevant to item 9(c): "Methods of Financing the Economic Development of Under-Developed Countries":

- (1) A report on Relative Prices of Exports and Imports of Under-Developed Countries. This study in its preliminary form was made available to the third session of the Sub-Commission on Economic Development under the title Post-War Price Relations in Trade Between Under-Developed and Industrialized Countries (E/CN.1/Sub.3/W.5). It was originally prepared in response to a

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recommendation of the first session of the Sub-Commission that a study be made of the price trends of primary products relating to those of capital goods. The study is concerned with the post-war increase in prices of goods - especially capital goods, machinery and equipment - imported by under-developed countries as compared with the price increase of exports of these countries, predominantly primary products.

- (ii) A report on International Capital Movements during the Inter-War Period. This study was made available in preliminary form to the third session of the Sub-Commission on Economic Development and has since been revised.

10. The Council's attention is also drawn to the following documents:

- (a) A communication from the Food and Agriculture Organization (document E/1591) submitted in connexion with item 9(c) containing a report International Investment and Financing Facilities adopted by the fifth session of the Conference of the Food and Agriculture Organization.
- (b) A report of the International Bank for Reconstruction and Development, appearing as item 25 of ~~the~~ provisional agenda of the Council, containing a chapter on the role of the Bank in economic development (document E/1557), and
- (c) A report on National and International Measures for Full Employment prepared by the group of experts appointed by the Secretary-General in accordance with resolution 221 (IX) E and appearing as item 8(a) of the provisional agenda of the Council, certain sections of which deal with matters affecting financing of economic development. In particular, the experts' recommendations concerning stable international investment for economic development contained in paragraphs 191-198 of the report and a plan for stabilizing the flow of international trade covered by paragraphs 199-204 may be noted.

11. Finally, the Council's attention is drawn to changes affecting the fourth session of the Sub-Commission on Economic Development to be held from 17 April to 28 April 1950. The Sub-Commission had planned to discuss at its fourth session the subject of obstacles to and progress in industrialization and economic development in the under-developed areas, and requested that the Secretariat

prepare studies and documents bearing on this subject. Several related studies are being prepared by the Secretariat and are described in detail in document E/CN.1/76 (paragraph 8).

12. In the light of the decision of the Economic and Social Council to initiate its discussion of the problem of financing economic development at its tenth session and the possibility that this discussion may as a consequence of General Assembly Resolution 306 (IV) be continued at the eleventh session of the Council, the Chairman and the members of the Sub-Commission decided to revise their programme of work and to devote their next session solely to the problem of financing economic development with particular attention to the formulation of practical recommendations rather than the further analysis of the problem. To facilitate the work of the Sub-Commission the individual members of the Sub-Commission have been asked to prepare specific proposals for international action for consideration at its fourth session.

13. In view of the above background, the Council when considering action on item 9(c) may wish to take into account the fact that when it adopted resolution 222 (IX) D, it was aware of the possibility that definitive action in the field of financing economic development might not be possible during the tenth session. It was for this reason that the Council decided to have a comprehensive discussion "if possible at the next session of the Council". This last phrase was inserted in the Council's resolution because of the Council's awareness of the likelihood that the studies to be prepared by the Secretariat might not be ready in time to make possible the formulation of recommendations during the tenth session of the Council. The studies which are still in progress should be completed in time for use by the fourth session of the Sub-Commission on Economic Development in connexion with its consideration of the problem of financing economic development and the formulation of practical recommendations. It therefore appears that both more definitive data as well as draft recommendations in the field of financing economic developments should be available in time for consideration during the eleventh session of the Council.