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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. FARHADI (Afghanistan) said that, as an under-developed country, Afghanistan hoped for a fund which could provide assistance in the form of capital to accelerate the development of its economic infrastructure. His delegation was therefore among the sponsors of the seventeen-Power draft resolution (A/C.2/L.362), which recalled the provisions of section III of General Assembly resolution 1219 (XII).

2. Basing itself on paragraphs 5 and 6 of the provisions in the annex to Economic and Social Council resolution 692 A (XXVI), his Government had begun considering the ways in which the Special Fund could be of assistance to it. It had already initiated certain projects, such as a large-scale topographical survey of Afghanistan and a survey of its mineral—and more particularly oil—resources, using both domestic and foreign capital, but it recognized that such projects could best be financed by an institution under the aegis of the United Nations. There were, in addition, two economic projects which his Government hoped to carry out with the assistance of the Special Fund. The first was a general demographic and agricultural survey. The Economic Commission for Asia and the Far East and the Technical Assistance Administration would provide Afghanistan with the necessary demographic and statistical experts. For the financing of the venture, however, Afghanistan hoped for the help of the Special Fund. That project might then well serve as a model for combined technical, regional economic and financing assistance. The second was a three-year pilot project for the detailed study of the water and land resources of a selected province of Afghanistan. The information obtained would be used in plans for the development of irrigation, agriculture and electricity production. If the experiment was successful, it would be repeated in other provinces.

3. Thus, Afghanistan was already looking forward to help from the Special Fund, and hoped that the Fund

would be set up with all speed. As to its own contribution to the Fund, that would, of course, be proportionate to its small size and limited financial resources. The Afghan Government would make as much as possible of its contribution available in a hard currency, but, like others, it interpreted paragraph 47 of the provisions governing the Special Fund as implying that participants in the Fund might pay at least part of their contributions in their national currencies.

4. With regard to the management of the Fund, his delegation favoured the election of the Governing Council by the General Assembly and not by the Economic and Social Council.

5. Mr. TODOROV (Bulgaria) said that his delegation considered that the under-developed countries should be given prompt and effective help, for their problems were of concern not to themselves alone but to the entire world. Moreover, his delegation was convinced that it would soon become imperative to institute the Special United Nations Fund for Economic Development (SUNFED) in its original form. Indeed, the support for the idea of SUNFED was so strong that the opponents to that idea, though few in number, did not have the courage openly to express their disagreement. Only the opposition of the United States of America had prevented its being set up at the twelfth session. General Assembly resolution 1219 (XII) preserved the idea of SUNFED as the ultimate goal.

6. Of the two joint draft resolutions before the Committee, the seventeen-Power draft resolution was the truer to the idea and intentions of the Committee as a whole. Furthermore, the proposal by the Soviet Union delegation (750th plenary meeting) of a 10 to 15 per cent reduction in the military budgets of the United States, the Soviet Union, Britain and France, held out the prospect not merely of the revival of the idea of SUNFED, but of its implementation on a scale beyond all expectations so far. All those who were in favour of deeds and not mere words, should support that proposal, for it would make possible a fund which could be of real assistance to the under-developed countries.

7. With regard to the Special Fund's Governing Council, his delegation was among those which favoured its election by the General Assembly. That should not, however, be taken to imply any criticism or mistrust of the Economic and Social Council. The real reason was that the Economic and Social Council had been composed with a view to its immediate tasks under the Charter of the United Nations, and was not, therefore, the organ best suited to deal with the setting up of the Governing Council of the Special Fund. It was important that the under-developed countries should be adequately represented, and that could not be guaranteed through the Economic and Social Council. Moreover, if the Fund's Governing Council was to include representatives of the various geographical regions,

the members of the Economic and Social Council would have to consult all Member States in the region concerned—and in effect, therefore, the General Assembly itself. It would be preferable, therefore, to place the responsibility on the General Assembly in the first place.

8. If some countries non-members of the United Nations were to participate in the Fund, it would be only correct for the General Assembly to elect the Fund's Governing Council by a similar procedure to that followed in the election of the judges of the International Court of Justice. He pointed out that to exclude any countries like, for example, the German Democratic Republic, from participation in the Fund, would be to introduce those very political considerations which many Members condemned.

9. His delegation therefore supported the seventeen-Power draft resolution and hoped that it would win unanimous support.

10. Mr. REINA (Honduras) said that on the main point at issue in the Committee regarding the setting up of the Special Fund, the method of election of its Governing Council, his delegation was of the opinion that, for the reasons given in the twenty-seven-Power draft resolution (A/C.2/L.363 and Add.1 and 2), that responsibility should be left with the Economic and Social Council. However, in view of the importance of approving the statutes of the Fund without delay so that it could begin operations on 1 January 1959, his delegation would be prepared, if necessary, to submit a compromise proposal under which the Economic and Social Council would elect the nine members of the Governing Council representing the developed countries, while the General Assembly would elect the nine representing the under-developed countries.

11. Referring to paragraph 26 of the provisions governing the Fund in the annex to Economic and Social Council resolution 692 A (XXVI), he suggested that the purposes of the Special Fund might be better served if the Consultative Board were to consist of the Secretary-General, the Executive Chairman of the Technical Assistance Board and the Director-General, or his representative, of the specialized agency most concerned with the project under consideration. Financial elements were already well represented in the management of the Fund; it was equally important that social and humanitarian elements should also be represented and that could best be done through the participation of the specialized agencies.

12. Once the Special Fund was set up, one of its first tasks should, his delegation thought, be to prepare international conventions embodying the recommendations of the groups of experts on full employment and on international economic stability<sup>1/</sup> set up under Economic and Social Council resolutions 221 E (IX) and 290 (XI) respectively. In connexion with the latter proposals, it might be useful to consider the possibility of the Fund acting as an international clearing-house, particularly for transactions between countries with inconvertible or soft currencies. Thus, through the Fund, considerable resources, at present sterile

or frozen, could be used to promote intra- and inter-regional trade.

13. His delegation reserved its right to propose an amendment to annex 1 of the Preparatory Committee's report (E/3098), if it should be included as an annex to the draft resolution or if it should, by some other means, become part of the terms of reference of the Special Fund. It also hoped to submit a draft text for a preamble to the proposed draft resolution. The Honduran Government would announce its contribution to the Fund at the appropriate time. The important thing at the moment was to agree on the setting up of the Special Fund and that, he hoped, would be done very shortly.

14. Mr. HAYTA (Turkey) said that his delegation had always been an enthusiastic supporter of the idea of SUNFED; realizing, however, that SUNFED could not be set up in present circumstances, it had now lent its support to the idea of the Special Fund, as proposed in the twenty-seven-Power draft resolution. Although more limited, such a fund could undoubtedly be effective; nor need the idea of SUNFED be put aside for good, and like the delegations of France, Belgium and Denmark, the Turkish delegation hoped that it would one day be possible to revive that idea. What was important at present was to set up the Special Fund without delay so that it could begin operations on 1 January 1959. His delegation would announce its contribution to the Fund at the Technical Assistance Conference on 16 October. It supported the interpretation given by the Preparatory Committee's Chairman, at the 514th meeting, of paragraph 47 of the provisions governing the Fund annexed to Economic and Social Council resolution 692 A (XXVI), that Governments could make their contributions in their national currencies, if they so desired. As to the management of the Fund, his delegation had confidence in the ability and objectivity of the Economic and Social Council and, therefore, supported the Preparatory Committee's recommendation in that respect. Replying to a previous intervention by the representative of the Soviet Union, he could assure the representative that his delegation did not feel that it was failing to protect Turkey's interests by so doing.

15. His delegation had no objection to the removal of the word "possible" from paragraph 1 of section I of the provisions governing the Fund or to the substitution of "equitable" for "reasonable" in paragraph 14 of section IV.

16. Mr. BOIKO (Ukrainian Soviet Socialist Republic) said that his comments would be based on the premise that the activities of the Special Fund would be directed towards a broadening of the scope of technical assistance programmes and that the Fund constituted the first stage of SUNFED. Although the documents relating to the Special Fund did not specify that that was so, many delegations had expressed their desire to see the Fund transformed into a capital development fund, and he hoped that the transformation would not be long delayed.

17. His delegation was among those which wished to see the principle of universality applied to the Fund. Any State which desired to participate should be permitted to do so, whether it was a State Member of the United Nations or a member of a specialized agency or not. The wording of paragraph 7 of the provisions

<sup>1/</sup> See *National and international measures for full employment* (United Nations publication, Sales No.: 1949.II.A.3) and *Measures for international economic stability* (United Nations publication, Sales No.: 1951.II.A.2).

in the annex to Economic and Social Council resolution 692 A (XXVI) should, therefore, be amended to read: "Participation in the Special Fund shall be open to all countries in the world". Paragraphs 13 and 45 would have to be amended accordingly.

18. The text to be adopted should also make it clear that each participant had the right to make its contribution in its own national currency, if it so desired. Paragraph 6 of the provisions submitted by the Council should include a recommendation to the Governing Council to make full use of funds made available in national currencies. The question of the currency in which its contribution was made, and the amount of the contribution were matters on which each participant had the right to decide for itself; the restrictive provisions in paragraphs 47 and 48 were in fact inconsistent with the principle of the voluntary nature of contributions laid down in paragraph 45. In paragraph 1, the word "possible" should be deleted, since it weakened the provisions of section III of General Assembly resolution 1219 (XII) and appeared to reflect the desire in certain quarters to restrict the development of the Special Fund.

19. With regard to the question of the Governing Council, his delegation believed that election by the General Assembly was preferable, since it would enable every participant in the Fund to influence its policies by playing a direct part in the election of its policy-making body and would tend to emphasize the separate and multilateral character of the Fund.

20. The provisions in paragraph 14 concerning the membership of the Governing Council might also be improved. It was clearly desirable that the principle of reasonable geographical distribution should apply to the representatives of the more developed countries as well as to the members elected from among the less developed countries. If the size of contributions was the main criterion in the case of the more developed countries, many smaller countries would automatically be barred from membership in the Council. It might also be useful to increase the size of the Council, if the under-developed countries so desired. The most important consideration was that the structure of the Fund should be such as to ensure its eventual transformation into a development agency on the lines of SUNFED.

21. Mr. ALDEGUER (Philippines) said that his delegation was naturally disappointed that no fund for economic development had as yet been established. Nevertheless, while the Special Fund could not be regarded as a substitute for SUNFED, it was to be welcomed as a supplement to the Expanded Programme of Technical Assistance. His delegation continued to hope that the SUNFED project would be revived and agreed with the representatives of India and the Netherlands that the Special Fund was the first phase of a project for a larger capital development fund, to which, in principle, the United Nations would be committed by the establishment of the Special Fund.

22. The Special Fund would meet the needs of some of the less developed countries which still needed basic technical assistance, but others, including his own, needed financial assistance to develop their infrastructure and build up industries, rather than technical assistance. In the case of the Philippines, plans for the development of its resources had already been drawn up, but capital was needed to finance the basic pro-

jects which had to be undertaken, before large foreign private investments could be attracted. The Special Fund which was concerned solely with pre-investment activities, would prove to be ineffectual if adequate financial assistance was not forthcoming.

23. As far as the specific provisions contained in the draft resolution submitted by the Council, were concerned, he thought that the arrangements for the evaluation and approval of projects might create difficulties. The Governing Council was to meet only twice a year, which would involve considerable delay in the evaluation of projects. Moreover, most of its members would not be conversant with conditions in the countries submitting the projects, and would have to rely on the Managing Director to provide them with the necessary information. He, in turn, would have to rely on experts, and that would involve further delay.

24. Despite the fact that the Special Fund did not meet his country's requirements, his delegation was prepared to accept it and had joined the other twenty-six Powers in sponsoring the draft resolution in the belief that the Committee should recognize that the Council's text represented a compromise and should avoid reopening issues that might jeopardize the prompt establishment of the Fund. In the case of the controversy concerning the election of the Governing Council, he was confident that a compromise solution could be found, since the provisions of paragraph 14 were adequate to ensure that the Governing Council was representative of the various opinions and interests involved whatever the method of its election.

25. Although his country was faced with grave economic and financial difficulties, his Government intended, subject to constitutional approval, to contribute a substantial amount to the Special Fund.

26. Mr. ZENKER (Austria) said that, while he welcomed any suggestion designed to reduce costs, he could not accept the Swedish representative's view (519th meeting) that the Special Fund should be incorporated into the Expanded Programme of Technical Assistance, in order to reduce administrative expenses. The Fund should have a separate administration, although it should make use of existing institutions wherever possible.

27. Turning to the draft resolutions before the Committee, he said that his delegation approved of the deletion of the word "possible" in paragraph 1 of the provisions in the annex to Council resolution 692 A (XXVI) and to the substitution of the word "equitable" for the word "reasonable" in paragraph 14.

28. With regard to the election of the Governing Council, his delegation did not think that the Governing Council would have more prestige or be more truly representative if it were elected by the General Assembly. The provisions of the Charter, previous practice and practical considerations, all appeared to favour election by the Economic and Social Council. The interests of participating States appeared to be adequately safeguarded by the provisions of paragraph 14 of the recommendations.

29. A difference of opinion also existed with regard to the desirability of a specific reference to SUNFED in the preamble. While the Special Fund could not, in his view, be regarded as a first phase in the development of SUNFED, he saw no reason why the Committee should not express the intention of taking up the



SUNFED project again when circumstances permitted. As the difference in approach seemed to be one of emphasis rather than one of substance, it should prove possible to work out a compromise text stressing the common aims of the two projects.

30. In view of the desirability of unanimity, he hoped that it would prove possible to combine the two draft resolutions in a generally acceptable text.

31. Mr. BERNARDO (Argentina) said that, although two clearly defined tendencies, reflected in the two draft resolutions, were evident in the debate, the differences between them were not fundamental. There was general agreement on the need to establish the Special Fund. The economic development of the under-developed countries was of equal interest to those countries and to the developed countries, since, without it, peace and social security could not be maintained. The success of the Fund would depend, however, on the way in which the essential idea was implemented, and it was, therefore, desirable that there should be unanimity as to the methods to be adopted.

32. It should be remembered that General Assembly resolution 1219 (XII) had itself been the result of a compromise between those who favoured a body with extensive powers and resources for financing economic development and those who felt that such aid should be kept within the framework of technical assistance. Argentina had always supported the former view. The fact that his delegation was a sponsor of the draft resolution contained in document A/C.2/L.363 and Add.1 and 2, did not mean that it had abandoned the idea of SUNFED. The Special Fund should be regarded, rather, as a first concrete step towards a more extensive institution. He could not agree with the objection that the preamble entailed a renunciation of the possibility of establishing a broader fund. It was necessary to proceed towards the final target by progressive stages, as the experience of technical assistance had shown. Too much zeal in the initial stages might, in fact, delay achievement of that target.

33. The only real difficulty was the question of who was to elect the Governing Council. His delegation supported the Preparatory Committee's recommendation that the election should be made by the Economic and Social Council. It was to be hoped, however, that some formula would be found to reconcile the views of the various delegations in the Second Committee.

34. Mr. MEDINA (Nicaragua) said that his delegation could not accept the suggestion of the representative of Honduras that half the members of the Governing Council might be elected by the General Assembly and half by the Economic and Social Council. Such a procedure would prolong the elections unduly. His delegation had not yet taken a stand in favour of election either by the Assembly or by the Council, but considered either method preferable to the new suggestion.

35. Mr. YEROVI-INDABURU (Ecuador) reaffirmed his delegation's view that the Special Fund should be brought into operation as soon as possible, despite its obvious limitations. There was a great need for technical assistance in the under-developed countries, but surveys and plans might be of little value if the financial assistance to make use of them was not forthcoming. More vigorous and extensive action was required to improve the economic potential of the

under-developed countries whose development prospects were jeopardized by the instability of commodity prices and the continual increase in the price of imported capital goods. The question of price equilibrium was fundamental, and it was to be hoped that the Commission on International Commodity Trade would find an answer to it.

36. As regards the question of what body should elect the Governing Council, his delegation favoured the Economic and Social Council, which had been specifically established for such purposes, rather than the General Assembly, which was better used as a forum for political discussion. An effort should be made to reconcile the two opposing views.

37. Mr. RONAN (Ireland) said that his delegation warmly welcomed and supported the proposals for the Special Fund as a practical achievement in the efforts to eliminate the basic causes of distress in under-developed areas of the world. His delegation therefore approached the proposals in a sympathetic way, with the problems of the less developed countries in mind, but also with an eye to the practical considerations involved. When SUNFED had been postponed as a practical proposition at the twelfth session, his delegation had supported the efforts to find a suitable alternative and believed that the Preparatory Committee's scheme represented the best compromise that could be achieved in the circumstances.

38. He welcomed the Preparatory Committee's recommendations concerning the use of existing facilities and services and the co-ordination of the activities of the Special Fund and the Expanded Programme with a view to the reduction of administrative costs. Commenting on the text of the provisions in the annex to Economic and Social Council resolution 692 A (XXVI), he felt that, in paragraph 1 (c), the reference to the resources of the Fund, not being likely to exceed \$100 million annually, might be omitted, since the indications were that, in the first year, they might not exceed \$30 million. The target of \$100 million should, of course, be kept in view. He also considered that it should be specifically stated whether assistance from the Fund was to be in the form of grants or loans, or both. It should also be made clear whether interests would be charged on the repayments mentioned in paragraph 56. His delegation agreed that in paragraph 14 the word "reasonable" should be replaced by the word "equitable", as suggested by the representative of Thailand (516th meeting), and that in paragraph 1 the passages taken from section III of General Assembly resolution 1219 (XII) should be put in quotation marks, as suggested by the Netherlands representative (516th meeting).

39. The difference between the two draft resolutions was not very great and the Drafting Committee should be able to produce an agreed text as regards the preamble. The word "possible" could be omitted from paragraph 1 of the provisions governing the Fund, without difficulty. His delegation could not, however, accept the proposal that the General Assembly should elect the members of the Governing Council. The Economic and Social Council, which was responsible to the General Assembly, already elected the members of the Technical Assistance Committee, the United Nations Children's Fund and other such bodies, and would, moreover, be entrusted with the supervision of the administration and operation of the Special Fund.

Until such time, as a fund of the dimensions of SUNFED became a practical proposition, election by the Economic and Social Council would, therefore, seem to be the appropriate course.

40. It was the hope of his delegation, as expressed by the Minister for External Affairs of Ireland in the General Assembly (751st plenary meeting), that schemes of nuclear restrictions and disarmament

might be negotiated and that, as a result, further funds might be released for the economic improvement of less developed countries.

41. Finally, he expressed appreciation of the efforts made by the major contributors, especially the United States, to United Nations programmes of economic assistance.

The meeting rose at 1 p.m.