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COUNCIL COMMITTEE ON
NON-GOVERNMENTAL ORGANIZATIONS

FINANCING ECONOMIC DEVELOPMENT

Statement submitted by the Indian Council of World Affairs,
a non-governmental organization in category B
consultative status

The Secretary-General has received the following statement,
which is circulated in accordance with paragraphs 22 and 23
of Council resolution 288 B (X):

Dated: 13 June 1952
Received: 17 June 1952

In connexion with the consideration by the Economic and Social Council of the problem of financing economic development (Item 5 (b)), the Indian Council of World Affairs presents this summary of a memorandum prepared by Dr. V.K.R.V. Rao, Director of the Delhi School of Economics, entitled "An International Development Authority". In this memorandum, Dr. Rao traces the development of an idea for creating international means for promoting economic development. He discusses the manner in which this matter was considered by the Sub-Commission on Economic Development, of which Dr. Rao was Chairman, by the Economic and Employment Commission, by the United Nations group of experts, by the Economic and Social Council and by the General Assembly - the latter's most recent action culminating in its resolution 520 A (VI). This summary reproduces Dr. Rao's concrete proposals for the creation of an International Development Authority, which follow:

- "1. Objects To promote the economic development of the under-developed areas of the world on the basis of mutual aid.
- "2. Functions
 - (i) To make technical assistance available to under-developed countries in preparing schemes for economic development.

- (ii) To co-ordinate the technical assistance for economic development at present available to under-developed countries within the United Nations and its specialized agencies, in order to see that different types of technical assistance are properly integrated and lead to a planned development of the resources of the country concerned.
- (iii) To assist under-developed countries in obtaining essential materials, equipment, personnel, etc. required by them for the execution of their programme of economic development.
- (iv) To finance or help to finance such schemes of economic development as cannot be financed from the country's own resources and for which loans cannot be asked for on strict business principles.
- (v) To promote and, if necessary, undertake the direction and financing of regional developmental projects extending over national frontiers and not likely to be undertaken by any one of the countries concerned on its own initiative.

"3. Membership

Membership of the organization shall be open to all independent States, whether they are members of the United Nations or not, provided they accept its object and functions and express their readiness to play a constructive role in their implementation.

"4. Finance

- (1) Members shall make annual contributions to the Organization to the extent of not less than 2 per cent (one fifth of one per cent) of the annual average of their national income during the preceding three years. It shall, however be open to the Organization to arrive at special rates of contribution below this amount in exceptional cases.
- (ii) Contributions will be made by members in their own currencies, and the commodities on which their contributions will be expended will generally be subject to the approval of the governments concerned.

- (iii) Countries now receiving assistance from the United States under the European Recovery Plan may be called upon to make special contributions after the completion of their economic recovery or by the end of 1953, whichever is earlier; the amount and nature of such contributions being determined after discussion and with the consent of the countries concerned.
- (iv) From any reduction that may take place in the national expenditures on defence at their 1952 levels, due either to the conclusion of an international agreement on disarmament or otherwise, a part, which shall be not less than 10 per cent of such reduction, shall be payable as special contribution to the Organization for a period of not less than 5 years.

"5. Principles of Financial Assistance

- (i) The funds shall (a) be given to or through Governments; (b) be designed to meet the needs of the country concerned; (c) avoid distinctions arising from the political structure of the country requesting assistance, or the race or religion of its population; (d) not be a means of foreign economic and political interference in the internal affairs of the country concerned and not be accompanied by any considerations of a political nature.
- (ii) Financial assistance will be given only to under-developed countries. The list of countries coming under this category will have to be arrived at by international agreement.
- (iii) This assistance will be given only on the request of the countries concerned, except in the case of Non-Self-Governing and Trust Territories, in which cases the organization itself may take the initiative by special arrangement with the Administering Powers concerned.
- (iv) This assistance will apply only to projects which cannot be financed, either by the International Bank for Reconstruction and Development or by inter-governmental finance or by private foreign investments, but which, nevertheless, are basic to economic development and are expected eventually to result in an increase in national productivity and a rise in the standard of living of the people concerned.

- (v) Assistance will normally take one or both of two forms viz. loans and grants.

Loans will carry little or nil interest as the case may be, and terms of repayment will be liberal.

Grants will normally be made for specific projects, provided of course they form part of an integrated development programme, funds being advanced as they are expended and not in one lump sum amount.

- (vi) Assistance by way of both loans and grants shall be conditional on the receiving country providing a share of the cost of the projects concerned. The local contribution shall normally be at least 50 per cent of the cost involved, but it shall be open to the Organization to reduce this figure. It is understood that applications for such relaxation will be considered more favourably in the case of assistance by way of loans rather than that by way of grants.

"6. Management

- (i) The Organization shall be administered by a full-time Board of Governors consisting of 15 members, elected by the General Assembly of whom 5 shall be elected for one year, 5 for two years, and 5 for three years, retiring members being eligible for re-election. The members shall have full-time alternates.
- (ii) The Board of Governors shall
- (a) consider applications for assistance and take decisions on the same.
 - (b) make appropriate grants or loans as the case may be,
 - (c) make arrangements for verifying the utilization of the funds sanctioned by them and receive progress reports on the implementation of the projects concerned.
 - (d) take over the duties of the United Nations Technical Assistance Administration, and co-ordinate the various schemes of technical assistance supplied by the specialized agencies to the under-developed countries, with one another, with the schemes financed by the International Bank, and with the schemes financed by their own Organization.

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- (e) arrange for assisting under-developed countries in drawing up their development programmes.
- (f) assist the under-developed countries in procuring essential supplies and equipment as well as technical personnel either through the specialized agencies or otherwise.
- (g) publish quarterly reports on the working of the Organization and submit a detailed annual report together with recommendations to the General Assembly through the Economic and Social Council.

"7. Regional Authorities

Wherever development projects are such as to cover more than one State, the Organization shall take the initiative in arranging for a joint conference of the States concerned and set up a regional authority for the preparation of plans and the implementation of the projects in question. Such a regional authority will have on its management representatives of the governments of the States concerned, and no work shall be undertaken without their consent.

"8. Technical staff

The Organization shall have a basic nucleus of qualified and competent technical staff on a permanent basis to enable it efficiently to discharge the duties imposed on it by para. 6 above. It shall, however, be open to the Organization to recruit from time to time technical staff for temporary periods as also to obtain from member governments the services of technical staff in their employment on a loan basis and without detriment to their own national interests.

"9. Headquarters

The headquarters of the Organization shall be located in an under-developed country, preferably in Asia.

May I conclude this article with the hope that the United Nations Organization will take up this most important task; and, by establishing this new International Development Authority (or United Nations Economic Development Administration), not only help to promote the economic development of the under-developed countries, but also perhaps show a way out of the dismal morass created by the cold war and turn men's energies once again into the constructive channels of international co-operation and mutual aid for the preservation of world peace."