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Report of the Committee on a United Nations Capital Development Fund

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INTRODUCTION

Opening of the session

1. The Under-Secretary for Economic and Social Affairs opened the session and welcomed the members of the Committee.

Representation at the session

2. The members of the Committee were represented as follows:

Argentina: Mr. H. Bernardo.

Brazil: Mr. E. Penteado, Mr. M. Rego Monteiro (Adviser).

Burma: U Thant, U Aung Thant (Alternate), U Tin Tun (Alternate).

Canada: Mr. R. H. Jay, Miss G. Sellers (Adviser).

Chile: Mr. H. Diaz-Casaneva, Mr. C. Mardones (Alternate).

Czechoslovakia: Mr. K. Kurka, Mr. E. Zapotocky (Alternate), Mr. J. Jambor (Adviser).

Denmark: Mrs. N. Wright, Mr. P. Green (Alternate).

France: Mr. M. Viaud, Mr. A. George (Alternate), Mr. A. Dangeard (Alternate).

Ghana: Mr. A. Quaison-Sackey, Mr. K. K. S. Dadzie (Alternate), Mr. J. A. Kuntoh (Alternate), Mr. S. Adusei-Poku (Alternate).

India: Mr. C. S. Iha, Mr. I. G. Patel (Alternate), Mr. S. K. Roy (Alternate), Mr. S. S. Nath (Adviser).

Indonesia: Mr. Z. Zarin, Mr. J. B. P. Maramis (Alternate).

Iraq: Mr. A. M. Pachachi, Mr. I. T. Kittani, Miss F. Kamal.

Italy: Mr. M. Franzi.

Ivory Coast: Mr. S. Ake.

Japan: Mr. M. Kakitsubo, Mr. M. Ito (Alternate), Mr. S. Kadota (Adviser).

Netherlands: Mr. J. Kaufmann, Miss J. D. Pelt (Alternate).

Nigeria: Mr. P. C. Asiodu, Mr. D. Dankaro (Alternate).

Pakistan: Mr. S. Hasan, Mr. Y. J. Ahmad (Alternate).

Peru: Mr. J. P. Fernandini.

Sudan: Mr. O. A. H. Adeel, Mr. M. El-Amin Abdalla (Alternate).

Union of Soviet Socialist Republics: Mr. E. N. Makeev, Mr. B. P. Prokofyev (Alternate).

United Arab Republic: Mr. A. El-Banna, Mr. A. B. H. Abdel Ghaffar, Mr. A. El-Garhi.

United Kingdom: Mr. A. A. Dudley, Mr. M. W. Errock (Alternate).

United States: Mr. P. M. Klutznick, Mr. S. M. Finger (Alternate).

Yugoslavia: Mr. M. Pavicevic, Mr. B. Karapandza, Mr. B. Radivojevic (Adviser).

3. The specialized agencies were represented as follows:

International Labour Organisation: Mr. H. E. Reymond, Mr. E. Zmirou.

Food and Agriculture Organization of the United Nations: Mr. J. L. Orr, Mr. P. V. Acharya.

United Nations Educational, Scientific and Cultural Organization: Mr. A. Gagliotti.

World Health Organization: Mrs. S. O. Meagher, Dr. M. Sacks.

International Bank for Reconstruction and Development:
International Development Association: Mr. E. Lopez Herrarte, Mrs. S. Boskey.

Election of officers

4. The Committee elected the following officers:

Chairman: U Thant (Burma);

First Vice-Chairman: Mr. Mario Franzi (Italy);

Second Vice-Chairman: Mr. Hector Bernardo (Argentina);

Rapporteur: Mr. Branko Karapandza (Yugoslavia).²⁰⁹

Adoption of the agenda

5. At its first meeting on 17 April 1961, the Committee adopted the following agenda (A/AC.102/1):

1. Election of officers.

2. Organization of the Committee's work.

6. At its second meeting on 15 May 1961, the Committee adopted the following revised provisional agenda submitted by the Chairman (A/AC.102/1/Rev.1):

1. Adoption of the agenda.

2. General debate.

3. Consideration of concrete preparatory measures.

4. Question of draft legislation.

²⁰⁹ During the absence of Mr. Karapandza, beginning on 29 May 1961, Mr. Ismat Kittani (Iraq) was asked by the Committee to act as Rapporteur.

5. Adoption of the Committee's report to the Economic and Social Council and to the General Assembly.
6. Closing of the session.

Terms of reference

7. The Committee took as its terms of reference resolution 1521 (XV) adopted by the General Assembly on 15 December 1960. The operative paragraphs of this resolution may be quoted in full:

"1. *Decides* in principle that a United Nations capital development fund shall be established;

"2. *Resolves* that a committee of twenty-five representatives of Member States, to be designated by the President of the General Assembly on the basis of equitable geographical distribution, shall consider all concrete preparatory measures, including draft legislation, necessary to that end;

"3. *Requests* the Committee to submit its recommendations, including the draft legislation, to the Economic and Social Council at its thirty-second session, which shall transmit them, together with its comments, to the General Assembly at its sixteenth session for action;

"4. *Requests* the Secretary-General to provide the Committee with the necessary facilities."

Attention was also drawn to the resolution's third preambular clause by which the Assembly recognized "that the present flow of capital from the economically advanced countries to the under-developed countries for the economic and social development of the latter is wholly inadequate in nature and scope".

8. An understanding had also been reached in the Second Committee of the General Assembly²¹⁰ that the Committee on a United Nations Capital Development Fund would take into account the following provisions which had originally been proposed as amendments to resolution 1521(XV) by Denmark, Greece and the Netherlands:

"(a) The need to accelerate the economic and social development of the less developed countries by increased capital investments;

"(b) The necessity to have the fullest possible use of existing machinery for international assistance of the economic and social development of the less developed countries, especially the United Nations Special Fund;

"(c) The need for close working relationships and effective co-ordination between all organs active in the field of international financing of the economic and social development of the less developed countries."

Statements by certain members regarding their participation in the Committee's work

9. In agreeing to participate in the Committee's work, six members made statements which were circulated to other members (A/AC.102/2 and Add.1) and which are reproduced below:

Canada:

"...Canadian participation is on the understanding that Canada accepts no commitment of any kind by virtue of membership, and further, it is to be understood (as stated in document A/4648) that the terms of reference of the Committee, as described in the resolution, do not limit in any way the competence of the Committee to consider the various measures

which might be taken, including the consideration of the evolution of existing facilities toward the purpose envisaged in the resolution."

France:

"...The French delegation abstained in the vote on resolution 1521 (XV). It explained the reasons for that attitude in its statements in the Second Committee. The participation of a French representative in the work of the Committee should not be interpreted as a change of position.

"Furthermore, the French Government does not consider that the study of 'concrete preparatory measures, including draft legislation' means that the Committee is called upon to submit a suggested draft constitution for the new body, since that would exceed the bounds of a mere study.

"My Government also wishes to state that, in view of its existing commitments for the financing of economic assistance, it is not at present in a position to contribute towards a further institution to be set up in addition to those already in existence even before the latter have had time to reach their maximum effectiveness. In other words, our participation in the work of the Committee does not imply any undertaking to contribute financially to the organization if and when it is established."

Italy:

"Attention is invited by the Government to 'the considerations expressed by the Italian delegate during the 705th meeting of the Second Committee of the fifteenth General Assembly, held on 6 December 1960.'"

Japan:

"Japan's acceptance to serve on the Committee 'does not imply any financial commitment to the United Nations Capital Development Fund, nor, at this stage, any change in its views on that Fund expressed by its delegation during the fifteenth session of the General Assembly.'"

United Kingdom:

"Her Majesty's Government in the United Kingdom are prepared to accept the invitation of the President of the Assembly to be represented in the Committee of twenty-five Member States to be set up in compliance with resolution 1521 (XV). In so doing, they wish to make it clear that their views concerning the desirability or otherwise of establishing a United Nations capital development fund which are set out in document E/3393 of the Economic and Social Council²¹¹ and which were restated to the Second Committee of the General Assembly by the United Kingdom representative on 25 November 1960 in connexion with the debate on resolution 1521 (XV), remain unchanged.

"The United Kingdom Government continue to recognize the sincerity with which the continued discussion of a possible United Nations capital development fund has been advocated by its supporters. Those supporters in their turn will however be aware that the United Kingdom already devotes substantial contributions from its resources through many channels to providing capital for the development of the less-developed countries and to technical assistance and other pre-investment programmes designed to achieve the same end. It is on the basis of their considerable experience in this field, which they wish to make available to the Preparatory Committee in the hope that it will prove useful to its members, that they are willing to take part in the work of the Committee.

"As was made clear in the statements referred to above, the United Kingdom Government are not ready at present to undertake financial commitments under this head in addition to those

²¹⁰ A/4648, paras. 111, 113.

²¹¹ *Official Records of the Economic and Social Council, Thirtieth Session, Annexes, agenda items 2 and 4.*

recently assumed for the International Development Association, which they consider to be a capital development fund within the framework of the United Nations. They wish moreover to emphasize that their agreement to serve on the Committee implies no commitment, and especially no financial commitment, to support any recommendations which may eventually be decided by the Preparatory Committee or by a majority of that Committee except where the United Kingdom representative had supported such recommendations.

"In setting forth these considerations relating to their participation in the work of the Committee, the United Kingdom Government wish to re-emphasize not only the very great importance which they attach to furthering economic development through suitable channels and agencies but also specifically to the part which is already being played by the United Nations and specialized agencies both through research and in their operational programmes which Her Majesty's Government in the United Kingdom consider to be a major factor in furthering the work of economic development."

United States:

"The decision of the United States of America to participate in the new Committee reflects its intense interest in the achievement of a more satisfactory rate of economic development in the less-developed countries. In recent years this interest led the United States to sponsor such new international instruments for the promotion of economic development as the International Development Association, the Inter-American Development Bank, and the United Nations Special Fund. In the opinion of the United States, the principal obstacle to economic growth in many less developed countries is no longer the lack of external financing, but rather the absence of the trained people, the public and private institutions, and the values which are essential for a successful development effort. It is for this reason that the United States has supported new international efforts not merely in development financing, but in the training of people and in the development of sound economic and political institutions within the less developed societies.

"The United States considers that increasing amounts of capital for economic development must continue to be supplied both through the United Nations family and through other institutions if the necessary progress in economic development is to be achieved during the current decade. In the view of the United States Government the question is not whether such funds should be made available, but only through what institutions they should be channeled and how they should be administered so as to bring about the maximum of results.

"At the fifteenth session of the General Assembly, the United States opposed the proposal to establish a capital development fund as a new and separate United Nations institution. It continues to oppose this proposal. The creation of yet another international institution within the United Nations family for economic development would involve wasteful duplication of effort.

"The United States has accumulated considerable experience in economic development in the course of its participation in bilateral and multilateral programmes since the Second World War. It wishes to share this experience with the other members of the new Committee as well as to draw upon their ideas. It has accepted membership in the Committee despite its opposition to the creation of a new and separate capital development fund because it wishes to encourage evaluation of the whole range of alternatives by which the United Nations and the specialized agencies might contribute more effectively to the process of economic development.

"The Secretary-General may be assured that the United States proposes to participate vigorously in the work of the Committee in the hope that it will lay the basis for a more

effective United Nations effort in the urgent business of economic development."

Organization of the Committee's work

10. The Committee held a meeting on 17 April 1961 for the purpose of electing its officers and considering the way in which its future work might be organized and what documentation it needed. Among the papers requested by the Committee was an "Historical Résumé of the proposal for a United Nations capital development fund", subsequently issued as document A/AC.102/3.

11. The Committee held eight meetings during the period 15 May to 5 June 1961. At its fourth meeting, on 16 May 1961, the Committee decided to set up a sub-committee having the same terms of reference as the Committee and with the special task of considering items 3 and 4 of the agenda. The Chairman appointed Argentina, Brazil, Canada, France, India, Indonesia, Iraq, Nigeria, the Union of Soviet Socialist Republics, the United Arab Republic, the United Kingdom of Great Britain and Northern Ireland, the United States of America and Yugoslavia to serve on the Sub-Committee, and other members who wished to do so were invited to attend its meetings.

12. The Sub-Committee held ten meetings during the period 16-22 May 1961. At the first meeting, Mr. Ismat Kittani (Iraq) was elected Chairman. The Sub-Committee asked Mr. Branko Karapandza (Yugoslavia), the Committee's Rapporteur, to serve also as its Rapporteur. It submitted a report on its work to the Committee (A/AC.102/4).

General debate

13. Many delegations did not, at the outset, participate in the general debate because their views were well known and because the terms of reference of the Committee were directed towards the consideration of concrete preparatory measures, including draft legislation. Preliminary general statements were, however, made by two delegations.

14. The representative of the USSR states that his delegation considered that the basic principles on which the capital development fund should be established were as follows:

Contributions to the fund should be voluntary. The assistance granted by the fund should be in the form of long-term, low-interest loans and also, perhaps, of interest-free loans. Under-developed countries might repay loans from the fund in their national currency.

Contributions to the Fund should be made in national currency or in kind—i.e., in the form of deliveries of equipment, machinery, materials, technical documents and designs and specifications.

The fund's essential task should be to furnish assistance in developing the economy of the under-developed countries, and primarily the state sector of national industry, and to help the under-developed countries to obtain capital equipment for complete plants on favourable terms for the basic development of heavy industry.

The fund should be set up as an independent organ and should not be subordinate to the International Bank for

Reconstruction and Development or to other international financial organizations.

The fund should be established on the principle of the equality of rights of all countries wishing to participate in it. It should be a broad universal institution established on the principle that all States wishing to afford assistance to under-developed countries should be free to participate in it.

The Fund's policy-making and executive organs should be organized on the principle of equal representation of the principal contributors, on the one hand, and of the under-developed countries, on the other hand, with due regard for equal representation for the various groups of States existing in the world—the neutralist States, the socialist States and the capitalist States members of western alliances.

In supporting the proposal for the establishment of the Fund, the USSR had in mind the transformation into the capital development fund of the existing Special Fund, in accordance with General Assembly resolution 1240 (XIII).

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15. The representative of the United Arab Republic proposed that, in preparing the draft legislation, the Committee might take the following basic considerations as a guide :

The fund would not merely finance, by grants or long-term, low-interest loans, projects still in the initial stage but it would also support existing projects, regardless of their nature and of whether they had been launched by the authorities, by national organizations or by development banks. States Members of the United Nations would be founding members, as would any other country participating in the fund from the outset. The initial total capital of the fund would have to be determined ; it would be increased on the admission of new members or at other appropriate times, for example on the termination of the arms race. However, a link should be made between the national income of the contributing countries and their contributions to the fund ; that principle might include some exemption for countries with a lower national income. Some of the principal industrialized countries would be required to pay a certain percentage of their contributions in convertible currencies. Agreements between the Fund and the borrower would specify the conditions (terms and rate of interest) of the loan in accordance with the legislative provisions, and the currency in which it was to be repaid ; the borrower's special circumstances would, however, have to be taken into account in each case. Each loan might be guaranteed by the government of the country in which the project was to be undertaken. The governing body of the fund would be established on the basis of equitable geographical representation for States members of the fund, with special attention to ensure adequate representation of the less-developed countries. Equality of voting rights should be explicitly set out as a major guiding principle. Every State member of the governing body would have one vote and decisions would be taken by an absolute majority of votes.

16. Further general statements made at later stages in the Committee's work have been summarized in paragraphs 42-68 below.

I. CONSIDERATION OF CONCRETE PREPARATORY MEASURES

A. General principles

17. When the Committee approached the question

of concrete preparatory measures, it was obliged to take into account certain difficulties which had not been fully foreseen. In the first place, owing to unavoidable circumstances, the Committee had not been able to begin its substantive meetings until the second half of May, and thus it lacked the time necessary for a careful and exhaustive consideration of all the preparatory measures which might be taken. It was also limited by the tight scheduling of its own meetings with those of other United Nations bodies, as well as by the necessity of concluding its work by a date which would permit the distribution of its report in all languages in time for its consideration by the Economic and Social Council at its summer session as required under General Assembly resolution 1521 (XV).

18. In the second place, the Committee wished to do all it could to take into account the qualifications which some of its members had placed on their participation in the Committee's work. On the one hand, it was recognized that the representatives of the governments concerned could not participate in the elaboration of certain kinds of preparatory measures ; on the other hand, it was felt that the Committee as a whole could not but address itself to a variety of preparatory measures in view of its terms of reference, as set forth in General Assembly resolution 1521 (XV).

Work of the Sub-Committee in formulating general principles

19. The first stage of the Committee's work took place in the Sub-Committee, which decided to begin with those preparatory measures in the consideration of which all its members could take part, and then to proceed to the other measures on which it would be more difficult to achieve unanimous agreement.

20. The Sub-Committee spent the larger part of its time elaborating the twelve general principles on international financing which appear in paragraph 23 below. Some members wanted to draft principles with specific reference to legislation for a United Nations capital development fund. Other members, however, maintained that their instructions with respect to the establishment of a United Nations capital development fund would make it difficult to discuss principles directly related to such legislation. Consequently, in order to have maximum agreement on the principles of international financing, it was decided to formulate principles having general application. The elaboration of these principles involved a great deal of drafting and re-drafting, not only because of differing views on substantive questions, but also because the implications of certain formulations had to be carefully considered. Despite the difficulties, both substantive and formal, the Sub-Committee succeeded in drafting twelve generally acceptable principles, and it hoped that these principles might serve as a foundation on which further progress might be made in this field.

21. Although the deliberations which preceded the adoption of each principle have not been summarized in the present report, an account of these proceedings

may be found in the summary records of the Sub-Committee's meetings (A/AC.102/SC.1/SR.1-10).

22. The Sub-Committee used as starting-points for its work, *inter alia*, the second or shorter "legal framework" prepared by the Committee of Nineteen,²¹² the report of the Committee on a Special United Nations Fund for Economic Development,²¹³ and the principles annexed to the eleven-power draft resolution submitted at the twelfth session of the General Assembly (A/C.2/L.331). However, it modified this material substantially both to achieve its present purpose—i.e., to formulate general principles enjoying wide support, and to take into account developments which had taken place during the past four years.

23. After a full and frank discussion, the Sub-Committee was able to recommend, unanimously, the following general principles:

1. Assistance to under-developed countries should be directed towards the achievement of accelerated and self-sustained growth of their economies. In keeping with this objective, assistance should be oriented towards the diversification of their economies, with due regard to the need for industrial development as a basis for social progress.

2. The provision of assistance shall be in conformity with the purposes and principles of the Charter of the United Nations.

3. Operations should not serve as a means for foreign economic and political interference in the internal affairs of assisted countries and should not be influenced by considerations relating to the nature of their economic and political systems.

4. Assistance should be of a kind and in a form in accordance with the wishes of the recipients and should involve no unacceptable conditions for them, political, economic, military or other.

5. Assistance should be provided in such forms and on such terms as are compatible with the continued economic development of the assisted countries, taking due account of their balance of payments position and prospects.

6. Assistance should be given in a flexible manner and not necessarily be limited to specific projects or groups of projects. Assistance can also be given in support of general development plans, where such plans exist, or to general development requirements.

7. Resources must be large enough to make a significant contribution towards the achievement of accelerated and self-sustained economic growth of the less developed countries.

8. While funds should be derived from contributions by all Members, the bulk of the contributions should come from the more developed countries in a readily and economically usable form.

9. The size and the nature of the contributions of the less developed countries should not be such as to hamper the effective mobilization of their resources for their own economic development.

10. The contributions should ensure the provision of assistance on a long-term and continuing basis.

11. Resources available should be augmented by a portion of any savings from progress made in internationally supervised world-wide disarmament.

12. Every effort should be made to co-ordinate the assistance rendered by all sources so as to achieve the maximum permanent

beneficial effect on the economies of the less developed countries.

24. In addition to the twelve principles on which the Sub-Committee reached agreement, a number of other principles were raised in the Sub-Committee. These included principles relating to the voting system, restriction of assistance to governments, nature of grants and loans, and objective criteria for contributions. It was clear that it would have been difficult to achieve agreement in the Sub-Committee in respect of these additional principles. However, several representatives indicated that they intended to raise the question of these further principles in the Committee because in their opinion they were necessary elements in the fund.

Work of the Committee as regards general principles

25. The twelve general principles recommended by the Sub-Committee, as contained in its report (A/AC.102/4), were considered by the Committee at its fifth and sixth meetings. The Committee approved them unanimously, as far as they went, and decided to include them in its report to the Economic and Social Council and the General Assembly.

26. The Committee went on to consider other general principles, on which it recognized that general agreement would be harder to achieve, as well as the question whether the general principles already approved should be related specifically to a United capital development fund. While some delegations had only been able to participate in the drawing up of the principles on the understanding that they would be applicable to all international financing institutions, other delegations considered themselves bound by the terms of General Assembly resolution 1521(XV) to indicate, in clear terms, that these principles bore a direct relationship to a United Nations capital development fund, and that the twelve principles had to be supplemented by certain other principles in order to provide a more adequate basis for the preparation of draft legislation for such a fund.

27. It was suggested that a new principle should be added providing that all members of the fund's governing body should have equal voting rights. Many delegations considered that this principle would be limited in its application to a United Nations capital development fund.

28. It was also suggested that the form in which assistance would be given might be indicated more specifically than in principle 5. However, it was pointed out that it might be better, at the present stage, for the Committee to reserve its position on this question.

29. The Committee also considered the question of whether assistance should be given only to governments. However, some members argued that it was for each government to decide whether assistance should be given only to it or to other entities with its concurrence.

30. Several delegations regretted that no reference had been made to objective criteria, such as national income, with respect to contributions from developed

²¹² Official Records of the General Assembly, Twelfth Session, Annexes, agenda item 28, documents A/3579 and Add.1.

²¹³ United Nations Publication, Sales No. 1953.II.B.1.

countries. One delegation expressed its regret that there were no principles providing for universal participation by all States in the new fund or reflecting the special historical responsibility of some States for the situation in the less developed countries.

31. At its sixth meeting, Brazil, Chile, India, Indonesia, Iraq, Nigeria, the United Arab Republic and Yugoslavia submitted the following draft resolution for the Committee's approval (A/AC.102/L.2):

"The Committee on a United Nations Capital Development Fund

"1. Recommends to the Economic and Social Council to transmit the annexed general principles, which the Committee believes should govern the establishment and operations of a United Nations Capital Development Fund, to all Members of the United Nations and to all the specialized agencies,

"2. Recommends to the General Assembly at its sixteenth session to adopt the following draft resolution:

"The General Assembly,

"Recalling its resolution 1521 (XV),

Having considered the report of the Committee on a United Nations Capital Development Fund, and the comments of the Economic and Social Council thereon,

"1. Decides to extend the mandate of the Committee;

"2. Instructs the Committee to prepare the necessary draft legislation (statute) for a United Nations Capital Development Fund in the light of the general principles prepared by the Committee, the comments of the Economic and Social Council and the discussions at the sixteenth session of the General Assembly;

"3. Requests the Committee to submit the draft legislation (statute) to the Economic and Social Council at its thirty-fourth session, which shall transmit it, together with its comments, to the General Assembly at its seventeenth session."

ANNEX

General principles governing the establishment and operations of a United Nations Capital Development Fund

1. Assistance from the Fund to under-developed countries should be directed towards the achievement of accelerated and self-sustained growth of their economies. In keeping with this objective, assistance should be oriented towards the diversification of their economies, with due regard to the need for industrial development as a basis for social progress.

2. The provision of assistance shall be in conformity with the purposes and principles of the Charter of the United Nations.

3. Operations of the Fund should not serve as a means for foreign economic and political interference in the internal affairs of assisted countries and should not be influenced by considerations relating to the nature of their economic and political systems.

4. Assistance should be of a kind and in a form in accordance with the wishes of the recipients and should involve no unacceptable conditions for them, political, economic, military or other.

5. Assistance from the Fund should be provided in such forms and on such terms as are compatible with the continued economic development of the assisted countries, taking due account of their balance-of-payments position and prospects.

6. Assistance from the Fund should be given in a flexible manner and not necessarily be limited to specific projects or groups of projects. Assistance can also be given in support of general development plans, where such plans exist, or to general development requirements.

7. Resources of the Fund must be large enough to make a significant contribution towards the achievement of accelerated and self-sustained economic growth of the less developed countries.

8. While funds should be derived from contributions by all Members, the bulk of the contributions to the Fund should come from the more developed countries in a readily and economically usable form.

9. The size and the nature of the contributions of the less developed countries to the Fund should not be such as to hamper the effective mobilization of their resources for their own economic development.

10. Contributions to the Fund should ensure the provision of assistance on a long-term and continuing basis.

11. Resources available to the Fund should be augmented by a portion of any savings from progress made in internationally supervised world-wide disarmament.

12. Every effort should be made to co-ordinate the assistance rendered by the Fund with assistance from other sources so as to achieve the maximum permanent beneficial effect on the economies of the less developed countries.

13. All members of the governing body of the Fund shall have equal voting rights.

32. The representative of Chile, in introducing the draft resolution, pointed out that it linked the twelve principles drawn up in the Sub-Committee to a United Nations capital development fund and that it included a thirteenth principle on voting rights. He added that the sponsors realized that the establishment of the fund would be a long process and that the preparation of draft legislation could not take place until 1962. He appealed to the more advanced countries to give their support to the draft resolution.

33. The representative of the Netherlands drew attention to the understanding reached in the Second Committee of the General Assembly that the Committee on a United Nations Capital Development Fund would take into account "the necessity to have the fullest possible use of existing machinery for international assistance of the economic and social development of the less developed countries, especially the United Nations Special Fund". His delegation continued to feel that the Special Fund might evolve in due course into a United Nations capital development fund, but considered that more time should be allowed to see how the Special Fund and other international financing institutions were operating before a new fund was established.

34. He submitted the following amendments, on behalf his own delegations and that of Denmark to the eight-Power draft resolution:

Draft resolution by the Committee on a United Nations Capital Development Fund

(1) Operative paragraph 2 should be revised to read as follows:

"Recommends to the Economic and Social Council to consider the following draft for a resolution to be transmitted to and to be considered at the sixteenth session of the General Assembly:"

Draft resolution for the General Assembly

(2) The following words should be added at the end of operative paragraph 2:

"...and the Secretary-General's report on the financial needs of less developed countries and on the impact of existing financial institutions, as proposed by the Committee."

(3) The following new paragraph should be added as operative paragraph 4:

"4. *Requests* the Committee to take into account the desirability of devising an arrangement for inter-governmental control and for voting likely to inspire the confidence of all participants in the Fund, for example, an arrangement where there would be equal representation on the inter-governmental body of economically more developed countries and less developed countries, where each member of the inter-governmental body would have one vote and where a qualified majority might be required for important decisions."

35. The sponsors of the draft resolution (A/AC.102/L.2) and of the amendments (A/AC.102/L.3) agreed that the first amendment should be slightly modified to read as follows:

Annex

(4) Paragraph 13 should be deleted.

"*Recommends* to the Economic and Social Council to transmit with its comments the following draft for a resolution to be considered at the sixteenth session of the General Assembly."

36. The second and fourth amendments were accepted without change.

37. The third amendment—i.e., the new operative paragraph 4 to be included in the draft resolution for the General Assembly—was revised to read as follows:

"4. *Requests* the Committee to take into account the desirability of devising an arrangement for inter-governmental control and for voting such as to inspire the confidence of all members of the Fund, in accordance with the principles and purposes of the United Nations Charter."

38. It was suggested by the representative of Italy that operative paragraphs 2 and 3 might be re-drafted in the following way in order to make possible the unanimous adoption of the draft resolution:

"2. *Recommends* the Committee to continue its necessary work so as to establish a United Nations Capital Development Fund, bearing in mind resolution 1521 (XV) and the general principles established by the Committee, the observations of the Economic and Social Council and the discussions of the General Assembly at its sixteenth session;

"3. *Requests* the Committee to submit a report to the thirty-fourth session of the Economic and Social Council, to be transmitted, along with its comments, to the General Assembly at its seventeenth session."

The representative of Nigeria replied that the sponsors of the joint draft resolution could not accept the suggestion. The representative of Italy did not press his suggestions (see paragraph 56 below).

39. The Committee then adopted the joint draft resolution, as amended, by a roll-call vote of 17 to 4, with 1 abstention. The voting was as follows:

In favour: Brazil, Burma, Chile, Denmark, Ghana, India, Indonesia, Iraq, Italy, Netherlands, Nigeria, Pakistan, Peru, Sudan, Union of Soviet Socialist Republics, United Arab Republic, Yugoslavia.

Against: Canada, France, United Kingdom of Great Britain and Northern Ireland, United States of America.

Abstaining: Japan.

40. The representatives of Argentina and Czechoslovakia informed the Committee that they wished to be recorded as being in favour of the draft resolution.

41. During the discussion, and more particularly following the voting on the draft resolution, a number of delegations made statements, of which some were wholly in explanation of vote while others set forth their positions in general. These statements are summarized briefly in the following paragraphs.

42. At the fifth meeting, the representative of India elaborated the position of his Government on certain of the general principles before the Committee. His delegation attached the utmost importance to principle 7 on the size of the fund and considered that there would be little point to setting up a symbolic fund with modest resources. While it understood that a United Nations capital development fund could not and need not fill the entire gap between what was needed and what was available, it had to be entrusted with a significant share of the over-all job. He also stressed the importance of maintaining a clear distinction between the contributing and the recipient members of the fund, with the responsibility for providing the fund's resources resting essentially with the former. He pointed out that the less-developed countries were shouldering, and must inevitably shoulder, the major part of the burden of their own development, and therefore there should be no attempt to establish a false parity between the size and nature of the contributions of the two groups of countries.

43. The representative of India added that his delegation attached great importance to working out an agreed basis for determining the contributions of different countries with commitments made in advance for a period of years; otherwise the fund would be condemned to a hand-to-mouth existence. Sound development required long-term planning and programming. His delegation considered that the contributions of developed countries should be in a fully convertible and untied form, and that there was much to be said for the fund adopting the straightforward approach of grants-in-aid. As regards their use, it supported the idea of general purpose grants in support of developmental plans and programmes as a whole because the project approach had proved inflexible and often tied up funds in slow-moving projects. This approach would obviate the need for the fund to recruit a large and specialized staff. He concluded by urging that the operations and activities of the fund should not be controlled by its members in proportion to their contributions to it.

44. At the seventh meeting, the representative of Indonesia said that the economic and social development of the under-developed countries was the greatest challenge facing the world today and that the international community could play a decisive role in this struggle. To deal with the situation, the international community must fall in with current trends and abandon the old methods which had proved inadequate. Furthermore, the rate of capital inflow to the less-developed countries was slightly more than half the \$7 billion

per year needed, and almost no headway was being made. New concepts and new approaches were therefore needed. In his opinion, the multilateral approach, in which all nations were equal partners, was the best one to mobilize the necessary human and material resources. A United Nations capital development fund would be the first step towards enlisting that type of international co-operation.

45. For this reason, his delegation was deeply disappointed in the lack of concrete results achieved by the Committee, as well as by the fact that it had not even discussed the draft legislation. He generally endorsed the twelve principles adopted in order to enable the Committee to report some progress, however slight, towards fulfilling the task with which it had been entrusted. In this connexion, he drew attention to the following points: (1) the fund's resources should be large enough to meet the capital development needs of the less-developed countries on a long-term and continuing basis; (2) disbursements should take whatever form the individual recipients considered most desirable for their particular needs and economic situation, that is, either grants or long-term, low-interest loans; (3) assistance should be given primarily to projects forming part of over-all development plans; (4) contributions should be voluntary; their size should be based on objective criteria; and they should be made as much as possible in convertible currencies; and (5) all members of the fund should have equal voting rights.

46. The representative of Canada said that his delegation could not support the eighth-power resolution because it was directed towards the creation of new machinery, and his Government did not think that setting up new machinery was the best way of accelerating assistance to under-developed countries. He hoped that the point would not be reached where Canada, under its reservations, could no longer participate in the Committee's work.

47. The representative of the Netherlands pointed out that the text of the resolution just adopted by the Committee did not prejudge the nature of the machinery for a United Nations capital development fund; it did not necessarily indicate that there would be new machinery.

48. At the eighth meeting, the representative of the United Kingdom explained that he had voted against the draft resolution because his delegation had not been able to accept the modifications made by the sponsors in the twelve general principles adopted in the Sub-Committee. He considered, however, that the time spent in formulating these principles had not been wasted and that the General Assembly would be grateful for this evidence that thirteen delegations, representing a wide variety of economic opinion and approach, should have successfully formulated in simple language the basic rules governing the supply of external aid for economic development.

49. He had also voted against the draft resolution because his delegation did not believe that legislation for a United Nations capital development fund could

usefully be drafted at the present time when there was no prospect of adequate and continuing resources for such a fund in a readily and economically usable form. It was doubtful whether circumstances would have changed sufficiently by the next session of the Committee to enable it to perform this task successfully.

50. While expressing his regret that it had not been possible to maintain the unanimity reached in the Sub-Committee, the representative of the United Kingdom promised that his Government stood ready to assist to the best of its ability practical efforts to further, bilaterally and multilaterally, the economic development of the less-developed countries throughout the world. It remained ready to continue, in the wording of resolution 1521 (XV), the consideration of concrete measures in the hope that this consideration would broaden the field of agreement between the members of the Committee, as it had already done at the present session.

51. The representative of the United States referred to General Assembly resolution 1522 (XV) which set forth the respective responsibilities of the developing and the developed countries in the field of international assistance. The flow of United States assistance and capital to the developing countries, in its various aspects, already exceeded 1 per cent of its national income. Other developed countries had accepted the principle of augmented, long-range aid to the less developed countries and were taking the necessary steps to implement this principle.

52. He pointed out that a number of important steps to help the less developed countries were under way: (1) a new target of \$150 million had been set for the Expanded Programme of Technical Assistance and the Special Fund; (2) the Commission for International Commodity Trade was coming to grips with the problem of finding concrete and practical ways of dealing with the difficulties being experienced in particular commodity markets; (3) the Food and Agriculture Organization of the United Nations was moving rapidly and imaginatively towards the utilization of food surpluses through the United Nations system; (4) the large and recently augmented programme of the International Bank, and the development aid available under the International Development Association, taken together with the work of the Expanded Programme and the Special Fund, formed a broad-scale attack on economic and social under-development; and (5) steps had recently been taken by the United States to improve the effectiveness of its bilateral aid and to provide it on very liberal terms.

53. In view of all this, the United States delegation doubted that another international financing institution was needed. The economically advanced countries had just pledged substantial resources to the International Development Association and had accepted a larger financial target for the Special Fund and the Expanded Programme; consequently, it was unlikely that they would be prepared to make substantial contributions to a new institution. Countries which had not thus far been carrying their share of the load were also not likely to

make substantial contributions to a new institution. Again, it was not clear what tasks were envisaged for a United Nations Capital Development Fund which the International Development Association could not undertake; and, if necessary, the initial subscriptions to the Association could be increased. For these reasons, the United States delegation could not support the draft resolution.

54. The United States representative was surprised that no action had been taken toward examining a very important question, that is, what resources were prospectively available for a new financing institution. Without an answer to that question the further work of the Committee, in his opinion, might take on an academic rather than a practical interest. He stressed three general principles to which his delegation attached particular importance: (1) economic assistance should be on a long-term and continuing basis; (2) assistance should be given in a flexible way, that is, in support of general development programmes as well as of individual projects; (3) contributions should be related to objective criteria, such as national income. He confirmed that these principles formed part of the new economic policy of the United States and that his Government was prepared to join in an intensified effort in this field during the 1960s, which might lead to a new era of economic development. His Government considered that the question of machinery was less important than achieving development along the lines of the general principles on which unanimous agreement had been reached in the Sub-Committee.

55. The representative of France explained that the position of his delegation had been set forth clearly at the recent session of the General Assembly and did not need to be repeated. The capital development fund could still not be set up because the resources for it had not been found; in this situation, no purpose would be served by preparing draft legislation.

56. The representative of Italy said that he had withdrawn his suggestions regarding the draft resolution because they had not met with general approval. His delegation had voted in favour of the draft resolution because it supported any means of facilitating and accelerating the economic development of the less developed countries; thus its basic position remained unchanged. Its definitive position would be taken in the light of the concrete measures which might be proposed in the General Assembly in the field of capital flows from the developed to the less-developed countries. However, unless the major potential contributors had agreed to participate in it, the Italian delegation could not give consideration to the establishment of a United Nations capital development fund.

57. The representative of Denmark re-stated the view of her delegation that the Special Fund should evolve into a United Nations capital development fund, and that the terms of the resolution, in so far as they referred to preparing legislation, did not conflict with such a step.

58. The representative of the United Arab Republic

said that the draft resolution represented the minimum action which the Committee could have taken. His delegation, one of the sponsors, had agreed to certain amendments in the hope that the draft would meet with unanimous approval. It would have preferred the resolution to be more explicit on certain points, but had been able to maintain its sponsorship since it considered that those points were covered implicitly. For instance, the need to give special attention to countries with a population problem was implicitly recognized in general principle 1. The need for equal voting rights was implicit in general principle 3 and operative paragraph 4. The need for objective criteria for contributions to the fund, such as national income, was implicit in general principle 10. It was to be hoped that in the future work of the Committee the general principles would be expanded.

59. The representative of Japan said his delegation had abstained in the voting because it entertained serious doubts as to the practical value of adopting such a resolution when the countries which were the main potential contributors were not prepared to support it. He considered it essential that there should first be a clear prospect that contributions sufficient to establish such a fund would be forthcoming. He also considered that before creating a new fund, it would be necessary to test the effectiveness of the International Development Association.

60. The representative of Yugoslavia expressed his regret that the principle on equal voting rights had not been clearly and fully formulated in the final text of the draft resolution.

61. The representative of the USSR pointed out that the Committee had not succeeded in fulfilling the task assigned to it by the General Assembly under resolution 1521 (XV). On the whole, he felt that the general principles which had been formulated were inadequate and omitted many principles which his delegation considered essential. These included the principle of universality, the principle of voluntary contributions, the principle of limiting assistance to governments, and the principle to be followed in recruiting the Fund's staff. At future stages in the work he hoped that a place would be found for these principles.

62. He reserved the position of the USSR delegation on the financial implications of the draft resolution, contained in document A/AC.102/4/Add.1, stating that, in his view, no additional expenditures were necessary to prepare the proposed report (see in this connexion section II B, para. 74 below). He considered that the Secretariat should prepare the report, using funds already available to it. The representative of France reserved the position of his delegation on the subject of the financial implications of the recommendation contained in paragraph 73 of the present report. He considered that the Secretary-General should be able to carry out the study contemplated by the Committee without having recourse to consultants.

63. The representative of Ghana told the Committee that his delegation continued to hope for a change of

heart on the part of those countries which still opposed the establishment of a United Nations capital development fund. He pointed out that the International Development Association was not a United Nations undertaking, and that a United Nations capital development fund was needed to follow up on the pre-investment activities of the Special Fund.

64. The representative of Chile stressed that the concessions made by the sponsors in the interests of harmony did not signify that the principles which they had not pressed would not be reintroduced during future discussions; this applied in particular to the principle of equal voting rights. While his delegation did not regard the adoption of the joint draft resolution as a triumph or as a Pyrrhic victory, it had been disconcerted by the four negative votes that had been cast. On the other hand, his delegation was most grateful for the moral support expressed by the favourable votes of Denmark, Italy and the Netherlands. In fact, the Committee had been in a dilemma, for if it acknowledged the tasks assigned it by the Assembly and referred to a United Nations capital development fund, it lost the support of the chief potential contributors; if, on the other hand, it stuck to generalities it would seem to be rejecting the very idea of a fund.

65. Despite this, the Chilean delegation remained optimistic. Although ten years had passed since the idea of the fund had been under consideration, it was too deeply ingrained in the conscience of mankind to disappear. The chief potential contributors might be opposed to the form proposed for the fund but they were not, in his delegation's opinion, against its essence.

66. It remained to justify the existence of the fund, to sketch its objectives more clearly and to show that none of the existing agencies could fill the gap which the fund would occupy; he hoped that the next time the Committee met it could count on the participation and collaboration of the major potential contributors in carrying out this task.

67. The representative of Iraq expressed his delegation's deep regrets over the fact that the Committee had not been able to discharge fully the tasks assigned to it by the General Assembly in resolution 1521 (XV). This was not merely due to the lack of time. The main factor was the position of certain delegations which had voted against that resolution. He went on to explain that his delegation favoured the channelling of international assistance through the United Nations because such assistance would be free of political ties and free also from the suspicions and sensitivities associated with other types of aid. It supported the creation of a United Nations capital development fund because there was a real gap between the capital assistance being received by the less-developed countries and their minimum needs for such external assistance; thus, there should be no question of the less-developed countries trying to divert aid from one channel to another.

68. He considered that the creation of a United Nations capital development fund would constitute an important success for the United Nations itself, and this was important since the United Nations was engaged in

the key task of building a new world. Using a medical analogy, he urged that preventive measures, such as establishment of a United Nations capital development fund, should be taken while there was still time, for curative measures were both more costly and less certain of success.

B. — *Report on the capital development needs of the less developed countries*

69. At the Committee's third meeting, the representative of Brazil suggested that the Committee needed more information regarding the impact being made by the existing international financing institutions on the development process in the less developed countries, as well as data which would enable it to determine the amount of capital which a United Nations capital development fund would have to have in order to operate effectively.

70. This proposal was developed and made more precise by the Sub-Committee. It was agreed that such a report should in no way constitute a substitute for the Committee's work but rather a way of facilitating it, and that it should supplement, not duplicate, the work already done in this field.

71. The Committee, accordingly, wishes to recommend that a report should be prepared on the capital development needs of the less-developed countries. It felt that such a report would provide additional and valuable information in assessing present assistance and future needs to be met by international financial institutions, in promoting the economic development of less developed countries.

72. The report would include an evaluation of the external financial needs and requirements of capital resources needed to promote accelerated development; it would evaluate the impact of existing arrangements and institutions in fulfilling those needs and would define the fields where additional international effort was still required.

73. The Committee recommends that the Secretary-General be requested to prepare this report with the aid of whatever consultants may be deemed necessary. In preparing the latter part of the report, the Secretary-General should bear in mind the general principles formulated by the Committee, especially principles 1, 5, 6, 7 and 10 in section II A above. (The report should be presented to the next session of the Committee on a United Nations Capital Development Fund.)

74. In adopting this proposal, the Committee had before it a statement of financial implications prepared by the Secretary-General (A/AC.102/4/Add.1). The text of these financial implications appears in the annex to the present report.

II. THE QUESTION OF DRAFT LEGISLATION

75. In resolution 1521 (XV), the General Assembly had requested the Committee to "consider all concrete preparatory measures, including draft legislation, necessary" to the establishment of a United Nations capital development fund.

76. As has already been indicated, the Committee was handicapped in its work by lack of time and the necessity of adhering to a deadline if its report was to be available in time for consideration by the Economic and Social Council at its thirty-second session. Past experience, in the case of the drafting of the statutes for the Special Fund, indicated that a number of weeks would be needed for the preparation of detailed legislation, and this amount of time was obviously not available. Some members felt that it would be necessary to wait at least until the additional information, referred to in section B above, had been gathered and made available. Other members, however, considered that it was necessary to go on to drafting more precise legislation on the basis of agreed general principles. Several delegations regretted that the Committee could not proceed with draft legislation because of the difference in the points of view in the Committee which could not be resolved at that stage.

77. The Committee decided to recommend to the Assembly that the necessary draft legislation (statute) be submitted to the Economic and Social Council at its thirty-fourth session and to the General Assembly at its seventeenth session.

III. DECISIONS AND RECOMMENDATIONS OF THE COMMITTEE

78. The Committee's recommendations have been summarized in the present section for the convenience of the Economic and Social Council and the General Assembly.

79. The Committee approved the twelve general principles formulated by its Sub-Committee appearing in paragraph 23 above, and decided to include them in its report.

80. The Committee recommended that the Secretary-General should be requested to prepare a report on the capital development needs of the less-developed countries with the aid of whatever consultants may be deemed necessary.

81. Finally, the committee adopted the following draft resolution:

The Committee on a United Nations Capital Development Fund

1. *Recommends* to the Economic and Social Council to transmit the annexed general principles, which the Committee believes should govern the establishment and operations of a United Nations capital development fund, to all Members of the United Nations and to all the specialized agencies;

2. *Recommends* the Economic and Social Council to transmit, with its comments, the following draft of a resolution to be considered at the sixteenth session of the General Assembly:

The General Assembly,

Recalling its resolution 1521 (XV),

Having considered the report of the Committee on a United Nations Capital Development Fund, and the comments of the Economic and Social Council thereon,

1. *Decides* to extend the mandate of the Committee;

2. *Instructs* the Committee to prepare the necessary draft legislation (statute) for a United Nations capital development fund in the light of the general principles prepared by the

Committee, the comments of the Economic and Social Council, the discussions at the sixteenth session of the General Assembly and the report to be prepared by the Secretary-General on the financial needs of less-developed countries and on the impact of existing financial institutions, as proposed by the Committee;

3. *Requests* the Committee to submit the draft legislation (statute) to the Economic and Social Council at its thirty-fourth session, which shall transmit it, together with its comments, to the General Assembly at its seventeenth session.

4. *Requests* the Committee to take into account the desirability of devising an arrangement for inter-governmental control and for voting such as to inspire the confidence of all members of the Fund, in accordance with the principles and the purposes of the United Nations Charter.

ANNEX

General Principles governing the Establishment and Operations of a United Nations Capital Development Fund

1. Assistance from the fund to under-developed countries should be directed towards the achievement of accelerated and self-sustained growth of their economies. In keeping with this objective, assistance should be oriented towards the diversification of their economies, with due regard to the need for industrial development as a basis for social progress.

2. The provision of assistance shall be in conformity with the purposes and principles of the Charter of the United Nations.

3. Operations of the fund should not serve as a means for foreign economic and political interference in the internal affairs of assisted countries and should not be influenced by considerations relating to the nature of their economic and political systems.

4. Assistance should be of a kind and in a form in accordance with the wishes of the recipients and should involve no unacceptable conditions for them, political, economic, military or other.

5. Assistance from the fund should be provided in such forms and on such terms as are compatible with the continued economic development of the assisted countries, taking due account of their balance-of-payments position and prospects.

6. Assistance from the fund should be given in a flexible manner and not necessarily be limited to specific projects or groups of projects. Assistance can also be given in support of general development plans, where such plans exist, or to general development requirements.

7. Resources of the fund must be large enough to make a significant contribution towards the achievement of accelerated and self-sustained economic growth of the less developed countries.

8. While funds should be derived from contributions by all Members, the bulk of the contributions to the fund should come from the more developed countries in a readily and economically usable form.

9. The size and the nature of the contributions of the less developed countries to the fund should not be such as to hamper the effective mobilization of their resources for their own economic development.

10. Contributions to the fund should ensure the provision of assistance on a long-term and continuing basis.

11. Resources available to the fund should be augmented by a portion of any savings from progress made in internationally supervised world-wide disarmament.

12. Every effort should be made to co-ordinate the assistance rendered by the fund with assistance from other sources so as to achieve the maximum permanent beneficial effect on the economies of the less-developed countries.

Annex**STATEMENT OF FINANCIAL IMPLICATIONS SUBMITTED BY THE SECRETARY-GENERAL**

1. In section I B of the Committee's report, a recommendation is made that the Secretary-General should prepare a report on the capital development needs of the less-developed countries with the aid of whatever consultants may be deemed necessary. The report would include an evaluation in the external financial needs and requirements of capital resources needed to promote accelerated development; it would evaluate the impact of existing arrangements and institutions in fulfilling those needs and would define the fields where additional international effort is still required.

2. The preparation of the report would involve a maximum of six months of consultant services estimated at \$2,000 per month, for a total of \$12,000. Of this total, \$6,000 would be required in 1961 and the balance in 1962. Should the recommendation be approved by the Economic and Social Council, the Secretary-General would endeavour to absorb the 1961 cost within existing appropriations and would seek provision for the 1962 requirement in his revised budget estimates for that year.