



**ECONOMIC AND SOCIAL COUNCIL**

*Twenty-sixth Session*

OFFICIAL RECORDS

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*President:* Mr. George F. DAVIDSON (Canada).

*Present:*

Representatives of the following States: Brazil, Canada, Chile, China, Costa Rica, Finland, France, Greece, Indonesia, Mexico, Netherlands, Pakistan, Poland, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

The Chairman of the Preparatory Committee for the Special Fund.

Observers for the following Member States: Argentina, Australia, Bulgaria, Czechoslovakia, India, Ireland, Israel, Italy, Japan, Laos, New Zealand, Portugal, Spain.

Observers for the following non-member States: Federal Republic of Germany, Holy See, Switzerland.

Representatives of the following specialized agencies: International Labour Organisation, Food and Agriculture Organization of the United Nations, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 4

**Economic development of under-developed countries (E/3074 and Add.1, E/3074/Add.1/Corr.1, E/3074/Add.2, E/3098, E/3128 and Corr.1, E/3131 and Corr. 1 and 2, E/3153 and Add.1) (*continued*)**

1. Mr. BOGLIETTI (World Federation of Trade Unions), speaking at the invitation of the PRESIDENT, said that the various documents submitted in connexion with item 4 of the agenda offered a conspectus of development in the under-developed countries. From the Secretary-General's report on international economic assistance to the under-developed countries 1956/57 (E/3131), the World Federation of Trade Unions (WFTU) noted that bilateral and multilateral assistance for the economic development of the under-developed countries had increased; at the same time, except in the case of Sweden, Japan and the Soviet Union, bilateral aid was for the

most part being given by metropolitan countries to their colonies or Trust Territories or was being furnished under the Colombo Plan; the countries with the lowest annual income per head of population were those which had received the least assistance.

2. The Fourth World Congress of Trade Unions had taken the view that bilateral aid respecting the recipient's sovereignty could play an important part in the development of the under-developed countries, for it could satisfy their great need for long-term investment. Action by the United Nations to lay down certain general principles based on equality and sovereignty in connexion with those investments would undoubtedly have favourable results.

3. The recommendations made by the Preparatory Committee for the Special Fund (E/3098) could, he thought, give a fresh stimulus to assistance to the under-developed countries, but the Special Fund itself could be no substitute for the Special United Nations Fund for Economic Development (SUNFED), which for both the workers and the countries concerned represented the real goal.

4. While co-ordination of the activities of the Special Fund with those of the Expanded Programme of Technical Assistance was essential, those two bodies must be kept independent and the Expanded Programme procedure, which appeared to have been approved by the under-developed countries, should not be changed. Furthermore, as the aims of the Special Fund were humanitarian in character, all States, whether members of the United Nations or not, should be able to contribute to it, and not only in dollars or transferable currency.

5. The Secretary-General's report on the international flow of private capital, 1957 (E/3128), broadly confirmed the conclusions reached by WFTU — namely, that most private capital had been exported to the industrial countries of Europe and to Canada, and, for certain industries, to some Latin American countries.

6. Private capital was no real aid to economic development, for in the countries where it was invested it did not serve the real interests of the indigenous population but tended to stabilize a social structure characterized by the predominance of privileged castes, who adopted a policy designed to retard the formation of indigenous industrial capital.

7. The accumulation of capital was one of the major problems of under-developed countries, which, being in great need of equipment, found themselves on the horns of a dilemma — to do without the capital needed for their development or to obtain it from outside sources on terms which jeopardized their sovereignty and ran counter to their national interests. The policy and

actions of the international monopolies supplied daily examples of that risk. WFTU therefore considered that the work to be done on investments should be entrusted to public bodies and carried out through international co-operation. It also considered that the primary responsibility for the development of the national economy and industrialization rested with the countries concerned themselves, as in the case of China, India and North Korea, and that bilateral and multilateral assistance should serve merely to supplement that effort.

8. The workers in under-developed countries were the first to suffer from the effects of the recession and the slump in raw material prices, which was only partly relieved by the purchases of the socialist countries and which threatened the success of the economic assistance programmes. WFTU therefore suggested that a conference might be convened under United Nations auspices to consider how the problem could be tackled.

9. To promote economic development it was necessary to develop not only international trade but also trade between the countries of the same region and between the two parts of a divided country, such as Korea; at the present time every effort should be made to reduce the disparity between the under-developed countries and the more developed countries, which was growing steadily wider.

10. Mr. LYCHOWSKI (Poland) said that, although in the present debate the emphasis had been on external assistance to countries at an early stage of development, such outside aid could never be more than complementary; the crucial problem was that of creating conditions for a more rapid development of national resources. Any foreign aid that was more than a superficial gesture should be channelled into those sectors of the economy which would be of greatest value in the general economic development of the countries concerned. Those considerations should be borne in mind in considering the Preparatory Committee's report and recommendations.

11. General Assembly resolution 1219 (XII) was a compromise, from which it was clear that the long-dreamed of Special United Nations Fund for Economic Development would not materialize. However useful the Special Fund might be, it could not possibly be regarded as a temporary substitute for SUNFED and he agreed with the representative of the Soviet Union on the Preparatory Committee that the Committee's recommendations concerning the Special Fund did not bring the possibility of establishing SUNFED any nearer.

12. Nevertheless, it was to be hoped that the Special Fund would prove useful not only as a more widespread form of *ad hoc* technical assistance but also as a stage towards the large-scale financing of economic development in the less developed countries. That function would have to be rather more sharply defined than it had been in the Preparatory Committee's report. There must be no misunderstanding of the essential difference between the proposed Special Fund and future large-scale international machinery for multilateral financing. Unless and until such machinery was set up, the Special Fund might simply develop into an extension of technical assistance — a course which his delegation considered

would be very unwise — or it might engage in activities falling somewhere between technical assistance proper and large-scale multilateral financing, in other words in an international assessment of the resources of the under-developed countries with the aim of planning their future development against the background of the changing international division of labour. That would call for a detailed technical, geological, geographical and agricultural survey of the existing or untapped resources of the primary producing countries and a long-term forecast of world demand for various primary commodities and of the prospective markets for them.

13. It was true that no such survey had ever been undertaken in the past, but that was simply because it had not been necessary. In the nineteenth century the growing demand for raw materials and foodstuffs in the industrial countries had led to the creation of production centres for such commodities outside western Europe. Since demand had been well ahead of supply, there had been no need to study sources of demand. Now the position had been reversed. The *Commodity Survey, 1957* (E/CN.13/27), showed that between 1936-38 and 1953-55 in the industrial countries there had been a 96 per cent increase in manufacturing output, whereas the increase in mining had been only 63 per cent and that in agriculture only 32 per cent. The primary-producing countries dependent on a rapid increase in the production of foodstuffs and raw materials therefore found themselves in a hopeless situation. During a period of decline in the demand for natural raw materials or at a time when changing patterns of nutrition made the industrial centres less dependent on agricultural production, they could not earn by their exports the foreign currency they needed to buy the capital goods required for the diversification of their economy.

14. The *Commodity Survey, 1957*, failed, however, to take account of the rapidly increasing demand in the socialist countries. Imports of raw materials and food into those countries from non-socialist countries were still small, but table 3 in chapter VI of the *Economic Survey of Europe in 1957* (E/ECE/317) showed that five socialist countries of eastern Europe had doubled their imports from overseas capitalist countries — mainly primary producers — over a period of four years. An assessment of future world demand for the products of the under-developed countries must take account of all potential importers, whatever their social or economic structure or stage of industrialization.

15. It was important to know how present demand for particular products was likely to expand over the next twenty-five years; although no exact estimate could be made, even a rough indication would be of immense value for the development programmes of the less developed countries. It should therefore be a main task of the Special Fund to carry out a broad preliminary investigation on the lines he had indicated. Studies of a general character were already to hand, for example in the *Economic Survey of Europe in 1957*, but a more detailed and elaborate basis was needed for the development of the less developed countries, giving an indication of the different alternatives open to them for the expansion of their resources. His delegation warmly supported the proposal made by the representative of France

(1036th meeting) that the Commission on International Commodity Trade should hold a special session, but it considered that the agenda should be confined to the urgent short-term problems created by fluctuations in the prices of primary commodities. The Commission could not undertake the large-scale study the French representative had proposed, since that would need long and careful preparation.

16. He was not suggesting that the various specific projects that ought to be financed by the Special Fund, particularly in the field of infrastructure development, should be deferred, but it was essential to avoid squandering the limited funds on a multitude of small projects. It would be better to concentrate on a task that would be of long-term value to all the countries concerned. He felt that the large-scale study he had proposed would be the best way of laying the foundations for large-scale international action.

17. Mr. COSIO VILLEGAS (Mexico) said that the General Assembly had acted wisely in deciding (resolution 1219 (XII)) to set up the Preparatory Committee for the Special Fund, which had done excellent work, as was shown by the nature of the comments made on its report. Should it be concluded that the Committee had done its work so perfectly that it only remained for the Council to endorse the report and recommendations and transmit them to the General Assembly for final approval? He himself thought that the Council should give the recommendations their final form, as the Committee itself had requested, casting them in the form of a draft resolution; for, although the recommendations were clear and explicit, they were not in the form and lacked the legal precision appropriate to a formal resolution.

18. It was known that the Preparatory Committee had worked under rather unsatisfactory conditions owing to the serious differences between the views of the various delegations about the functions to be assigned to the Special Fund, and the reconciliation of those views was a tremendous achievement for which the Preparatory Committee should be given credit. The formula for the Special Fund was thus a compromise, as was clear from the various doubts or even inconsistencies in the Committee's recommendations. There was no doubt that the Council would be failing in its duty towards the General Assembly if it omitted to polish the recommendations in order to facilitate the Assembly's final decision in the matter. That was a task which might be entrusted to a small working group or to the Economic Committee. The Mexican delegation was not in favour of reopening the substantive discussion.

19. Mr. JADI (Indonesia) said that by emphasizing the importance of the economic development of the less developed countries the United Nations was not only fulfilling its obligations under Article 55 of the Charter but was also promoting international peace and security by striving to bring about economic stability. It had been alleged that Member States used the United Nations to bring pressure to bear on other Members which were in a position to provide the means for speeding up economic development in the less developed countries, but his delegation considered that such an attitude was

not unreasonable. There had been a very wide area of agreement about the need to establish an international multilateral institution for granting loans and grants-in-aid for economic development, but at the Council's twenty-fourth session resolution 662 B (XXIV), on SUNFED, had not commanded the support of three of the major contributing countries. The Council was therefore now considering a compromise proposal.

20. He paid a tribute to the work of the Preparatory Committee; his delegation endorsed its recommendations, although it intended to take up some points of detail in the Economic Committee. The needs of the under-developed countries were increasing as the gap widened between their rate of development and that of the industrialized countries. Progress in the under-developed countries was of necessity largely dependent on domestic resources; and the activities of the Special Fund should be regarded as a supplementary source of assistance rather than as a panacea for all economic ills. The principal source of finance for the development of the under-developed countries must remain their income from exports of primary commodities and it was of the most vital importance that the demand for those commodities should be stabilized.

21. His delegation had some misgivings about the willingness of governments to contribute to the Special Fund. He could not at present say how much the Indonesian Government would contribute, but the matter was under consideration. He supported the proposal made by the representative of Pakistan (1037th meeting) that, given the balance-of-payments difficulties of most under-developed countries, they should be allowed to pay part of their contribution to the Special Fund in their national currencies, it being left to their discretion how much should be paid in convertible currencies. He hoped that the Preparatory Committee's report and recommendations would be approved by the Council and by the General Assembly at its forthcoming session so that the Special Fund could begin to operate in January 1959.

22. It was natural that the debate on item 4 of the agenda should be devoted mainly to the Special Fund, since it was only through ready and substantial financial assistance that progress in economic development could be made. He wished, however, to express his appreciation of the Secretary-General's reports on taxation in capital-exporting and capital-importing countries of foreign private investments (E/3074 and Add.1 and 2), on the international flow of private capital, 1957, and on international economic assistance to the under-developed countries 1956/57. Fiscal policy was of great importance in encouraging the investment of private foreign capital. The report on the international flow of private capital showed that capital still tended to go to the developed rather than to the under-developed countries, which was regrettable because private capital could do much to complement other forms of aid which the under-developed countries required. The report on international economic assistance was of great value and he hoped that all Member States would co-operate fully in providing the required information.

23. Mr. CORBISIER (Brazil) said that economic development was only one aspect of a very much wider

programme intended to raise the levels of living of the peoples of under-developed regions and thus to establish basic conditions which would enable them to achieve full independence in the relatively near future. Economic development was therefore the immediate short-term objective, since it was the sole means of making sure that the under-developed peoples enjoyed an effective share in the scientific and technological achievements of western civilization. Thus the social and political movements generally observable in the under-developed countries originated in a desire for development and economic independence, but they were often misunderstood; those countries did not wish to break with western civilization, but rather to have full access to it.

24. The first prerequisite for the economic development of under-developed countries was a level of income permitting the accumulation of savings for investment in the main economic sectors — namely, heavy industry, transport, education and public health. Such countries were, however, caught up in a vicious circle: on the one hand, their extremely low level of income did not allow of the accumulation of savings for productive investment, while on the other the absence of such investment kept the per capita income at a bare subsistence level. There were two ways of breaking that circle. The first, consisting in restricting consumption, implied the institution of a political regime in which the State, after suppressing private initiative, concentrated all available resources in its own hands and by means of strict economic planning brought about the country's development within a short time. The second method consisted in attracting foreign capital; but those countries were dependent on their exports of certain primary commodities for the foreign exchange needed to purchase the producer goods essential to their industrialization and were therefore at the mercy of the changeable factors which typified the behaviour of the international market in those commodities.

25. Foreign aid could take the form of the investment of either private or public capital. The volume of private capital available was very small by comparison with the amount of investment required, since private investors were not influenced by philanthropic considerations and were mainly interested in the best short-term return rather than in investments in basic equipment. It followed that the under-developed countries could not count on the help of private capital from abroad for the rapid development of their economies.

26. The investment of public capital from abroad could be brought about by means of bilateral agreements between governments or through international lending agencies. In the first case, the under-developed countries might have to accept certain conditions laid down by the lending State, since in most cases the investment of public capital was inspired by political motives. In the second case, the International Bank for Reconstruction and Development, the International Monetary Fund and the International Finance Corporation, despite all their efforts, had so far been unable to meet the requirements of under-developed countries to the necessary extent owing to their limited resources and the strict rules governing the granting of loans.

27. As for United Nations plans for financing economic

development, the compromise solution of establishing the Special Fund, while at least preventing SUNFED from being irrevocably interred, still condemned it to an indefinite period of hibernation. The Brazilian delegation therefore found little satisfaction in that solution, particularly as it saw no likelihood of obtaining by contributions the sum of \$100 million which the Preparatory Committee considered indispensable for starting the Special Fund. In those circumstances there was little hope of making the Special Fund viable and effective. It was to be regretted that for the urgent, even crucial, problem of the development of the under-developed countries no really realistic solution had yet been devised by the more powerful nations. The under-developed peoples were shut off from the progress and benefits of civilization; they lacked the technical and economic resources to achieve their emancipation in a reasonable period of time and they often became breeding-grounds of *malaise* and revolt merely because they aspired to the benefits accruing from the conquests of modern science. The glaring imbalance between the economic prosperity of the highly developed countries and the backwardness of the countries at the bare subsistence level was undoubtedly the main cause of conflicts and made it impossible to establish lasting peace in the world. Any pacifically inspired statement not accompanied by definite action to make peace a real possibility could be dismissed as purely theoretical verbiage. He hoped that the United Nations General Assembly would be the organ to make possible and effective that international understanding and co-operation which was the only available means of avoiding war and establishing peace.

28. Mr. PHILLIPS (United States of America) said that public opinion in his country was deeply concerned about the problem of the economic development of the under-developed countries. It was realized that there was a basic community of interests between the economically more and the economically less developed countries of the world, and that it was in the interest of the United States of America itself that unstable economies should be helped to grow into self-reliant societies capable of making their full contribution to the maintenance of freedom and peace.

29. The United States Government had therefore been very active in helping the under-developed countries, either directly or through the United Nations. Loan capital had been provided, through the Export-Import Bank, for agriculture, industry and basic public works, and the United States Congress had recently approved an increase of \$2,000 million in the Bank's lending authority. For several years past Congress had been appropriating several hundred million dollars a year to finance projects in under-developed countries which could not be financed privately or through normal credit institutions. The new United States Development Loan Fund was a major source of financial assistance to the less developed countries. His Government had also taken other measures to encourage productive investment of private capital overseas. It had tried to use agricultural surpluses constructively to promote economic development. The "Atoms for Peace" programme had been drawn up to bring the benefits of nuclear science to the less developed countries. His country was participa-

ting in various regional activities to promote economic development and had given full support to United Nations programmes in the economic and social fields.

30. All those aid programmes were an integral part of his country's foreign relations. The Secretary-General's report on international economic assistance to the under-developed countries in 1956/57 showed that in 1957 alone the United States of America had made grants and loans amounting to over \$2,250 million available to under-developed countries, apart from its contributions to multilateral aid programmes. He thought that that report was most useful and he regretted that the Soviet Union had not seen fit to provide information on its economic aid to under-developed countries for inclusion therein.

31. The report on the international flow of private capital, which made available information which would otherwise be difficult to obtain, was equally valuable. His delegation looked forward to the triennial report that the General Assembly had requested for 1959 (General Assembly resolutions 824 (IX) and 1035 (XI)) and hoped that it would include a comprehensive analysis of the composition of foreign private investment and of its impact on the capital-receiving countries. The United States Government took the view that the most promising source of funds for economic development was foreign private capital. In recent years there had been an encouraging increase in the flow of such capital, largely from the United States of America but to an increasing extent from other industrialized countries, and, as the Secretary-General's report showed (E/3128, para. 1), the level reached in 1957 had been the highest since the Second World War. United States foreign private investment had also reached a record figure in 1957. Much could still be done by the capital-importing countries to improve the investment climate. On the legal side, the most effective method was the enactment of sound domestic legislation and the conclusion of practical bilateral treaties to provide an encouraging framework for business activity.

32. The United States Government was always prepared to consider new methods of promoting the development of under-developed countries and it had proposed the establishment of the Special Fund, on which the Preparatory Committee had submitted its report and recommendations. The Special Fund would not fulfil the function envisaged for an international capital fund such as SUNFED, but it could help countries in a sustained and systematic manner to train their manpower and to assess and utilize their natural resources more productively. That function was vital, since no economic development programme could be effective without a knowledge of the country's basic resources, without the technical skill required to put them to commercial use and without the trained personnel for agriculture, industry and administration. The Special Fund could undertake surveys and research and training projects of considerable scope and depth in those fields, and it would be able to assume financial commitments over long periods of time and to provide relatively large amounts of supplies and equipment. The Special Fund would not itself make capital investments but new investments would be encouraged by the conditions that it could create in under-

developed areas. The proposed size of the Fund was realistic in terms of what countries appeared likely to be able to contribute over the next few years.

33. The United States had participated in the work of the Preparatory Committee and concurred with its report; it would therefore vote for the transmission to the General Assembly of the Committee's recommendations.

34. That did not mean that his delegation had no criticisms to make. It was regrettable that the Committee had not prescribed a minimum of convertibility in the contributions to be made by governments. If the Special Fund was to be flexible and effective, it was essential that governments should strive to make readily convertible currencies available.

35. There was some difference of opinion on whether the Fund should make some of its resources available on a loan basis: the Committee's recommendation (57) (E/3098, part III) represented a compromise on that question. The United States Government interpreted that paragraph as meaning that none of the Fund's resources would be set aside for loan purposes but that the Governing Council would be at liberty to consider explicit requests from governments that assistance for specific projects should be on a loan basis. In recommendation (10) the Committee suggested that the Council should establish a committee to assist in the examination of the reports on the operations of the Special Fund and the Expanded Programme of Technical Assistance. That committee would provide the only forum for a thorough review of the interrelationship of the two programmes, and his delegation would support an endorsement of that recommendation by the Council.

36. He proposed that when the Council referred the Preparatory Committee's report to the Economic Committee it should at the same time refer paragraphs 25 to 29 to the Technical Assistance Committee, since they concerned changes in the existing legislation and procedures of the Expanded Programme of Technical Assistance in the light of the establishment of the Special Fund.

37. The two main prerequisites for the Special Fund's success were, first, carefully considered projects integrated into national development programmes and, secondly, adequate financial support from Member States. The United States Government had asked Congress to approve a contribution of \$38 million towards a combined programme of \$100 million for the Special Fund and the Expanded Programme of Technical Assistance. That contribution had been authorized and the appropriation of the sum was now under consideration. It was hoped that Congress would permit a contribution of up to 40 per cent of the total contributions to the programme for 1959 and that that level of contribution would be maintained for some time subsequently. It appeared from document E/3153, which reproduced the replies so far received from governments on their willingness to contribute to the Special Fund, that the amounts likely to be forthcoming would fall considerably short of what would be required if the programme envisaged by the General Assembly was to be given effect. His Government hoped that the gap

would have narrowed before the General Assembly took final steps to establish the Fund.

38. In a statement to the press on 16 December 1957, the Secretary-General had stated that he regarded General Assembly resolution 1219 (XII) as a major achievement. The United States Government would co-operate in every way to bring nearer the day when the Special Fund would take its rightful place among the United Nations programmes designed to help the less developed countries to achieve a better life for their peoples.

39. Mr. SCOTT FOX (United Kingdom) said that the Secretary-General's report on taxation in capital-exporting and capital-importing countries of foreign private investments was a highly technical document which those whose task it was to draft legislation would find most useful. It contained nothing from which the United Kingdom delegation wished to dissent.

40. The Secretary-General's reports on the international flow of private capital, 1957, and on international economic assistance to the under-developed countries 1956/57 were a mine of useful information and would provide a good background for discussion. They should be considered together, for they were complementary. He agreed with those who had suggested that they might be submitted at less frequent intervals. It was a pity, as the United States representative had observed, that the second of those two reports was not more complete, but that was not the fault of the United Nations Secretariat.

41. It would be a dangerous mistake to under-estimate the importance of the part played by private overseas investment. The United Kingdom had a long history of such investment: in paragraph 25 of his report (E/3128) the Secretary-General pointed out that the United Kingdom's investments abroad came second only to those of the United States of America, having stood at about £3,380 million at the end of 1957. His government was firmly convinced that such assistance was beneficial both to the investor and to the countries in which the investment was made. It was more than ever in the interests of the less developed countries to do what they could to improve the climate for foreign investment.

42. The United Kingdom delegation was very interested in the idea mentioned at the 1037th meeting by the Secretary-General of the World Federation of United Nations Associations (WFUNA) that means might be devised of enabling individuals to contribute towards the financing of economic development. The idea was both imaginative and praiseworthy, for its primary purpose was not merely to increase the resources available, but to strike a new psychological blow by associating the peoples of the world in that very necessary work. The birth of that idea in the United Kingdom was in the direct line of his country's historic tradition of humanitarian effort to improve conditions in the world at large. Only thorough study, however, could show whether the practical difficulties could be overcome and a scheme with a reasonable chance of success worked out. The Secretary-General of the United Nations and the Managing Director of the International Bank for Reconstruction and Development might be glad of some indication of the amounts likely to be raised before they accepted the extra burden which the scheme would

involve. Perhaps the Secretary-General of WFUNA would be able to tell the Council at a later session what progress it had been possible to make.

43. The report and recommendations of the Preparatory Committee on the Special Fund, which had been adopted unanimously by the Committee, represented a series of compromises reached in the course of long and difficult discussions. The Committee was to be congratulated on an excellent piece of work and on having devised practicable arrangements. The United Kingdom delegation hoped and believed that the Council would not seek to reopen the various controversial issues which had been so exhaustively discussed in the Preparatory Committee, but would endorse the agreement reached there. In that expectation, his Government had been considering the matter of its financial contribution to the Special Fund, for it was well aware that, however excellent the arrangements, they would remain a mere façade unless additional resources were forthcoming. His country had heavy commitments, especially in respect of the economic development of its own dependent territories, but he was happy to be able to say that, subject to parliamentary approval, the United Kingdom Government had decided to make a financial contribution towards the opening of what would be a new chapter in United Nations action for the benefit of the less-developed countries.

44. Mr. El BAKRI (Sudan) said that his delegation welcomed the report and recommendations of the Preparatory Committee. It was in favour of the establishment of the Special Fund for a number of reasons. First, as an independent organ of the United Nations, the Special Fund would not be subject to political influences. Secondly, in prevailing world economic conditions under-developed countries such as his own had little chance of attracting foreign private capital, which sought its investment opportunities mainly in developed countries; it was accordingly to be hoped that the Special Fund would promote the flow of international private investment on a multilateral basis. Thirdly, the Special Fund was to be mainly concerned with infrastructure projects, which must precede actual economic development. That was a sphere in which expert advice was badly needed and in which there were no productive schemes to attract investment from other sources.

45. His delegation agreed that the Special Fund should be a separate institution independent of either the Regular or the Expanded Programme of Technical Assistance. It also agreed that the Special Fund should be administered in such a way as to avoid the dispersal of resources over a wide range of relatively unimportant projects which, though useful individually, might not necessarily in combination facilitate new, large-scale investment. Concentration on large-scale projects likely to attract foreign or domestic capital was undoubtedly the right approach.

46. His delegation did not altogether agree with recommendation (2) (c) — namely, that the projects should be such as to lead to early results. Some schemes — for example, agricultural pilot projects in such fields as crop selection, optimum rotation and plant diseases — could not, by their very nature, yield results for a number of years, though they might otherwise satisfy the criteria recommended.



47. Though it would admittedly be in the interests of the under-developed countries to formulate their national development plans or programmes as soon as possible, it should not be made a condition for receiving aid from the Special Fund that the country concerned should have a plan or programme in operation.

48. He welcomed recommendation (4), that projects might be approved for the period needed for their execution, even if that period exceeded one year.

49. Sudan was a mainly agricultural country and its efforts to increase productivity per unit of land, labour and capital and to diversify production had hitherto been seriously hampered by the lack of the surveys and research without which projects and estimates could not properly be prepared. His delegation was therefore glad to see that the Special Fund would provide assistance for surveys, research and training, demonstration and pilot projects (recommendation (6)).

50. Recommendation (15) regarding equal representation of economically more developed and economically less developed countries on the Governing Council and reasonable geographical distribution among the latter members was also welcome.

51. He stressed the importance of co-ordinating the activities of the Special Fund and those of the Expanded Programme of Technical Assistance. That could best be done by giving the Managing Director of the Fund a seat on the Technical Assistance Board (TAB) and by enabling the Executive Chairman of the latter and the resident representatives to take part in the Special Fund's work.

52. The administrative and operational costs of the Special Fund should be charged in full to its own budget, but existing facilities of the United Nations, the specialized agencies and TAB should be made available to it without charge.

53. It should be an essential feature of the procedure that no project should be imposed upon a country receiving assistance and that arrangements for carrying out projects should be subject to the approval of the requesting country or countries.

54. Given the diversity of economic, social and technical conditions in which it would have to operate, the guiding principles governing the scope and future activities of the Special Fund should be made sufficiently flexible. His delegation looked forward to the day when the Fund would be so strengthened that it would be in a position to undertake, as part of its permanent and main responsibilities, the financing of capital construction projects either by outright grants or by long-term loans bearing a nominal rate of interest.

55. His delegation suggested that recommendation (45) should be expanded so as to provide not only for measures to ensure an objective evaluation of the results of projects and programmes but also for a procedure for following the progress of projects in the countries assisted after the latter had assumed responsibility.

56. Lastly, his delegation, while agreeing with the recommendation that contributions should be in convertible currencies, supported the view expressed by the representative of Pakistan (1037th meeting) and by

others that under-developed countries whose foreign exchange situation was difficult should be allowed to make their contributions in their own currencies or in the currencies best suited to their situation. The purpose of the Special Fund was to help the under-developed countries and the currency clause should therefore be applied with some flexibility.

57. Mr. CHATTERJEE (Observer for India), speaking at the invitation of the PRESIDENT, urged that the Special Fund should not be regarded as a substitute for SUNFED. It could, however, provide valuable assistance for countries which were struggling to achieve economic development in the shortest possible time. General Assembly resolution 1219 (XII) recognized the need for a separate fund to cover urgent requirements which could not be met under the existing United Nations programmes or even under the Expanded Programme of Technical Assistance.

58. It was clear from the wording of that resolution, as also from the report of the Preparatory Committee, that the Special Fund was to be something distinct and separate from the Expanded Programme. It was logical to take the view that the Special Fund could find its ultimate justification only if it developed, in time, into a capital fund. At present, though it was a good beginning, its purpose was still rather nebulous.

59. Owing to the unequal distribution of resources among the different countries of the world, the participants in practically all such schemes fell into one of two categories — donors and recipients. Happily, the recipient countries also wished to contribute what they could to the common effort and he would like to assure the Council that the Government of India would contribute to the fullest extent within its means, despite the inevitable strain on the country's economy. For example, India was contributing more than half a million dollars to the Expanded Programme and under the Colombo Plan it had paid out more than \$1.6 million under the Technical Co-operation Scheme and more than \$8 million for co-operative economic development.

60. While the less developed countries were anxious to meet their obligations, he would suggest that the highly developed countries could facilitate such co-operation. For example, so far as the Special Fund was concerned it would be a great help if the contributions from less developed countries whose foreign exchange resources were exiguous could be made in local currencies convertible only to the extent permitted by the contributing countries. That was not to suggest, however, that contributing countries should be permitted to earmark their contributions for the purchase of specific goods and services.

61. He felt that the Governing Council of the Fund, which would have a tremendous responsibility, should be established on the widest possible basis; though he did not wish to detract from the status and authority of the Council, he thought that the provisions of recommendation (14) were unduly restrictive. The governments which intended to participate in the Fund should give some thought to the question of how they should be represented on the Governing Council.

The meeting rose at 1 p.m.