

United Nations
**GENERAL
ASSEMBLY**

TWENTY-SIXTH SESSION

Official Records



**SECOND COMMITTEE, 1408th
MEETING**

Monday, 15 November 1971,
at 3.25 p.m.

NEW YORK

Chairman: Mr. Narciso G. REYES (Philippines).

AGENDA ITEM 44

Operational activities for development: reports of the Governing Council of the United Nations Development Programme (*continued*) [A/8399, A/8403, chap. VIII (sects. A to D); E/4954 and Corr.1, E/5043/Rev.1]:

- (a) United Nations Development Programme (A/C.2/L.1154/Rev.5, A/C.2/L.1162/Rev.1, A/C.2/L.1164/Rev.1);
- (b) United Nations Capital Development Fund;
- (c) Technical co-operation activities undertaken by the Secretary-General;
- (d) United Nations Volunteers programme

1. The CHAIRMAN drew attention to the newly revised draft resolution (A/C.2/L.1154/Rev.5) which incorporated a number of amendments previously submitted.

2. Mr. MORENO (Cuba) moved the closure of the debate in accordance with rule 118 of the rules of procedure of the General Assembly.

3. After a procedural discussion in which the CHAIRMAN, Mr. KITCHEN (United States of America), Mr. RUTTEN (Netherlands) and Mr. MATSEBULA (Swaziland) took part, the CHAIRMAN suggested that the motion should be put to the vote.

The motion for closure of the debate was rejected by 33 votes to 20, with 33 abstentions.

4. Mr. OSMAN (Sudan) said that his delegation would vote in favour of draft resolution A/C.2/L.1154/Rev.5. His delegation did not share the misgivings voiced by the delegations of the Netherlands and the Philippines with regard to the Egyptian amendment. It considered that the request which it contained was legitimate and would ensure equity when indicative planning figures were reviewed.

5. Mr. SKOGLUND (Sweden) said that the Nordic countries would vote in favour of the draft resolution as a whole on the understanding that it would not be interpreted as changing or revoking the Consensus adopted in General Assembly resolution 2688 (XXV) and the decision taken by the Governing Council of UNDP. Draft resolution A/C.2/L.1154/Rev.5 could be further improved by the insertion of the revised amendments proposed by the United Kingdom (A/C.2/L.1162/Rev.1) and the Netherlands (A/C.2/L.1164/Rev.1). The Nordic delegations wished to point out the imbalance in operative paragraph 5 since important global research projects were needed for social and other

aspects of development. With regard to operative paragraph 7, the Nordic delegations viewed with sympathy the idea of establishing special programmes to identify and utilize the natural resources of the least developed among the developing countries and exempting them from the payment of local costs as long as their special situation required it. However, those questions should first be considered in the Governing Council of UNDP. Accordingly, they were unable to support operative paragraph 7 and would vote in favour of the United Kingdom proposal to delete it. However, if the words "to consider" could be inserted after the words "Requests UNDP," the Nordic delegations would be able to accept operative paragraph 7.

6. Mr. KITCHEN (United States of America) said that, while his delegation had no doubt that the Second Committee had the right to submit proposals for study to subsidiary bodies in order to improve their work, it was concerned at the possibility that the General Assembly might be moving in the direction of transmitting directives to technical and governing bodies with considerable responsibilities, particularly in the field of financing, which would leave them without the kind of authority expected of them. His delegation supported the proposal by the Nordic countries concerning operative paragraph 7. There was a very real possibility that operative paragraph 7(b) might directly contravene the decision taken by the Governing Council at its eleventh session.

7. Mr. MUELLER (Austria) said that his delegation would support the revised draft resolution. However, in its view, it would be better to incorporate the amendment proposed by the Nordic countries to operative paragraph 7(a) and delete part (b) of the paragraph.

8. Mr. GATES (New Zealand) said that he shared the Australian representative's apprehension concerning the ninth and tenth preambular paragraphs which apparently attempted to equate industrial development with agriculture, pastoral, artisanal, tourism and mining development. Since the eleventh preambular paragraph covered the matter adequately the ninth and tenth preambular paragraphs could well be deleted. With regard to operative paragraph 4, a number of small countries were not members of regional economic commissions or the United Nations Economic and Social Office in Beirut (UNESOB). If the resolution was adopted in its present form the interests of those countries would not be adequately safeguarded. In conclusion, his delegation supported the amendments proposed by the United Kingdom.

9. Mr. NONOYAMA (Japan) said that he would vote for the draft resolution as a whole, on the understanding that it would not in any way be interpreted as implying a

modification of the provisions of the Consensus approved by the General Assembly or of subsequent decisions taken on the subject by the Governing Council of UNDP. His delegation considered, however, that it would be improved by inclusion of the amendments submitted by the United Kingdom and the Netherlands and the oral amendment introduced by the representative of Sweden.

10. Moreover, he was concerned that the ninth and tenth preambular paragraphs appeared to be contradicted by the following paragraph. As to subparagraph 7(b), he felt that the final decision on the matter of the payment of local costs should be left to the Administrator and Governing Council of UNDP.

11. Mr. CAVAGLIERI (Italy) said that, although he was not altogether happy with certain points contained in the draft resolution, he would vote in favour of it in so far as it was not intended as a modification of any of the provisions of the Consensus.

12. Mr. BRITO (Brazil) pointed out that the ninth and tenth preambular paragraphs were in fact complemented by the eleventh, which clearly drew attention to the relevant provisions of the Consensus annexed to General Assembly resolution 2688 (XXV). Moreover, in the light of suggestions and comments that had been made at the previous meeting, certain amendments had now been included in the newly revised draft resolution which in no way contradicted the terms of the Consensus.

13. With regard to the suggestion that subparagraph 7(b) was in contradiction with paragraph (k) of decision II adopted by the Governing Council at its eleventh session (see E/4954 and Corr.1, para. 71), it was not intended to abandon the principle of sharing local costs to which that paragraph referred. The draft resolution before the Committee merely dealt with one special case in which a waiver could be made by the Administrator. The draft resolution was entirely in line with the notion that the first to benefit from a waiving of local costs should be the least developed among the developing countries, so that they received the entire amount of their indicative planning figures without a deduction of 8 per cent to cover those costs. He stressed that the time was right to take such action, that the General Assembly was entitled to give guidance and take action in the matter, and that the correct action to take was that contemplated in paragraph 7(b).

14. Mr. CARANICAS (Greece) expressed his support of the draft resolution and said that, in spite of certain minor contradictions which it appeared to contain and the fact that it occasionally appeared somewhat platitudinous, his delegation would vote in favour of it in deference to its sponsors. He suggested, however, that paragraph 7(b) might be improved by the deletion of the words "as long as required by their special situation" since the provision of the subparagraph would *ipso facto* no longer be applicable to countries that were dropped from the list of least developed countries when that list was revised.

15. Mr. SAIDI (Iran) commended the sponsors on the flexibility which they had shown in incorporating several amendments in the revised version of the draft resolution, which his delegation would support.

16. Mr. OSMAN (Sudan) said that the use of the word "exempt" in paragraph 7(b) was in absolute conformity with the spirit, if not with the letter, of the Consensus. Moreover, it was clear that the first group of countries to qualify for the full waiver of local costs, as referred to in paragraph (k) of the decision adopted by the Governing Council of UNDP at its eleventh session, should be the least developed among the developing countries. In his view, therefore, the revised draft resolution was fully in accord with the Consensus and the decision of the Governing Council.

17. Mr. DIALLO (Upper Volta) drew attention to paragraph 32 of the Consensus, entitled "Assessment of local costs" and said that paragraph 7(b) of the draft resolution was clearly not in contradiction with it or with the corresponding decision adopted by the Governing Council of UNDP. Since nobody appeared to object to the principle of exempting all the least developed countries from the payment of local costs, it seemed unnecessary to postpone a decision on the matter to the next meeting of the Governing Council. Furthermore, far from entailing a reduction of the indicative planning figures for the least developed countries, the application of paragraph 7(b) should lead to an increase in the volume of funds available to them.

18. In conclusion, he asked that his country be added to the list of sponsors of the draft resolution.

19. Mr. KITCHEN (United States of America) said that his country had been one of those that had originally requested the United Nations Development Programme to devote special attention to the least developed among the developing countries in view of their frequent inability to defray the expenses of development projects. He recalled, however, that the Administrator of the UNDP had expressed reservations regarding the suggestion that all the least developed countries should indiscriminately be exempted from the payment of local costs. It should be left to the Administrator to determine the merits of each case wherever one of the least developed countries actually requested their full or partial waiver. It was conceivable that some of the least developed countries might wish to make sacrifices elsewhere and pay part of the local costs as a token of their goodwill. It would be wrong for the Committee to prejudge the issue. Rather than introduce a blanket rule which would impose a constraint on the least developed countries in that it would prevent them from choosing whether or not to contribute towards the payment of local costs, the question should be a matter of negotiation between the Governments concerned and UNDP.

20. In reply to a question put by Mr. CARANICAS (Greece), Mr. AHMED (Secretary of the Committee) informed members of the status of the amendments contained in documents A/C.2/L.1162/Rev.1 and L.1164/Rev.1. With regard to the United Kingdom amendments (A/C.2/L.1162/Rev.1), the first amendment was unaffected. Since the text of the second amendment had already been incorporated into the preamble of draft resolution A/C.2/L.1154/Rev.5, its only practical effect was now to delete the ninth and tenth preambular paragraphs in the draft resolution. The third and fourth

United Kingdom amendments should now refer to operative paragraph 5 and operative paragraph 7 respectively. The fifth United Kingdom amendment, as clarified orally, sought to replace the words "the Programme", in operative paragraph 10 of the draft resolution, by "country programmes". With regard to the amendments submitted by the Netherlands (A/C.2/L.1164/Rev.1), the first amendment should refer to operative paragraph 3. The second Netherlands amendment had been withdrawn.

21. The CHAIRMAN suggested that the Committee should vote first on the United Kingdom amendments (A/C.2/L.1162/Rev.1) and then on the Netherlands amendment (A/C.2/L.1164/Rev.1).

The first United Kingdom amendment was rejected by 49 votes to 29, with 20 abstentions.

The second United Kingdom amendment was rejected by 56 votes to 23, with 19 abstentions.

The third United Kingdom amendment was rejected by 58 votes to 22, with 15 abstentions.

The fourth United Kingdom amendment was rejected by 67 votes to 14, with 18 abstentions.

The fifth United Kingdom amendment was rejected by 49 votes to 16, with 29 abstentions.

The Netherlands amendment was rejected by 40 votes to 20, with 36 abstentions.

22. Mr. ZAGORIN (United States of America) requested a separate, roll-call vote on operative paragraph 7 of draft resolution A/C.2/L.1154/Rev.5.

23. Mr. DIALLO (Upper Volta) said that in his opinion a separate vote on that paragraph was unnecessary, in view of the rejection of the fourth United Kingdom amendment.

24. After a procedural discussion in which Mr. ZAGORIN (United States of America), Mr. DIALLO (Upper Volta), Mr. CARANICAS (Greece) and Mr. VERCELES (Philippines) took part, the CHAIRMAN suggested that the Committee should take a separate roll-call vote on operative paragraph 7 of draft resolution A/C.2/L.1154/Rev.5 and then vote on the draft resolution as a whole.

Yugoslavia, having been drawn by lot by the Chairman, was called upon to vote first.

In favour: Yugoslavia, Zambia, Afghanistan, Algeria, Argentina, Bahrain, Bolivia, Brazil, Bulgaria, Burundi, Byelorussian Soviet Socialist Republic, Central African Republic, Ceylon, Chile, Colombia, Costa Rica, Cuba, Cyprus, Czechoslovakia, Dahomey, Ecuador, Egypt, Ethiopia, Fiji, Ghana, Guatemala, Guinea, Guyana, Honduras, Hungary, Iran, Iraq, Ireland, Ivory Coast, Jamaica, Jordan, Kenya, Khmer Republic, Kuwait, Lebanon, Lesotho, Liberia, Libyan Arab Republic, Madagascar, Malaysia, Mali, Mauritania, Mexico, Mongolia, Nepal, Nicaragua, Nigeria, Oman, Paraguay, Philippines, Poland, Qatar, Romania, Rwanda, Saudi Arabia, Sudan, Swaziland, Togo, Tunisia, Turkey, Uganda, Ukrainian

Soviet Socialist Republic, Union of Soviet Socialist Republics, United Republic of Tanzania, Upper Volta, Uruguay, Venezuela.

Against: Australia, Austria, Burma, Canada, France, Greece, New Zealand, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Belgium, Denmark, Finland, Iceland, India, Indonesia, Israel, Italy, Japan, Luxembourg, Netherlands, Norway, Pakistan, Portugal, Singapore, Spain, Sweden, Syrian Arab Republic, Thailand, Trinidad and Tobago.

Operative paragraph 7 of draft resolution A/C.2/L.1154/Rev.5 was adopted by 72 votes to 9, with 20 abstentions.

Draft resolution A/C.2/L.1154/Rev.5 as a whole was adopted by 88 votes to 2, with 10 abstentions.

25. Mr. RUTTEN (Netherlands) said that he had voted in favour of the draft resolution as a whole. Nothing in it could be interpreted as modifying the letter and spirit of the Consensus adopted by the Governing Council. The course of discussions in the Council in future and the particular situation would determine his delegation's position regarding the provisions in the resolution which sought to provide guidance to the Council. Lastly, he interpreted the portion of operative paragraph 4 beginning with the words "members of" as in no way altering existing arrangements regarding UNDP activities.

26. Mr. PRAGUE (France) said that, if the resolution was considered to be in accordance with the Consensus, then it was superfluous and if it was not so interpreted, then it was dangerous; nevertheless, his delegation had given the sponsors the benefit of the doubt and had abstained in the vote.

27. Mr. GATES (New Zealand) said that, in the light of the sponsors' assurances that the resolution did not attempt to modify the Consensus, his delegation had abstained. The resolution must not be interpreted as in any way altering the Consensus or affecting UNDP operations in dependent Territories.

28. Mr. ZAGORIN (United States of America) said that his delegation would have cast an affirmative vote had a paragraph been included specifically stating that the resolution did not depart from the Consensus; in view of the assurances of the sponsors that it did not, he had abstained.

29. Mr. HEMANS (United Kingdom) said that he had voted against the draft resolution because he considered its provisions improper. His delegation did not interpret operative paragraph 4 as implying any modification of existing provisions regarding UNDP assistance.

30. Mr. VERCELES (Philippines) said that his delegation had voted in favour of the draft resolution on the understanding that it did not depart from the Consensus and that it attached particular importance to paragraph 21 of the latter document.

31. Mr. MASSONET (Belgium) said that his delegation shared the views expressed by the French and United Kingdom representatives.

AGENDA ITEM 21

Report of the Economic and Social Council [chapters III to VII, VIII (sections A to E), IX to XIV, XXI and XXII] (continued)* (A/8403; A/C.2/264, A/C.2/L.1165, A/C.2/L.1180)

32. Mr. AKRAM (Pakistan), speaking on behalf of the sponsors, who had been joined by the delegation of Peru, introduced the draft resolution on the increasing burden of debt servicing (A/C.2/L.1165).

33. During the 1960s the external public indebtedness of 80 developing countries had increased at a rate of 14 per cent annually. Service payments on those debts had risen at an average annual rate of 9 per cent, while the exports of the developing countries had risen at an average annual rate of 6.6 per cent, and their income, at a rate of only 5 per cent. Although official grants and loans had risen from \$8,800 million in 1965 to \$10,200 million in 1969, net transfers had declined from \$5,400 million to \$5,200 million. The increase in service payments from 39 per cent of the inflow in 1965 to 49 per cent of the inflow in 1969 had been large enough to offset the advance in gross flows of assistance. What was most disturbing was that some of the poorest countries had registered the largest decline in net receipt of resources.

34. The 1971 Report of the International Bank for Reconstruction and Development (E/5074) indicated that eight developing countries had undertaken multilateral debt renegotiation and that 12 others had renegotiated their debts on a bilateral basis. Debt service problems in some other countries had been resolved without recourse to debt negotiation, no doubt at some cost to their economic objectives.

35. It was ironic that at the beginning of the 1960s the over-all background had seemed favourable to the successful servicing of external indebtedness, a situation which could be explained partly by past debt renegotiation and lengthening maturity and grace periods. There were recent indications, however, that debt service repayments would rise more rapidly in future because the lengthened grace periods had expired and the terms of certain categories of development assistance—both bilateral and multilateral—had not noticeably hardened. The rising cost of imports to developing countries compounded those difficulties. As a result, the financing of any given volume of imports required a higher level of debt, and higher interest rates reinforced the upward pressure on debt service repayments. In that context, the 18 per cent rise in debt service repayments of 80 developing countries in 1970 could not be discounted as exceptional. Projections confirmed that there was likely to be a more rapid rate of increase in service repayments in the 1970s than in the 1960s.

36. Although on occasion debt servicing difficulties arose from the failure of borrowing countries to devise and implement appropriate policies, it would be erroneous to conclude that mismanagement and laxity were the main causes. For instance, many projects made important contributions to economic development but did not directly

generate the foreign exchange so necessary to service the debts incurred. The availability of foreign exchange depended on future export earnings and the volume and terms of future aid inflows. Moreover, foreign exchange was essential to maintain a country's import capacity, which consisted of its export earnings plus inflow of new capital, minus debt service repayments. It was that relationship through time of debt service, import capacity and a country's development programme that should constitute the centre of an inquiry into the debt question.

37. Thus far, debt service difficulties had been tackled in situations of present or imminent crisis, where the country's capacity to honour its obligations was in doubt; they also required attention, however, where debt service payments so reduced the external resources available to a country that its ability to achieve even its minimum economic and social objectives was impaired. The best indicator of the extent of a country's debt difficulties was the ratio of its debt service payments to export earnings, which directly related the magnitude of debt service payments to the main source of foreign exchange available for effecting those payments. The magnitude of that debt-service ratio at which risks would be imposed on development programmes could be established only after detailed examination of a country's situation. Thus, inter-country comparisons might be of limited value, although it was not unusual to treat a ratio of 15 to 20 per cent as the dividing line. It was worth noting that the debt-service ratios of many developing countries had risen over the past few years and projections suggested that they would continue to rise unless changes in donor policies took place.

38. There had also been considerable reluctance in the face of debt servicing difficulties to accept the relationship between debt problems and development goals. Debt rearrangements had usually involved a high moratorium interest rate; concessional terms had been specifically rejected by donor countries; and they had been unwilling to undertake debt rearrangement of sufficient scope and duration to provide a lasting solution.

39. Past policies with respect to the indebtedness of developing countries had suppressed the outward symptoms of the magnitude and extent of their debt-servicing difficulties by the dubious therapy of arresting growth. In order to contribute meaningfully to development objectives established by the international community, those policies needed to be formulated in the broad context of the development programmes of the debtor countries. The policies of donors with respect to new aid allocations and with respect to the debt problems of recipient countries must be adopted conjointly. Effective support for a country's development effort required that donors generate a net transfer of resources sufficient to sustain a reasonable development programme, while at the same time assuring that present and future levels of debt service would not undermine that effort.

40. Draft resolution A/C.2/L.1165 sought to encourage such a comprehensive approach to the problem of debt servicing and called for new policies and remedial measures to improve the quality and volume of new lending. Since the ceiling on new gross disbursements was politically determined, in instances where the volume of debt was very

* Resumed from the 1404th meeting.

large, the volume of new lending on the soft terms required might be so great as to be politically unrealistic. In such cases, debt rearrangement on concessional terms should be regarded as a legitimate policy instrument.

41. There was already evidence of some change in the policies of donor countries and credit institutions, as illustrated by the description in a study prepared by UNCTAD of debt relief agreements reached for India and Indonesia. The Indonesian agreement should serve as a model for other cases.

42. A number of policies had been recommended at the Ministerial Meeting of the Group of 77 and should be taken fully into account in the implementation of operative paragraphs 1 and 2 of the draft resolution. The Trade and Development Board should consider the possibility of establishing special institutional machinery to find practical solutions to the debt-servicing problems of the developing countries. Lastly, operative paragraph 5 had been so formulated as to provide the international organizations and institutions concerned with flexibility in reporting to the General Assembly.

43. The CHAIRMAN invited the Committee to consider the draft resolution recommended by the Economic and Social Council in its resolution 1622 (LI) on the organization of the work of the Council, which was reproduced in paragraph 3 of document A/C.2/L.264.

44. Mr. RUTTEN (Netherlands) said that he would prefer to see whether any amendments had emerged from the consultations which were under way on the draft resolution before the Committee began to consider it.

45. Mr. DIALLO (Upper Volta) said that, although he was prepared to explain his position on the draft resolution, he also felt that it would be appropriate to await the outcome of consultations.

46. Mr. VERCELES (Philippines) said that the Committee had before it a draft resolution which had not been discussed adequately in the Economic and Social Council and which had been adopted by only 8 votes to 4, with 15 abstentions.

47. The draft resolution suffered from several defects. Operative paragraph 1 would have all new economic, social, scientific or technical questions on the agenda of the General Assembly considered first by the Economic and Social Council. Such a provision would tie the hands of the General Assembly and prevent it from taking timely action on urgent questions unless they had first been taken up and transmitted by the Economic and Social Council to the General Assembly. The provision would make the Council's burden of work even more onerous and would impede the

work of the United Nations. Its effect on the authority and jurisdiction of the General Assembly, which was the only organ of the United Nations in which all Member States were represented, would be graver still. Moreover, the proposal in the draft resolution to give the Economic and Social Council exclusive jurisdiction on economic, social and technological questions might even involve a revision of the Charter. His delegation would therefore vote against operative paragraphs 1 and 2.

48. Operative paragraph 5 assumed, without any factual basis, that there were "present" shortcomings in the co-ordination of economic and social development programmes and overlapping, duplication, over-staffing and over-expenditure of budgetary funds. It completely ignored the conclusions and recommendations of the Committee for Programme and Co-ordination (CPC) which had examined work programmes in the field of statistics, public administration, natural resources and social development at its eighth session. CPC had not found evidence of overlapping, duplication, over-staffing and over-expenditure of budgetary funds but had merely noted that in such a large system as the United Nations family of organizations there was a possible danger of overlapping of programmes.

49. The Economic and Social Council had in fact adopted a resolution which provided for the circulation of draft work programmes among the United Nations organs in order to avert at an early stage any overlapping or duplication. At its eighth session, CPC had praised the new procedure for elaborating work programmes and had urged that it should be implemented more effectively. Operative paragraph 5 totally disregarded action taken by the Economic and Social Council to improve economic and social programmes. Resolution 1621 C (LI) contained provisions for a review of the Council's co-ordinating machinery and for making the Co-ordination Committee an intersessional committee to deal with the task currently entrusted to CPC. Furthermore, the Economic and Social Council had adopted resolution 1623 (LI) in which it decided that, in its review of the over-all economic and social situation, it would formulate new policy recommendations to meet the challenges of development, define major lags and constraints in the field of development, and recommend ways of eliminating them. It would therefore appear that the Council had already taken positive action to do exactly what operative paragraph 5 of the draft resolution was instructing it to do, and his delegation would therefore vote for the deletion of operative paragraph 5.

Organization of the Committee's work

50. The CHAIRMAN outlined the programme of work of the Committee for the remainder of the week.

The meeting rose at 6.25 p.m.