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CONTENTS

Agenda items 28, 30, 31 and 32: <i>Progress and operations of the Special Fund (continued)</i> <i>Programmes of technical assistance:</i> (a) Report of the Economic and Social Council; (b) United Nations assistance in public administration: report of the Secretary-General <i>Opportunities for international co-operation on behalf of former Trust Territories and other newly independent States: reports of the Economic and Social Council and of the Secretary-General</i> <i>Question of assistance to Libya: report of the Secretary-General</i> <i>Preliminary statements.</i>	285
Agenda items 12, 29 and 74: <i>Report of the Economic and Social Council (chapters II (sections I, II and III A, except paragraphs 189-198), III, IV and VII (section I and paragraph 645)) (continued)</i> <i>Economic development of under-developed countries (continued):</i> (a) <i>International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council;</i> (b) <i>Question of the establishment of a United Nations capital development fund: report of the Secretary-General;</i> (c) <i>Methods and techniques for carrying out a study of world economic development: report of the Secretary-General and comments thereon by the Economic and Social Council;</i> (d) <i>Promotion of wider trade co-operation among States: report of the Secretary-General</i> <i>Land reform (continued)</i> <i>Consideration of draft resolutions (continued)</i>	291

Chairman: Mr. Janez STANOVNIK (Yugoslavia).

AGENDA ITEMS 28, 30, 31 AND 32

Progress and operations of the Special Fund (A/4415, A/4491, E/3398, ^{1/} E/3401 and Corr.1, ^{2/} SF/L.24 and Corr.1)

^{1/} Official Records of the Economic and Social Council, Thirtieth Session, Supplement No. 11.

^{2/} Note by the Secretary-General transmitting the Annual Report of the Managing Director of the Special Fund for 1959 (SF/L.28/Rev.1 and Rev.1/Corr.1).

Programmes of technical assistance:
 (a) Report of the Economic and Social Council (A/4415);
 (b) United Nations assistance in public administration: report of the Secretary-General (A/4589, E/3370 and Corr.1^{2/})
Opportunities for international co-operation on behalf of former Trust Territories and other newly independent States: reports of the Economic and Social Council and of the Secretary-General (A/4415, A/4585)
Question of assistance to Libya: report of the Secretary-General (A/4575, A/4576)

PRELIMINARY STATEMENTS

1. Mr. HOFFMAN (Managing Director of the Special Fund),^{4/} introducing the annual report of the Special Fund (SF/L.28/Rev.1 and Rev.1/Corr.1), said that the Governing Council had to date approved seventy-four projects calling for total expenditures of \$140 million, \$60 million to be contributed by the Special Fund and \$80 million by the recipient countries. One-half of Special Fund allocations for those projects was for resource surveys, one-third for training institutes and the balance for applied research institutes. Plans of operation for fifty of those projects, with a gross cost of over \$90 million, had been agreed to and signed. Thirty-nine of the fifty projects were under way and one project had been completed.

2. The operation of the Special Fund to date had further increased his conviction that the underlying reason for low living standards was the under-utilization of physical and human resources. He had also become more certain of the significant contribution that pre-investment activities could make to the development process. It was, of course, upon natural resource surveys that major reliance must be placed to bring to light a country's physical potentialities. The contribution such surveys could make in agriculture and the extractive industries was obvious. Not so widely recognized was the contribution to industrial development which could be made by surveys of needs and resources in the fields of electric energy, transport and communications.

3. The extent to which the Special Fund was engaged in resource survey operations might best be illustrated by some examples. In Ghana the Fund was collaborating with the Government in a large-scale survey to determine whether it would be physically and economically feasible to produce staple crops in the Lower Volta flood plain. It was also engaged in a mineral survey in the Atacama desert in northern

^{3/} Official Records of the Economic and Social Council, Thirtieth Session, Annexes, agenda item 6.

^{4/} The complete text of the statement by the Managing Director of the Special Fund was circulated as document A/C.2/L.519.

Chile, which would determine whether the extraction of the useful minerals known to exist there could be carried out profitably. Should the findings be positive, the Government should have no difficulty in attracting investment capital to that sector of the country's economy. Other surveys and feasibility studies were being carried out in more than a score of countries, and particularly dramatic results were expected in connexion with the exploration of water resources in countries in arid or semi-arid regions. It was expected that the feasibility of uncounted millions of dollars of investment would be demonstrated.

4. The Fund was also assisting in the establishment or enlargement of applied research institutes such as the recently established Marine Resources Research Institute in Peru, and welcomed research projects at the regional level, such as the Central American Research Institute for Industry in Guatemala. Special Fund assistance was enabling that institute to increase its services to the five participating countries, and the institute was now in a position to contribute to much greater investment by revealing new and improved uses for local materials, by market studies for agricultural and industrial products, and by its evaluation of certain mineral deposits in the countries concerned.

5. Special Fund surveys and research were intended not only to increase capital investment but to eliminate the risk of wasting capital. That aspect of its activities was illustrated by its work on a project forming part of a Niger River development programme. The Fund was collaborating in the selection of an appropriate dam site; two of the sites initially considered favourable had been found to be wanting, but a third site had been found which met requirements. That was an instance of how adequate and reasonably cheap pre-investment surveys could help avoid the possibility of expensive mistakes by countries undertaking costly investment projects.

6. The general contribution which resource surveys could make was perhaps most vividly illustrated by the recently completed survey of electric energy needs and resources in Argentina. The investigation had cost the Special Fund less than \$300,000 and had produced a recommendation for a total investment of some \$735 million over the next ten years for facilities to provide the electric energy Argentina needed. That 2450 to 1 ratio between "seed money" and potentially sound investment opportunity was much higher than could normally be expected, but it was fair to estimate that every dollar of resource survey expenditure might reveal an opportunity for \$100 of sound investment.

7. Education was, of course, the key factor in producing a better utilization of human resources, and one-third of Special Fund allocations were being devoted to technical education and training. Training institutes were being established in over a dozen countries, with special emphasis on the establishment of local institutes in the under-developed countries. For example, the Fund had taken part in the establishment of the National Centre for the Training of Supervisory Personnel in Industry at Warsaw, and of five branches of a polytechnic institute in Iran. As a further contribution to strengthening the supply of skilled manpower, special attention was given in all projects to training and leaving at work in the nations

concerned as many people as possible with high technical competence. On-the-job training of local technicians was a regular part of Special Fund projects. In the case of geological and other surveys, recipient Governments had also agreed at the start to establish or strengthen special departments made up of their own nationals, who were trained to carry out the resulting recommendations. The Fund preferred to spend money on strengthening a technical department of a Government so that it could do its own surveys on a continuing basis rather than to carry out *ad hoc* surveys in conditions where the work could not be continued.

8. In considering and implementing projects the Fund kept in mind both the need for economic development and the fact that economic development without corresponding social development was a sterile undertaking. Among its projects were a number specifically designed to improve health, nutrition and sanitation in the recipient countries, such as the Central Public Health Engineering Research Institute in India and a project to improve the water supply of Calcutta.

9. As a result of the action taken by the Governing Council in May 1960, the Fund was now authorized to move into two new areas of activity: assistance in training secondary school teachers, and feasibility studies costing the Fund less than \$250,000, when such projects seemed likely to lead to early and substantial investment. Authority to enter those new areas of activity had come at a most appropriate time because it had enabled the Fund to expand its services to the newly independent countries. It was now certain that there would be an increasing number of pre-investment projects in those countries which could be financed jointly by the Special Fund and the recipient Governments. Meanwhile the Fund had already begun consultations with those countries on ways in which it could contribute to their economic development programmes.

10. In the short period of its existence, a very fruitful relationship had already developed between the Fund and the other organs and agencies of the United Nations. In that connexion, he expressed appreciation of the efforts of the executing agencies to meet the substantially increased workload the Fund was placing on them. Consultations were taking place on further steps required for the speediest, most economical and efficient execution of Fund-assisted projects.

11. Many Fund-assisted projects had had their origin in Expanded Programme operations, while the Fund had referred to the Expanded Programme requests received by it which were more appropriate to that Programme. The Fund had a somewhat similar complementary relationship to the financing institutions.

12. In both the initiation and the local follow-through of projects, the Fund was relying increasingly on the TAB Resident Representatives, who were also the Fund's representatives in the field. They provided services of ever-increasing usefulness, not only to the countries to which they were assigned but also in co-ordinating the programmes of the various United Nations agencies in those countries. The steadily increasing contribution the regional economic commissions were making to the development of their regions was also most impressive. The Fund had worked closely with the commissions on a number of

projects. Members of the staff of those commissions had also been utilized in connexion with Fund-assisted projects for which the United Nations was executing agency. He had no doubt that the regional economic commissions could be of additional assistance to countries in the formulation of projects having the highest priority for their economic growth and could greatly assist the Fund in its evaluation of requests. The commissions would also seem in an unusually favourable position to assist in providing additional advisory services and intensified research and training in development programming, an area in which it had been suggested that the Fund might usefully extend its work.

13. One of the main principles guiding the Fund's operations was that of the mutuality of the efforts of Member States to speed economic growth. When a recipient country signed a contract with the Special Fund it was really obligating itself to the seventy-seven nations whose money was used to finance the Fund. As the trustee of funds subscribed by those nations, the Fund must, in drawing up project plans, make the obligations of the other contracting parties clear and then see that those obligations were carried out meticulously.

14. Financial support was not commensurate with the opportunities before the Fund and had not kept pace with the growing awareness of the vital function of its resource surveys, applied research and technical training activities. The Fund's unallocated balance on 31 October had amounted to approximately \$9 million. The \$86 million programme soon to be considered by the Governing Council called for \$36 million from the Fund. If his recommendations were accepted by the Governing Council, \$27 million of the necessary financing for the December 1960 programme would have to be supplied from pledges for 1961.

15. Credits to date for the 1961 programme amounted to about \$48 million. After subtracting the amount needed for the December programme and other necessary deductions, less than \$21 million would be available for the May 1961 programme. The Fund now had under consideration formal requests for assistance calling for Fund contributions of no less than \$38 million; further formal requests would be received in coming weeks and many additional promising requests were being formulated in all regions for submission in the months just ahead.

16. While the Governing Council had agreed that for a twelve-month period commitments might somewhat exceed cash plus pledges on the books, it was abundantly clear that even with that margin resources on hand or definitely in prospect were inadequate for the prospective May 1961 programme, to say nothing of the December 1961 programme.

17. The Fund would, of course, continue to stress to Governments the need for contributions for its 1961 programmes and would continue active solicitation, but he would appeal frankly to the Committee for help in that task. A further action seemed definitely required: the establishment for the 1961 United Nations Pledging Conference of a \$100 million target for the Special Fund alone. He would suggest that the Committee consider making a proposal to that effect to the General Assembly. Such action would clearly constitute one of the specific measures by which the

Committee could show that the United Nations continued to be a source of hope.

18. In conclusion, he paid a tribute to the Chairman and members of the Governing Council and to the Fund's Consultative Board.

19. Mr. OWEN (Executive Chairman of the Technical Assistance Board)^{5/} said that the anxieties he had expressed in his statement to the Committee during the fourteenth session of the General Assembly (592nd meeting) regarding the possibility of a further cut in the field programme for 1960 had fortunately proved unjustified. By the end of 1960, the Expanded Programme's income had exceeded that of 1959 by over 12 per cent, making it possible for him—for the first time in five years—to issue financial authorization to the participating organizations up to the full level of the programme approved by TAC. If the programme actually carried out in 1960 did not fully match those authorizations (a carry-over of funds amounting to about \$1.5 million was in fact anticipated) that could be attributed mainly to the difficulty of making full use of all the currencies made available to the programmes within the limits of a calendar year. That extremely gratifying result had enabled the Programme to lay the foundations for the much greater expansion of activities planned for 1961 and 1962. Another helpful factor had been TAC's decision to increase from 5 per cent to 7 1/2 per cent of resources the Executive Chairman's authority to make contingency allocations. As a result of that decision it had been possible to meet some of the more urgently expressed needs of States which had achieved independence during the course of the year, and to respond liberally to such emergencies as the Chilean earthquake and the devastating spread of African horse-sickness in the Middle East.

20. While the Expanded Programme had regained its momentum, and its usefulness to an increasing range of countries had been reinforced, its multilateral character had been strengthened by a wider distribution of expert recruitment and the more intensive use of training facilities in the less developed countries themselves. Technical co-operation had come to be the keynote of its work, as was exemplified by the figures for 1959 which showed that Chile had supplied 47 experts for assignment to other countries while receiving 48, India had supplied 112 while receiving 150, and the United Arab Republic had supplied 63 while receiving 53. Fellowships, which had been requested in much larger numbers, had been granted with the help of training facilities made available in 80 countries and territories, two-thirds of which were themselves receiving technical assistance. As the limiting factor in the development of the Programme was now likely to be the available supply of suitable experts and fellowship placement facilities, TAB and the participating organizations were devoting even greater attention than hitherto to the question. In particular, they were searching for new possibilities of recruitment and placement in countries which had hitherto provided less than might have been expected. They were also determined to make the fullest possible use of national technical assistance committees and other comparable institutions, and would be

^{5/} The complete text of the statement by the Executive Chairman of the Technical Assistance Board was circulated as document A/C.2/L.520.

grateful for anything which Governments, professional and industrial organizations, private foundations and other bodies could do to help them to find the personnel and training facilities needed, without reducing the high standards on which they insisted.

21. Progress had also been made during 1960 with regard to programme planning, the administration of local cost payments and the role of the Resident Representatives who now served the Special Fund as well as TAB. In 1960 the country programming exercise had for the first time been conducted on a two-year cycle, plans having been made to cover the 1961-1962 biennium. That was only the first step in a series of changes in programming procedures which it was hoped would lead to the more effective planning and provision of technical assistance. Even as a first step, not without some disadvantages, it appeared to have resulted in improved planning, and he was confident that it would lead to more effective operations. At next summer's meeting, TAC would consider a series of proposals (including a scheme for project programming and for the elimination of agency planning shares and agency sub-totals in the submission of country targets) now under consideration by TAB. A simpler and more equitable scheme for the administration of local cost payments had been approved by TAC during the summer and, as it was introduced over the next two years, its practical advantages as well as its fairness would, he believed, be generally recognized. The developing role of the Resident Representatives had been the subject of special consideration in 1960 by TAB, the Administrative Committee on Co-ordination, TAC and the Economic and Social Council. There had been general agreement concerning the key position of those officers, the need to recruit men and women of the highest quality, and the importance of giving them the administrative support they needed for the effective conduct of their work. That consensus had found its most authoritative expression in Economic and Social Council resolution 795 (XXX).

22. In pursuance of that resolution, and thanks to the Programme's improved financial condition, plans were now being made to open nine new field offices, mainly in Africa, and to strengthen nineteen others, during 1961. The Managing Director of the Special Fund was fully convinced of the importance of that development from the Fund's point of view, and he himself welcomed the Managing Director's proposal that the Fund make an increased subvention to TAB's field budget as a contribution towards the increased costs now envisaged.

23. The Expanded Programme was now confronted with remarkable opportunities for constructive service. The political map of the world was changing fast as new States came into being. Even in the most favourable conditions of change-over, new States had special problems, notably those arising from a shortage of administrators and technicians and from a whole set of changed political and economic relationships. As the Committee knew, it had been the Programme's practice to pay special attention to the urgent needs not only of newly independent countries but also of territories in the transitional stage towards independence. It must be acknowledged, however, that the Programme was now presented with a challenge unprecedented in size and scope, and that the methods hitherto adopted of cutting back existing

country programmes to meet new needs were entirely inadequate. He was glad to report that the response of Governments to the special appeal for increased funds to meet the situation had permitted substantial provisions for new needs without any significant curtailment of existing programmes.

24. The results of the recent Pledging Conference, while they could not be stated with precision, showed that the pledged contributions to the Expanded Programme for 1961 would be not less than \$42 million, and might be slightly more. That was over \$8 million more than last year's final figures, and represented an increase of 23.5 per cent—much the largest increase which the Programme had received since the Special Account had been established. Coming as it did at a time when so many other demands had been made on contributing Governments, it was a particularly gratifying result. The final figures would probably show that half the contributing Governments had pledged increased resources. That encouraging result had enabled TAB to recommend a two-year programme amounting to \$84,887,000, which incorporated a special supplementary programme amounting to \$9 million for the benefit of a number of newly independent African countries, Sierra Leone and the African Trust Territories. Provision was made for an appreciable increase in respect to each of the components of technical assistance projects, namely expert assignments, fellowships, and equipment. Partly as a result of the new African programmes, the most important fields of activity represented in the recommended programme were assistance in the formulation and implementation of development plans, which included basic surveys of resources and the improvement of administrative services, and assistance in the field of education. The demand for assistance to health services also showed some increase, while agricultural improvement maintained its importance.

25. By far the most significant development in the programme related to Africa. For the 1961-1962 biennium Africa's share showed a steep increase to about 29 per cent of the planned programme, as compared with 8.9 per cent in 1956 and an estimated 15.9 per cent in 1960. That share covered all the new States except the Republic of the Congo (Leopoldville), which was dealt with outside the Expanded Programme. Nearly half of the proposed African programme was presented in the form of supplementary programmes prepared during the last few weeks with much less consultation than was usual in ordinary country programming procedures. It had, however, proved to be a useful provisional exercise, and he had been greatly helped by the representatives of the participating organizations who had visited African countries, and by the Executive Secretary of ECA. Those programmes would be the subject of further negotiations with recipient Governments before taking definitive form and had been recommended to TAC with that clear proviso.

26. With a sharp rise in the relative share of resources allocated for Africa, there would inevitably be a decrease in the percentage shares of other regions. Fortunately, however, the rise in contributions made it possible to plan a modest increase in the actual amounts allocated to all other regions. Some countries in other regions had in fact gained substantially; for example, Cyprus, the West Indies,

Malaya and Singapore, Laos, Cambodia and Viet-Nam, Cuba and Chile. Some changes would undoubtedly be made in every region during the next two years, and the possibility of making greater use of contingency allocations ensured that any serious deficiencies could be given attention.

27. Taken as a whole, the two-year programme recommended to TAC would be a formidable test of the capacity of international organizations to organize the technical assistance they were now committed to provide. The problems and difficulties to which he had already referred were not likely to diminish. During the last few years, however, the Expanded Programme had greatly improved its working arrangements and habits of co-operation, and had won the devoted allegiance of a remarkable body of men and women. With the help the Committee could give it in counsel and guidance, and with the co-operation of Governments, he was confident that the Programme could rise to the opportunities before it.

28. Looking further ahead, he saw no diminishing need for technical assistance of the kind the Expanded Programme provided. It was true that the Special Fund was now able to provide, in a much more satisfactory way, many of the services which had in former years fallen within the Programme's field of responsibility. On the other hand, the very existence of the Fund not only gave new meaning to many established technical assistance projects but created a need for new kinds of technical assistance in preparation for its own activities, especially in countries with the least developed administrative and technical services. The regional economic commissions were likely to become increasingly active seed-beds of inspiration for technical assistance projects, especially where regional co-operation and the combined utilization of different institutions and approaches were called for. The establishment of new institutions such as IDA and the Inter-American Development Bank was unlikely to diminish the need for technical assistance and the Special Fund. The special needs of new States would in due time assert themselves. The prospect of some change of emphasis—at least in the pre-investment field—between bilateral and multi-lateral forms of aid might raise even more far-reaching considerations.

29. He would assure the Committee, however, that those speculations concerning the future needs of the less developed countries had not unduly inflamed his imagination with regard to possible financial goals. Unlike the Special Fund and other institutions in which the costs of capital equipment and supplies were high compared with those attributable to human services, technical assistance could not be expanded rapidly without loss of efficiency. He would, however, hope for the modest rate of growth in the Expanded Programme's resources which a target figure of \$50 million to be reached in a year or so would imply. It might be a merit of such a target figure that it would not compete to any significant extent with the Special Fund and other United Nations organs for much-needed contributions on a much larger scale. If reached, it would enable the Expanded Programme to play its appropriate role with increased effectiveness in the wider co-ordinated attack on the problem of world poverty. He would commend that goal to the Committee's consideration as one element in the broader question of establishing realistic financial

goals for all the activities with which the United Nations family was engaged in the economic development field.

30. Mr. HEURTEMATTE (Commissioner for Technical Assistance)^{6/} said that, in response to the growing awareness in the post-war world of the need to help the under-developed countries, technical assistance had now become the major operational activity of the United Nations and was absorbing the resources and personnel of the Secretariat on an increasing scale. Technical assistance was a complex operation whose methods had evolved empirically throughout the years on the basis of the experience accumulated by the Secretary-General and the specialized agencies. For 1960, the United Nations share of the Expanded Programme amounted to over \$6 million, a sum which had been invested in a range of projects covering all the substantive fields of the Secretariat. In addition, the budget allocated the sum of \$2,430,000 for technical assistance activities called for under various resolutions. Finally, donations from external sources amounted to some \$500,000.

31. The United Nations Secretariat also acted as the executing agency for Special Fund projects within its particular fields of competence. At the moment, there were ten such projects, eight national and two regional. They represented a total expenditure of \$18 million of which one half came from the Special Fund and the other half from the countries concerned. The Secretariat collaborated closely with the Special Fund in the study, evaluation and development of requests, utilizing both the substantive departments at Headquarters and experts in the field.

32. In seeking to meet the needs of Africa, technical assistance programmes had taken on a new dimension. The enormous disparity between Africa's needs and the Secretariat's limited resources needed no emphasis. A partial solution of the problem would be possible as a result of the generosity of contributors to the Expanded Programme. However, a great gap remained to be filled and the recommendations submitted by the Secretary-General (A/4585) in response to Council resolution 768 (XXX) should be accepted as a tentative effort to provide a basis for estimating the total needs of the continent. The requirements of the emergent African States presented the technical assistance authorities with a challenge which they must meet with new ideas. At the same time, they must proceed with caution and concentrate their resources upon the most urgent requirements.

33. It was significant that the Executive Secretary of ECA had headed the technical assistance mission to five of the newly independent African countries. The energies of the new Commission would impart the necessary impetus to the African programmes and ECA would play an important part in the future of technical assistance.

34. The experimental programme for the provision of operational, executive and administrative personnel (OPEX) had proved so successful that the Council had adopted resolution 790 (XXX) recommending that it should become a normal Secretariat activity. The Secretary-General's report on the subject (A/4589) gave the total number of requests on record as 212

^{6/} The complete text of the statement by the Commissioner for Technical Assistance was circulated as document A/C.2/L.521.

but it must be remembered that there had been no systematic attempt to ascertain requirements or stimulate demand and that countries were often reluctant to apply when they realized that only thirty posts were available. The figure quoted in fact understated the real demand. The programme's tempo had inevitably been slowed down by the need to keep within the \$300,000 budgetary limits and at the same time a balance had to be maintained between the various specialist fields and the various geographical regions. The Secretary-General's policy was to authorize key posts which would ensure the greatest possible impact. His aim was not to provide officials "en masse" but to determine those strategic positions from which a trained expert could really contribute to a country's economic development. It was to be hoped that the Council's recommendations concerning the financing of the OPEX programme would receive the Second Committee's approval.

35. The technical assistance authorities particularly welcomed the increasing emphasis which the Second Committee had been placing upon the need to decentralize United Nations activities and to strengthen the regional economic commissions. During 1960 those commissions had assumed full substantive authority for multi-national or regional programmes. Multi-national programmes were becoming increasingly important and now represented 15 per cent of all activities. Examples of decentralization could be found within all the regional economic commissions but particular mention might perhaps be made of the ECLA/BTAO Economic Development Training Programme, the ECLA advisory groups for programming economic development and the Central American Economic Integration Programme. The Bureau of Technical Assistance Operations intended to consult ECA regarding any action it took in Africa and was already co-operating with it in multi-national programmes for the training of statisticians and economists.

36. On the administrative side the integration of the Bureau of Technical Assistance Operations within the Department of Economic and Social Affairs had been successfully completed and various recommendations by the Advisory Committee on Administrative and Budgetary Questions had been carried out. Greater emphasis was being placed on programming within the Bureau as well as upon co-ordination with the national technical assistance committees. Although considerable improvements had been made in procedures, the major shortcoming continued to be the unduly long period between the submission of a request and the execution of the resulting programme.

37. Another persistent problem was the geographical distribution of experts by nationality. Many delegations, particularly those from Eastern Europe and the Soviet Union, repeatedly protested against the present distribution. He had never doubted the substance of such complaints and completely agreed that the resources of Eastern Europe and the Soviet Union should be more fully utilized. However, the motives of the technical assistance authorities were often incorrectly interpreted and the legislative requirements of the programmes were sometimes not fully appreciated.

38. There were structural and administrative problems which had to be taken into account. Their solu-

tion involved increased co-ordination with national committees to avoid delay in responding to requests and for that purpose the technical assistance infrastructure must be improved.

39. Another important field now being explored in co-operation with the national committees was that of training. Fellowships had been increased by 30 per cent, an expansion which introduced additional problems for national committees. They could be solved by the organization of group instruction and by the improvement and co-ordination of advance publicity concerning the facilities existing in the various countries.

40. The Bureau of Technical Assistance Operations was developing as a bridge between donor and recipient countries. In so doing, it was not only increasing but intensifying its activities. It was becoming an experienced broker in the field of development, helping to promote the sharing of technical knowledge by all nations great and small, rich and poor, industrialized and under-developed. It was discharging that function without prejudices and in a true spirit of service. As a result of such efforts the world could become a kind of university or laboratory in which the scholars of the various disciplines honestly and generously exchanged their theoretical knowledge and practical experience for the benefit of the economic and social progress of peoples.

41. Mr. ABBAS (Executive Secretary of the Economic Commission for Africa) recalled that the need for increased international co-operation on behalf of former Trust Territories had been recognized at the fourteenth session of the General Assembly, and that since its establishment ECA had repeatedly emphasized the pressing need for assistance to the newly independent African countries. In presenting ECA's second report^{2/} to the Council's thirtieth session, he had stated that the United Nations had entered the African field only recently and that therefore its assistance to that region should be correspondingly increased.

42. One problem facing the newly independent African countries was the maintenance of the pre-independence economic and social structure which had in many cases been seriously threatened by the departure of skilled specialists and administrators. For example, in newly independent Sudan, the Gezira scheme, one of the country's most important economic development projects, had been initially jeopardized because many technicians had been asked to retire or had opted to leave. Such difficulties were frequent in the emergent African countries. In one, for example, a medical practitioner had been required to fulfil the functions of health director, hospital doctor and a trainer of nurses. And in another country, well known to all, the difficulties had of course been even greater.

43. The problem of economic advancement was even more serious because the possibilities of economic development in the newly independent countries were largely unexplored. The harnessing of rivers, mineral surveys, the organization of transport, and numerous other problems required a concerted effort of the first magnitude. The newly independent countries

^{2/} Official Records of the Economic and Social Council, Thirtieth Session, Supplement No. 10.

would of course do their best to help themselves and they were receiving a large measure of bilateral aid. But they still wanted United Nations help because there were no political strings attached to it and because the United Nations could tap the knowledge of all countries in the world. Increased funds would be of no avail unless the advanced countries also provided a large variety of experts. ECA had noted with satisfaction the generosity of the countries attending the Pledging Conference but, large as the amounts seemed, they would fall short of immediate technical assistance needs—particularly in the field of economic development, advisory social welfare services and public administration—unless the recommendations contained in the Secretary-General's report (A/4585) were followed. If the General Assembly did not help the newly independent African countries now, it might have to spend many more millions later.

44. Co-operation between the United Nations and countries providing bilateral aid was of paramount importance. Bilateral aid was not always restricted to specific fields and the heads of bilateral missions often had more discretion than TAB's Resident Representatives. Certain transfers might possibly be arranged between an area well served by the United Nations and another which the United Nations could not enter. For that purpose, clear directives from Governments would be necessary and high level agreements might be negotiated between donor countries and the United Nations. The ECA countries wanted aid to be channelled through the United Nations but if that aim could not be immediately achieved, greater co-ordination should as a first step be established between international and bilateral aid.

45. Turning finally to the question of the provision of capital for the financing of economic development, he recalled that by the end of June 1960 IBRD had lent the African countries a total of \$180 million. More funds, it was to be hoped, would be forthcoming from IDA. However, the newly independent African countries feared that it might be difficult if not impossible to obtain further loans because the Powers which had formerly acted as guarantors were no longer responsible for their affairs. They hoped that the United Nations would help them solve that problem either by guaranteeing their loans or by establishing a United Nations capital development fund.

AGENDA ITEMS 12, 29 AND 74

Report of the Economic and Social Council (chapters II (sections I, II and III A, except paragraphs 189-198), III, IV and VII (section I and paragraph 645)) (A/4415) (continued)

Economic development of under-developed countries (continued):

- (a) International flow of private capital: report of the Secretary-General and recommendations thereon by the Economic and Social Council (A/4487, E/3325 and Corr.1-3);
- (b) Question of the establishment of a United Nations capital development fund: report of the Secretary-General (A/4488, E/3393, E/3393/Add.1-4);
- (c) Methods and techniques for carrying out a study of world economic development: report of the Secretary-

General and comments thereon by the Economic and Social Council (A/4489 and Add.1, E/3379, E/3379/Add.1-7);

- (d) Promotion of wider trade co-operation among States: report of the Secretary-General (A/4490, E/3389)

Land reform (A/4439) (continued)

CONSIDERATION OF DRAFT RESOLUTIONS (A/C.2/L.474 AND ADD.1, A/C.2/L.492) (continued)

46. Mr. B. K. NEHRU (India) introducing the draft resolution on an accelerated flow of capital and technical assistance to the developing countries (A/C.2/L.474 and Add.1), said that even if the under-developed countries did all in their power to develop themselves and the obstacles to that development were removed or reduced as far as possible, those countries still could not develop without a large inflow of external capital and technical assistance, at a rate acceptable to themselves or adequate to ensure world peace. The draft resolution was based on the twofold premise that the present flow of capital and technical assistance, although increasing, was wholly inadequate and should be raised to a level more commensurate with the needs of the situation, and that the burden of such assistance should be shared as equitably as possible by all the nations of the world. According to the best estimates available, a capital inflow of about \$7,000 million per annum from the developed countries would be required and could be absorbed, whereas the present rate of net capital inflow was slightly more than half that figure. The aim of the draft resolution was therefore approximately to double the present rate. The fairest method of sharing that proportion of the total burden which the sponsors believed should legitimately fall on the developed countries was for it to be distributed in proportion to per caput national income.

47. The crux of the draft resolution was contained in paragraph 1, which called upon all economically advanced States to ensure that the flow of development funds from them to the under-developed countries was increased to and maintained at a level not below approximately 1 per cent of their national income. The resolution was a call for action to that end, not for study or consultation, and the sponsors would accept no compromise on that point. No attempt had hitherto been made to indicate the order of magnitude of the funds that should be made available for economic development, and rich, well-meaning and generous countries were making disproportionately small contributions while honestly believing that they were playing their part. The resolution therefore proposed a standard against which the performance of all developed countries could be judged. The suggested minimum of 1 per cent of national income would provide sufficient funds for the immediate needs of the under-developed countries and would not place an undue burden on the advanced countries. The word "approximately" had been used in the resolution to allow countries with a high gross national income but a relatively moderate per caput income to contribute less than those with a high per caput income. The idea of a 1 per cent contribution had been widely discussed in the United States, was the official policy of one political party in the United Kingdom and other political parties in Europe and was supported by influential persons throughout the

world. Several advanced countries already claimed to contribute over 1 per cent of their national income for that purpose and he hoped that they would support the resolution, if only to urge other countries to share the burden equitably.

48. He wished to emphasize that the resolution did not propose any kind of compulsory levy, but merely urged a certain course of action. Furthermore, the wording of the resolution allowed considerable latitude to States in their interpretation of such terms as "national income", which could be taken to mean gross national product or net national income, and "net outflow of funds", which provided a major avenue of escape. Developed States could interpret in their favour such doubtful points as the deduction of interest payments, dividends, and profits and the inclusion of retained profits, commercial export credits and defence support grants. While the resolution left those terms undefined, it was hoped that when reports were submitted in accordance with the last operative paragraph, the General Assembly or a body of experts would give some guidance to the Secretary-General and to Member States regarding their interpretation.

49. Paragraph 2 indicated the desirability of channelling available funds through the United Nations and its specialized agencies whenever possible, but not to the exclusion of other channels, the choice of which would be left to the donor country. The draft did however specify that the funds should be made available in such a manner as not to bear heavily on the future balance of payments of the less developed countries, which meant that the capital should be furnished either as grants or as loans repayable in local currencies or long-term low-interest loans; the sponsors did not favour short- or medium-term credit.

50. Paragraph 3 indicated that the achievement of the resolution's objective might be prevented by the absence of appropriate laws and organizations within the donor countries. While export credit organizations existed in many countries, they were often unsuitable for the transfer of capital under existing conditions and were sometimes prevented by law from undertaking such operations. With regard to the flow of private capital, the profit differential between the under-developed countries and the developed countries was not now large enough to warrant the risk of investment in an under-developed country and the bulk of such capital flowed to countries where the social need was least. There was little investment in countries which needed capital most because, in addition to normal commercial risks, investors were deterred by the risk of expropriation through a change of government or inability to repatriate profits and capital. Countries wishing to increase their exports of private capital should therefore adopt legislation guaranteeing investments against expropriation and non-convertibility.

51. Similarly, the developed countries should evolve a system of guaranteeing the convertibility of market issues by the Governments of under-developed countries, which did not normally possess sufficient credit standing to compete for capital on equal terms with richer countries. Such a system would, admittedly, involve a contingent liability on the taxpayer of the developed countries, but that was preferable to an actual liability.

52. The annual report requested in the final paragraph would be brief and would include a table indicating the gross national product, the net national income, itemized gross outflow of public and private funds, the gross inflow of funds from the under-developed countries, the net outflow of funds and the net inflow of funds for economic development, in absolute figures and as a percentage of gross national product or net national income. Some of the information required for that purpose was already contained in the two reports of the Secretary-General^{8/} dealing with the international flow of public and private capital and could be simplified and presented annually in a short integrated report. It was to be hoped that both developed and under-developed countries would co-operate fully in such an undertaking.

53. It had been asked why the colonial Powers, which had benefited from the exploitation of colonies and had left them economically under-developed, should contribute on the same basis as countries which had never possessed colonies. While it was true that the possession of colonies had been of immense material benefit to the colonial Powers, that wealth had been used indirectly for the economic development of many parts of the world, including countries without colonies. Furthermore, the resolution allowed each individual advanced country to apply its funds to the country or countries of its choice, and the sponsors believed that the ex-colonial Powers, recognizing their responsibilities, would themselves direct at least a substantial part of the funds made available by them under the resolution to their own former colonies. Similarly, non-colonial countries would be free to divert their funds exclusively to areas which had never been colonies. It had also been argued that the capital-importing countries could hardly be expected to export capital for the development of others, but it should be borne in mind that the level of development reached by those capital-importing countries was in many cases high enough to place them among the richest in the world.

54. In submitting the draft resolution, the sponsors believed that the establishment of a standard against which efforts could be judged would benefit not only the under-developed countries, by increasing the funds made available to them, but also those developed countries which had hitherto borne a larger share of the burden of assistance than others now in a position to contribute more.

55. Mr. ENCINAS (Peru), introducing the eight-Power draft resolution on projections (A/C.2/L.492), said it had its origin in the Economic and Social Council's resolution 777 (XXX), which drew attention to the need to improve present projection techniques, to proposals for the preparation of medium and long-term projections of major international economic phenomena and to the work already accomplished in that field by the regional economic commissions, especially ECLA, IBRD, FAO and other United Nations bodies. As he had pointed out in his general statement to the Committee (666th meeting), projections were an essential factor in the effective planning of accelerated economic development, since co-ordinated development was impossible without a knowledge of general trends. While projections were proba-

^{8/} Official Records of the Economic and Social Council, Thirtieth Session, Annexes, agenda items 2 and 4, documents E/3369 and E/3395 and Add.1.

bly of greater value to under-developed countries than to developed countries, they were particularly difficult to prepare for the former owing to the lack of adequate statistics and of trained statisticians.

56. Projections had proved their worth in such large-scale projects as the Marshall Plan and would present a clearer picture of the problems of under-developed countries in terms of economic growth, which was the goal of international co-operation. They did not however reveal the future and were no substitute for common sense; they were simply instruments of analysis and hypothetical assumptions based on extrapolations and generalizations regarding future changes in economic variables. They had come to be widely used in many countries and were of particular value in economic programming and planning. It was important to compare and correlate sectoral and regional projections with general or world projections of such factors as rates of economic development and levels of economic investment and to make appropriate adjustments. It should also be borne in mind that alternative projections were always possible on the basis of differently arrived at assumptions, which increased the range of the possible political and administrative measures required by any programme, particularly under a democratic system. A clear distinction must always be drawn between primary and secondary, and immediate and long-term, objectives in preparing projections, as for instance between rapid economic development in general, and stable growth with balanced increases in production and consumption.

57. To be effective, projections must be consistent, complementary, interrelated and differentiated. Macro-economic programming required projections of such general factors as national income, investment, exports, imports, capital formation, and rate of population growth, particularly in regions like that of Latin America where it was exceptionally high. Micro-economic planning, on the other hand, required fuller information on such factors as supply and demand in both domestic and international markets. The eight-Power draft resolution was concerned only with that type of projection and primarily sought to improve the techniques of preparing medium and long-term projections of primary commodity supply and demand. Primary commodities were a vital factor in the financing of the economic development of under-developed countries and, although useful work had been done by United Nations bodies, it was a relatively new field about which few statistics were available. The first task was to facilitate the collection of such data and the correlation of projections based on macro-economic forecasts. Such projections should be prepared in accordance with a continuous programme, as recommended in the report of the Commission on International Commodity Trade^{2/} at its eighth session.

^{2/} *Ibid.*, Thirtieth Session, Supplement No. 6.

58. His Government was particularly interested in supply and demand information on such commodities as cotton, sugar, minerals and foodstuffs and in that connexion he paid a tribute to the work in those fields of FAO and the Commission on International Commodity Trade. According to a FAO report (E/CN.13/70) its agricultural studies in Europe were well advanced whereas, with the exception of a timber study in the Far East, its studies in Latin America and the Far East were still in the initial stage. He hoped that studies in Latin America would be speeded up and extended as much as possible on a regional basis. FAO projections of agricultural production were based largely on the growth of population and income and its methods of analysing production factors was not as advanced as its analysis of demand. Projections of non-agricultural commodities were more difficult to prepare because of the relative complexity of their consumption patterns. Whatever the consumption pattern, demand was profoundly affected by such factors as investment, technological progress, economic cycles and government decisions.

59. Whereas agricultural products were immediately or directly consumed, other commodities such as minerals entered a production cycle to be converted ultimately into durable goods, which were in turn absorbed as capital equipment in other sectors. Such commodities were therefore subject to long-term and short-term fluctuations as a result of cyclic economic movements. The under-developed countries whose economies were primarily dependent on exports of such products were particularly sensitive to those fluctuations in demand. Projections of the demand for such commodities should be prepared, using various methods such as extrapolation, analogy, regression analysis and projections by end use. Projections of the supply of non-agricultural goods were equally complicated and involved two main factors, production capacity and the rate of its utilization. The chief features of non-agricultural production were geographical concentration and the fact that production was capital intensive and was sensitive to physical, technological and economic factors. It was clear therefore that such projections would have to be closely correlated with others to provide a clearer understanding of that field.

60. His delegation agreed with the recommendations in the Secretary-General's report (E/CN.13/L.66) and believed that the following were urgently needed: improved and extended data for projections of supply and demand; projections of primary commodities in general and non-agricultural commodities in particular, within a wider framework of general economic projections; increased collaboration on the part of Governments; greater co-operation between international organizations in general; and collaboration between private institutions such as universities, research centres, technical institutes, etc. to improve methods of economic forecasting, which should be undertaken on a systematic and continuing basis.

The meeting rose at 6.15 p.m.