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**Chairman: Mr. Toru HAGIWARA (Japan).**

**AGENDA ITEM 28**

**Economic development of under-developed countries:**

(a) **Establishment of the Special Fund: reports of the Preparatory Committee for the Special Fund and of the Economic and Social Council (E/3098, A/3848, paras. 164-177, A/3909, part B, A/3910, A/C.2/L.362, A/C.2/L.363 and Add.1 and 2) (*continued*)**

1. Mr. BARCENAS (Spain) said that, as a comparative newcomer to the United Nations, Spain had had fewer opportunities than many other Members to emphasize the importance it attached to the establishment under United Nations auspices of machinery to provide systematic and continuous assistance to the under-developed countries in the economic, social and technical fields. His country was, as its active participation in the technical assistance programmes demonstrated, keenly interested in measures to provide direct assistance for economic development and also believed that further attention should be given to other forms of action, in particular the stabilization of commodity prices, that would strengthen the position of the under-developed countries.

2. His delegation had carefully studied the Preparatory Committee's report (E/3098) and had joined in sponsoring the twenty-seven-Power draft resolution (A/C.2/L.363 and Add. 1 and 2) in the belief that the provisions in the annex to Economic and Social Council resolution 692 A (XXVI) could be generally endorsed. So far as fundamental issues were concerned, the recommendations appeared to be acceptable to all, the only major difference of opinion being in regard to the election of the Governing Council. Like the representatives of Belgium and the United States, he believed that, for reasons of principle and in accordance with the usual practice, the election should be made by the Economic and Social Council. There was nothing to justify a departure from the established pattern in the case of the Fund and a decision to do so might well reduce the prestige of the Economic and Social Council. Election by the General Assembly would, moreover, as the representative of Japan had remarked (519th meeting), involve technical difficulties.

3. Commenting on the recommendations generally, he endorsed the view that administrative costs should

be kept to a minimum so that contributions could be used for the purposes for which they had been made.

4. He hoped that it would be possible to obtain a unanimous agreement on a resolution that would leave unimpaired the excellent work of the Preparatory Committee.

5. Mr. ENCINAS (Peru) said that, as a co-sponsor of General Assembly resolution 1219 (XII) and a member of the Preparatory Committee, his delegation had had an opportunity to express its views on the Special Fund, both in general and in specific terms. It remained only for him to welcome the action taken by the Economic and Social Council and to make one point by way of clarification.

6. In the Preparatory Committee, Peru had favoured the election of the Governing Council by the General Assembly. Unfortunately, the Preparatory Committee had decided otherwise and the Economic and Social Council had endorsed its decision. His delegation regretted that decision, but felt that, at the present stage, the most important thing was that the Fund should begin operations with the least possible delay and that it should have the unanimous support of all Members; if that proved impossible, there should, at least, be a clear majority in favour of the resolution to be adopted.

7. His delegation had, therefore, decided to support Council resolution 692 A (XXVI) and to co-sponsor the twenty-seven-Power draft resolution.

8. Mr. GURINOVICH (Byelorussian Soviet Socialist Republic) said that his country had supported all United Nations measures to promote the economic development of the under-developed countries. It had advocated the establishment of the Special United Nations Fund for Economic Development (SUNFED) and regretted that the attitude of some advanced countries had prevented that idea from being put into practice. Nevertheless, during the Assembly's twelfth session, the United States delegation had given assurances that its proposal for the creation of the Special Fund would not entail a renunciation of SUNFED, and it had been generally assumed that section III of resolution 1219 (XII) meant that the Special Fund would merely be a first step towards SUNFED. The United States representative, however, in his speech at the 520th meeting, had implied that that view was mistaken. The Committee should take care, therefore, that, in seeking to arrive at a unanimous compromise solution, it did not override the wishes of the majority and, particularly, of the under-developed countries. The idea that the Special Fund was a step towards the creation of SUNFED should be clearly expressed in any resolution to be adopted. If the USSR proposal in the General Assembly (750th plenary meeting) for a reduction in the military budgets of the United

States, the United Kingdom, France and the Soviet Union, were adopted, considerable funds would be released for programmes of economic assistance, including SUNFED.

9. The desire of the less developed countries to consider the question of the Special Fund from all angles had met with the opposition of some developed countries, which had threatened to revise their attitude towards the Fund, if the recommendations of the Preparatory Committee were not quickly adopted. Such threats were not acceptable. Every possible method of helping the under-developed countries should be considered. If the Fund's target of \$100 million was to be achieved, currency restrictions on contributions should be eliminated, and all countries should be allowed to participate.

10. His delegation would support the seventeen-Power draft resolution (A/C.2/L.362). It was opposed to the Fund's being turned into a body serving the interests of foreign capital investors or into an affiliate of the International Bank for Reconstruction and Development (Bank). The General Assembly should play a greater part in the activities of the Fund. In particular, it should elect the Governing Council. The provisions in the annex to Economic and Social Council resolution 692 A (XXVI) contained many undesirable limitations on the part to be played by the Governing Council. For instance, although the Council would take the final decision on programmes to be carried out under the Fund, it could only pronounce on programmes recommended by the Managing Director. The question arose of what action the Governing Council could take on projects which were not recommended by the Managing Director. That point should be clarified. Again, provision had been made for consultations between the Fund and other organizations, including the Bank, but nothing was said about the right of the countries requesting assistance to participate in such discussions or in the work of the Governing Council. Other shortcomings were that the principle of a wide geographical distribution in allocations was to apply only for a certain number of years and that the wording of the provisions on the composition of the Governing Council differed from that of Assembly resolution 1219 (XII). Those examples showed the need for a careful study of the proposals before the Committee.

11. Mr. Mir KHAN (Pakistan) said that the Preparatory Committee would have liked to produce a plan which would be acceptable to all delegations. But the question of a fund for economic development had been under debate for over ten years without any headway being made. The one hopeful feature was that the basic principle of such a fund had never been repudiated. The main difficulty was that the developed countries were unwilling to make large contributions. Whilst it was clear that the Special Fund fell short of the idea of SUNFED, for which Pakistan had worked continually, the General Assembly had had to look for practical possibilities of achievement in that field.

12. The twenty-seven-Power draft resolution, of which his delegation was a co-sponsor, was intended to produce a constructive advance on the Expanded Programme of Technical Assistance. It had, therefore, been surprising to hear suggestions that the sponsors of the draft resolution were not supporters of SUNFED or even that sponsorship of the Economic and Social

Council's draft resolution was not helpful. The General Assembly had made the Preparatory Committee as representative of all views as possible, and that Committee had thus had to reconcile those views before arriving at the plan now proposed in the twenty-seven-Power draft resolution. The sponsors of the draft resolution would not, however, object to changes in the preamble, as long as the basic idea contained in the operative paragraphs remained.

13. There was ample provision for control of the Fund's activities by the General Assembly, for example, in paragraph 10 of the provisions in the annex to Economic and Social Council resolution 692A (XXVI). The Council was elected by the General Assembly and reflected its composition, which it would, in turn, impart to the Governing Council. The composition of the Governing Council was safeguarded by paragraph 14 and would continually vary, like that of the Economic and Social Council itself, since, under paragraph 15, a third of the members would be elected every year for a period of only three years. Moreover, such tasks came within the competence of the Economic and Social Council under the Charter of the United Nations. For those reasons, the sponsors of the twenty-seven-Power draft resolution considered that the Governing Council should be elected by the Economic and Social Council.

14. Mr. REINA (Honduras), referring to the Nicaraguan representative's comments at the 521st meeting on his statement at that meeting, wished to make it clear that his suggestions had been made with the intention of helping, not hampering, the Committee. With regard to the election of the Governing Council, he would consider submitting his compromise proposal only if neither of the alternatives, at present before the Committee, won its unanimous support. As to the Consultative Board, it seemed to him eminently reasonable to suggest that the Director-General of the specialized agency most directly concerned should replace the President of the Bank on that Board when it was considering certain technical or practical projects.

15. Mr. Gopala MENON (India) felt he should not go over the differences, but rather emphasize the similarities in the approach of the delegations which supported the two draft resolutions. Most of those who had spoken in support of the twenty-seven-Power draft appeared to be much nearer the thought of the seventeen-Power draft than that of some of their own co-sponsors. That was essentially due to the identity of interest in the problems of economic development between the "haves" and the "have nots" and the realization that prosperity and happiness were as indivisible at the present time as were peace and war.

16. Both the preamble and part I of the seventeen-Power draft resolution appeared to have the full support of all delegations which were in favour of SUNFED. The concept of employing international machinery for the promotion of the economic and social development of all peoples, which was inherent in the draft resolution, was of vital importance. That was why the preamble of the seventeen-Power draft recalled General Assembly resolution 1219 (XII) and previous resolutions on the establishment of an international fund for economic development within the

framework of the United Nations, thus preserving the historical sense. In his view as in that of like-minded delegations, the Special Fund was not just an extension of the Expanded Programme of Technical Assistance.

17. He found that most of the sponsors of the twenty-seven-Power draft resolution had no difficulty in going along with the sponsors of the seventeen-Power draft in regard to the preamble and the operative parts I and II of document A/C.2/L.362, but some had even suggested a stronger operative part consisting of two paragraphs, one reaffirming General Assembly resolution 1219 (XII) and a second appealing to the Member States to work for the early expansion of the Special Fund into a capital development fund. A large group of developed countries shared the same views and were anxious to move forward as rapidly as possible to the operations envisaged in Section III of resolution 1219 (XII).

18. Most under-developed countries were racing against time and, if they sounded a little impatient, it was because they had to catch up with a few centuries. Prime Minister Nehru had recently said that the gap between the standards of living of the industrialized countries and the under-developed countries was actually widening. Thus, while the under-developed countries were thankful for the first step that was being taken in establishing the Special Fund, they wanted to keep alive the picture of the other steps that must inevitably follow. He hoped that there would be unanimous support for the preamble, the operative part reaffirming General Assembly resolution 1219 (XII), and the addition of an appeal to all the Member States to work for the expansion of the Special Fund into a capital development fund.

19. According to paragraph 47 of the annex to Council resolution 692 A (XXVI), contributions to the Special Fund should, in the present circumstances, be payable in national currencies, convertible only to the extent permitted by contributing countries. That view had been upheld in the Council by the delegations of

Pakistan, Indonesia and the Sudan. His delegation also hoped that paragraph 56 would be liberally interpreted by the Governing Council and the Managing Director, and that a certain amount would be set aside for long-term low-interest loans.

20. Regarding the membership of the Fund, he felt that it should be open to all countries. Universality could only add to its usefulness and success. Political or other considerations should not restrict the membership of an organization like the Special Fund.

21. As to the Governing Council, he was strongly in favour of its election by the General Assembly. Article 66 of the Charter, which had been quoted, made no reference to elections. Article 55 actually placed the responsibility for the creation of conditions for stability, higher standards of living, full employment and conditions of economic and social progress and development on the General Assembly. The machinery being set up would take over the administration of a United Nations capital development fund. Certain changes might have to be made when the expansion took place. Thus, election of the Governing Council by the General Assembly would add to the importance and prestige of the Fund. The Economic and Social Council could not be a better forum for election than the General Assembly. All the participants in the Fund should be given an opportunity to elect their own executive body. The Economic and Social Council would in no way be weakened if the Assembly elected the Governing Council, for in the operation of the Fund the association and authority of the Economic and Social Council had been provided for at all stages.

22. He therefore urged all members of the Committee to reconsider their stand on that important question and rally to the support of the seventeen-Power draft resolution.

The meeting rose at 12.5 p.m.