

UNITED NATIONS  
GENERAL  
ASSEMBLY



Distr.  
GENERAL

A/7272  
15 October 1968

ORIGINAL: ENGLISH

Twenty-third session  
Agenda item 36

UNITED NATIONS CAPITAL DEVELOPMENT FUND

Note by the Secretary-General

1. In its resolution 2321 (XXII), the General Assembly, after "considering that, owing to the initial lack of financial resources it would not be possible, in the first year, to give full effect" to resolution 2186 (XXI), invited the Secretary-General "to ask the Administrator of the United Nations Development Programme to administer the United Nations Capital Development Fund by performing the functions of the Managing Director, as set forth in article IX of resolution 2186 (XXI)", and decided that the Governing Council of the United Nations Development Programme should "perform, as appropriate, the functions of the Executive Board of the United Nations Capital Development Fund as set forth in article VIII of resolution 2186 (XXI)".
2. The question of UNDP's provisional responsibilities under General Assembly resolution 2321 (XXII) was discussed by the Governing Council of UNDP at its fifth session. The Administrator made a statement giving his preliminary views on the possible means by which he and the Governing Council could discharge their responsibilities in that regard. After a general discussion, the Governing Council "took note of the observations made by the Administrator and members, and agreed to review the matter on the basis of a report to be submitted by the Administrator at the sixth session".<sup>1/</sup>
3. The latter report (DP/L.82) noted that the Secretary-General had reported that as of 1 May 1968 total pledges to the United Nations Capital Development

<sup>1/</sup> See document E/4451, paragraph 276.

Fund had amounted to \$1,296,542 and that he had invited the pledging countries to make appropriate arrangements to pay their contributions, upon demand, subject to due notice. The Secretary-General had also addressed a note verbale to Member States inviting them to attend the second annual Pledging Conference on 18 October 1968.

4. The Administrator's report then examined and invited the Governing Council to consider and decide upon the operating policies, methods and procedures of the Fund, as well as the financial regulations under which those operations would be carried out. It drew attention to certain basic principles contained in the statute of the Fund (General Assembly resolution 2186 (XXI)) pertaining to size, origin and composition of the Fund's resources and invited the Governing Council to consider and decide on the minimum size of the resources to be mobilized prior to the initiation of independent lending operations - a figure of \$100 million was suggested for that purpose - as well as any requirements it might wish to set for the composition of those resources with regard to such matters as origin and convertibility. As it appeared unlikely that sufficient resources would be made available to permit the Fund to embark upon significant independent lending operations in the near future, the Administrator had, in accordance with the provisions of General Assembly resolution 2186 (XXI), consulted with the regional development banks concerning the possibility of using the Fund's limited resources to co-operate with them. Therefore, the Administrator invited the Governing Council to consider authorizing the initiation or participation operations with the regional development banks once the resources of the Fund had reached a level of \$10 million.

5. After a general discussion, the Governing Council took note of the Administrator's report and, subject to decisions to be taken by the General Assembly at its twenty-third session under operative paragraph 2 of resolution 2321 (XXII), it requested the Administrator, bearing in mind the views expressed on the subject during its sixth session, to continue his efforts including the examination of further possibilities to enable the Fund to commence operations, and to report thereon to the seventh session of the Governing Council.

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6. A summary of the Governing Council's discussions on the United Nations Capital Development Fund at its fifth and sixth sessions as well as the decisions taken in that connexion<sup>2/</sup> were transmitted to the Economic and Social Council at its forty-fifth session. At the conclusion of its debate on the Fund, the Economic and Social Council adopted resolution 1350 (XLV) endorsing the decision of the Governing Council of UNDP to request the Administrator, in consultation with Member States concerned, to continue his efforts with a view to beginning the operations of the Fund, including the identification of specific projects in the programme of work of different organizations of the United Nations system which could benefit from investment within the scope of the existing resources of the Fund. An account of the discussions at the forty-fifth session of the Economic and Social Council may be found in chapter XII, section B, of the annual report of the Council to the Assembly.<sup>3/</sup>

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<sup>2/</sup> See E/4451, chapter VII, and E/4545, chapter VI.

<sup>3/</sup> Official Records of the General Assembly, Twenty-third Session, Supplement No. 3 (A/7203).