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President : Mr. A. PATIÑO (Colombia)

Present :

Representatives of the following States: Argentina, Australia, Austria, Colombia, Czechoslovakia, El Salvador, Ethiopia, France, India, Italy, Japan, Jordan, Senegal, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Uruguay, Yugoslavia.

Observers for the following Member States: Algeria, Canada, China, Greece, Indonesia, Iraq, Israel, Luxembourg, Mexico, Netherlands, New Zealand, Norway, Poland, Romania, Sweden, United Arab Republic, Venezuela.

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 Civil Aviation Organization, International Bank for Reconstruction and Development, World Health Organization.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 13

Reports of the Governing Council of the Special Fund (E/3717, E/3789; E/L.1006)

1. Mr. HOFFMAN, Managing Director of the Special Fund, said that the reports of the Governing Council of the Special Fund on its ninth and tenth sessions (E/3717 and E/3789) revealed that so far 327 projects, covering 120 countries and territories, had been approved. The cost of those projects amounted to \$672 million, of which \$283 million would be provided by the Special Fund and no less than \$389 million by the developing countries themselves.

2. The Governing Council had expressed concern, first, about the lapse of time between the approval of a project by the Governing Council and the signature of its plan of operation and, secondly, about the amount of time

taken between the signature of the plan of operation and the attainment of full-scale implementation in the field. In order to avoid such delays, the executing agencies were henceforth authorized to recruit project managers as soon as the proposed project had been considered by the Consultative Board. Such a procedure entailed some risk for, if the project was not approved by the Governing Council, it would, of course, involve some expense. But the risk was warranted by the fact that six weeks would be saved and the project manager's vital services would be brought into play at an early stage.

3. The difficulties faced by recipient governments in recruiting counterpart staff were a serious cause of delay. However, the time taken to recruit such staff was thoroughly justified. Often, the supply of counterpart personnel had been facilitated by assistance through other United Nations programmes as well as through bilateral programmes.

4. Another cause of delay in the implementation of projects was the time taken by the executing agencies to recruit project personnel and to procure equipment. However, all the executing agencies were making strenuous efforts to speed up their operations. While the United Nations and its related agencies had been utilized for all projects so far approved by the Special Fund, the mounting number of requests and the exceptionally large programme for 1964 might make it necessary to resort to other organizations.

5. A few figures would suffice to illustrate the development of the 200 projects then under implementation. Some \$400 million had already been spent to implement the findings and recommendations of three surveys assisted by the Special Fund and there would be much greater investments for those and other projects. More than 1,000 experts had been sent into the field. By the end of 1962, 3,500 engineering students had been attending university courses assisted by the Special Fund and 4,350 trainees had been attending polytechnic institutions established or substantially assisted by the Special Fund. At least 5,000 trainees had completed shorter study programmes. The staff of the Special Fund had been strengthened both at Headquarters and in the field and four eminent consultants appointed.

6. The Governing Council was eager to put the substantial amounts of cash belonging to the Special Fund to the best possible use for the benefit of the developing countries. He had appointed a task force to study the matter and felt confident that acceptable proposals would be submitted to the Governing Council at its session in January 1964.

7. Currently, 120 requests for Special Fund assistance were under active study and many more would come in during the following few months. However, the amount of funds that would be available for the 1964 programme was still uncertain, but hope that the target of \$100 million would be reached seemed justified. In any event, that was the minimum amount which the Special Fund should be able to approve for 1964. In 1965 — the mid-point of the Development Decade — it was expected that the Governing Council would bring the total of approved projects to well over \$1,000 million.

8. Mr. FRANZI (Italy), introducing the draft resolution by Argentina, Italy and Jordan (E/L.1006), said that there were a number of reasons why it had been submitted. Firstly, the membership of the United Nations had considerably increased since the Special Fund had been created in 1958, and several other United Nations bodies had already been enlarged. Secondly, Special Fund activities had expanded. Since 1959 there had been a steady increase in the number of governments contributing voluntarily to the Special Fund; moreover, certain governments which had substantially increased their contributions were anxious to share in the management of the Fund. To increase the membership to 24 would not only allow wider participation by governments but would also ensure the more effective operation of the Governing Council.

9. The draft resolution was also intended to facilitate the work of the Second Committee.

10. Mr. VIAUD (France) said that the French delegation wished once again to stress the importance of the fact that a number of Special Fund projects had already been completed. The Fund had reached a stage where it should draw conclusions from its initial experience. The very fact that its financial and technical resources were increasing obliged it constantly to seek better methods.

11. Since the prime aim of the Fund was pre-investment, all risky schemes should be excluded. It must not live beyond its means and he therefore approved the system of blocking the funds for carrying out a project as soon as the plan of operations had been signed. The Fund had also to be more vigilant than any other body since all its operations had a certain degree of urgency. Hastily prepared projects should be eschewed. Not more than approximately six months should elapse between the approval and the initial execution of a project, save in quite exceptional cases. Certain general criteria should be laid down to facilitate the critical assessment of completed projects.

12. Special Fund projects could be divided into three main categories: studies, research and training. The percentage of resources allocated to each changed from one year to another. The report on the tenth session (E/3789) showed that studies and training schemes held first place, while research activities constituted only one-fifth of all projects; those activities, however, represented an essential operation which should be further developed.

13. Increased resources should be devoted to industrialization, and the diversification of industrial products

should be encouraged so as to avoid the problems which currently afflicted primary commodities.

14. His delegation had noted with interest the Secretary-General's intentions, as expressed at the 1274th meeting, when agenda items 4 and 6 had been discussed, concerning the functions of the Managing Director of the Fund and the Executive Chairman of TAB. The proposed reorganization was a big step in the direction of co-operation. It was to be hoped that the specialized agencies would take a more active part in the preparation of programmes and that the Consultative Board of the Special Fund would be merged with TAB.

15. The French delegation supported, in principle, the enlargement of the membership of the Governing Council, on condition that the increase was fairly divided between recipient and donor States. It intended to propose a slight amendment to the draft resolution, the substance and purpose of which it approved.

16. Mr. CVOROVIC (Yugoslavia) noted with satisfaction that the activities of the Special Fund had expanded considerably. However, it was regrettable that the target of \$100 million fixed for contributions had not been achieved. That situation was all the more regrettable in view of the importance of the Fund's participation in the Development Decade and the role it would have to play in the activities which would be decided upon at the Conference on Trade and Development.

17. In paragraph 234 of his report on the Conference on the Application of Science and Technology (E/3772 and Corr.2) the Secretary-General stated that the budgets of the specialized agencies might have to be enlarged and additional resources channelled through the Special Fund. Indeed, if the Development Decade was to become a reality, the need to expand the operational programme of the United Nations must be borne in mind, and that expansion could not be achieved without increasing resources.

18. The Yugoslav delegation welcomed the simplified procedure for the preparation and signature of operational plans and the fact that project implementation had been speeded up.

19. The Fund was entering a new stage in its development. All countries were in agreement that it could not disinterest itself from the subsequent fate of the projects it initiated. The proportion of Fund projects directly concerned with industrialization was extremely inadequate and should be increased, and there was reason to wonder whether the Fund should not in future think not only in terms of pre-investment, but also in terms of investment. In resolution 1240 (XIII), the General Assembly had authorized the Fund to assist projects in the field of industry. At the current stage it was desirable to study the possibilities offered by resolutions 1219 (XII), section III, and 1240 (XIII), part B, for direct participation by the Special Fund in the development of the under-developed countries. That study should lead to the establishment of a United Nations capital development fund.

20. Some delegations were in favour of merging EPTA with the Special Fund. The Yugoslav delegation favoured the closest possible co-ordination but not amalgamation, since the two programmes differed in purpose. Moreover, co-ordination in the field of technical assistance was within the purview of the *ad hoc* Committee of Ten, whose report would be submitted to the Council in 1964. Any step taken at the current stage would prejudice that committee's conclusions.

21. Finally, his delegation would support the draft resolution before the Council.

22. Mr. MIGONE (Argentina) expressed his delegation's satisfaction at the expanding activities of the Special Fund and its splendid contribution to the Development Decade. It was particularly gratifying to learn from the report on the ninth session (E/3717, para. 15) that no radical changes in the basic types of assistance provided by the Fund were anticipated. The work of the Fund in training, applied research and development planning had been most successful, as was shown, for example, by the interest of other regions in the Latin American Institute for Economic and Social Planning. His delegation was confident that the number of industrial projects aided by the Fund would increase.

23. His delegation was concerned at the inadequate representation of certain countries on the Governing Council and for that reason had co-sponsored the draft resolution before the Council.

24. There had been a great deal of discussion in the Governing Council on the subject of evaluation, but many representatives had pointed out that such a study might be premature. His delegation was fully satisfied with the way in which the Special Fund was developing, and its excellent work was to be commended.

25. Mr. YOKOTA (Japan) endorsed the two reports of the Governing Council and supported the idea that the Special Fund should do more to finance industrial feasibility studies, national industrial development, pre-investment studies for housing and building, and regional projects in such fields as transport, power, mineral and water resources. It was gratifying to note that in furthering such activities there was no intention of neglecting established fields of work.

26. It was to be hoped that the Managing Director would continue to strike a balance between the three main activities of the Fund. He looked forward to the results of the effort being made to help developing countries to form a clear picture of their resources in relation to the potential resources of their neighbours and to world needs and markets.

27. He hoped that the proposed new procedure for the establishment of escrow accounts would not hamper smooth financial operations; a solution of the cash balance problem would be expedited by speedier implementation of approved projects.

28. As shown in paragraph 68 of its report (E/3789), the Governing Council had decided at its tenth session, to retain the formula, up to 3 per cent of equipment and supplies and up to 11 per cent for other costs, approved

at its ninth session for calculating the reimbursement of agency costs for the larger executing agencies. On the other hand, the allocation from the EPTA Special Account towards the administration and operational services costs of the participating organizations was to represent 12 per cent of the approved field programme for the previous biennium and of the amount approved by TAC for contingency authorizations. A clarification of that apparent discrepancy between the practice of the Special Fund and that of EPTA would be welcome.

29. Finally, there was no need to establish a working group to review the activities of the Special Fund since the *ad hoc* Committee of Ten was already doing so.

30. Mr. UNWIN (United Kingdom) reiterated his support for the Managing Director of the Special Fund and his staff as well as his admiration for the expansion achieved in such a short time. It was particularly gratifying to note the continuing increase in the proportion of projects concerned with training and technical education to which representatives of African States had repeatedly stated that they attached great importance. He would emphasize that projects assisted by the Special Fund should be those to which the recipient countries themselves attached priority within their development programmes.

31. At the tenth session of the Governing Council, the manner in which the Special Fund held its assets and the rate at which it assumed responsibility for new projects had been discussed; he was glad to note that the Managing Director had appointed a task force to consider that complicated problem.

32. As to the draft resolution (E/1006), he was convinced that a smaller body was likely to be more flexible and efficient than a larger one and any increase in membership of the Governing Council must not exceed the number compatible with efficiency, and must not disturb the balance between donors and recipients.

33. Mr. MEHTA (India) said that table 4 in the report of the Governing Council on its tenth session (E/3789) showed that as many as 327 projects had been approved so far, involving a total expenditure of over \$282 million, and that the pace of Special Fund activity had increased steadily. On the other hand, there had been no fewer than 629 requests, representing assistance amounting to \$590 million, so that the actual performance had been only about 50 per cent of what might have been attained if certain conditions had been fulfilled. Either there had not been enough funds or the projects submitted for consideration had not been in conformity with the terms of reference prescribed for Special Fund activities. The announcement by the United States representative at the 1275th meeting, when agenda items 4 and 6 had been discussed, of the generous pledge of \$60 million by his government, subject to the condition that that contribution should not exceed 40 per cent of the total pledges made, had been welcome. It was regrettable that the immediate target of \$150 million for the two programmes had not yet been attained because of insufficient contributions from other countries. Although India was a developing country, it found itself in the embarrassing

position of being the fourth or fifth largest contributor to the Special Fund.

34. As stated in paragraph 15 of the report on the tenth session, the Managing Director had rightly emphasized the need to ensure that requests for assistance should be for projects that were sound, urgently needed and within the Fund's possibilities. His initiative in sending high-level consultants to assist governments in identifying priority needs was welcome, as was the part that field directors would be called upon to play in the formulation of projects. Much time and effort could, however, be saved if a detailed memorandum were prepared containing information on the criteria for determining the submission of projects for consideration by the Fund. It would also be useful to developing countries if the Fund were to communicate to the governments concerned detailed reasons for the rejection of any projects submitted.

35. It had been estimated that the cash balances held by the Fund would amount to \$200 million by 1965. Much dissatisfaction had naturally been expressed at the freezing of resources when there was a growing demand for funds from developing countries. The existence of those balances had perhaps also discouraged larger contributions. The measures for a further study of possible uses of the balances were welcome, and the proposal to establish escrow accounts was of interest (E/3789, paras. 54 and 55).

36. He hoped that the Council would give sympathetic consideration to the complaint that the African representation on the Governing Council was inadequate. He welcomed the draft resolution which provided an opportunity to redress the imbalance and proposed the addition of the following preambular paragraph: "*Desirous of ensuring equitable geographical distribution among the developing countries in accordance with paragraph 14 of General Assembly resolution 1240 (XIII), part B...*"

37. Mr. BINGHAM (United States of America) welcomed the increased pace of Special Fund activity and, in particular, the reduction in the time between approval of projects and the commencement of operations, but there was still room for improvement. It would be helpful, for example, if plans of operation could be signed not later than one year after approval by the Governing Council. Consideration might also be given to the direct implementation of projects by the Fund itself or through non-United Nations agencies. That would relieve the strain on the participating organizations, provide a basis for establishing standards for operations and assist in determining the overhead costs of the executing agency.

38. It was gratifying to note the recent increase in the number of industrial projects, but further increases would depend on the project applications received from developing countries. His delegation had therefore supported the Governing Council's decision that the field directors of Special Fund programmes could serve a most important function by stimulating government requests in the area of industrial development and that the Managing Director should be requested to instruct them accordingly. It had also supported the Philippine proposal in the Committee for Industrial Development that a government should be

permitted to request assistance for the execution of an industrial feasibility survey for which half of the expense incurred would be paid by a private entrepreneur through the government concerned and the other half by the Special Fund or EPTA, as well as the suggestion that the Managing Director should consider more active use of preparatory allocations so as to provide needed assistance to governments in preparing proposals in the industrial field.

39. He looked forward to an increase in Special Fund activity in housing and in the follow-up of the Conference on the Application of Science and Technology. Additional resources would be needed for those purposes and he would appeal to all members to help meet the \$150 million targets for the Special Fund and EPTA.

40. He endorsed the action of the Governing Council concerning escrow arrangements and the position taken by the Managing Director with respect to financial policy so far. While the Fund's financial policies had proved their merit in the past few years, they should be kept under review in order to determine whether changes were desirable. His delegation therefore looked forward to the Managing Director's study and the further consideration of those matters by the Governing Council at its eleventh session.

41. He would draw particular attention to the need for greater convertibility mentioned in paragraph 69 of the report.

42. The desirability of procuring more services and equipment from the less developed countries was generally acknowledged. Administrative and operational overhead costs were equally unavoidable, but none of those costs was borne by contributions made in restricted currencies. For example, the executing agency overhead costs for projects approved at the ninth and tenth session, which were estimated at almost \$6 million, were not being met by such contributions. The cumulative executing agency overhead costs of all projects approved by the Governing Council amounted to over \$20 million. Yet none of those costs was paid by governments, whose contributions were restricted to financing their own goods and services. Nor were those governments bearing the costs of administration of the Special Fund. Those costs for 1963 amounted to \$2.9 million and, cumulatively, to \$6.8 million. For those reasons, his government had stressed the need for a greater measure of convertibility and could not consider seriously the complaints concerning the failure to utilize their contributions by governments which placed restrictions on their use. Those governments were not bearing their fair share in the administration of programmes and were limiting the choice of recipient countries as regards experts and equipment.

43. He sympathized with the sponsors of the draft resolution before the Council, but shared the views of the United Kingdom representative expressed earlier in the meeting concerning the desirability of keeping the Governing Council to a manageable size. On the other hand, if the majority was inclined to support the draft resolution, his delegation would do likewise.

44. Mr. ARKADIEV (Union of Soviet Socialist Republics) expressed satisfaction that many of the current projects of the Fund were aimed at training national specialists in the developing countries. Such projects produced immediate results, whereas in the past too much interest had been shown in long-term projects. Unfortunately, out of 327 projects so far approved, only 12 had actually been carried out. Greater efficiency might result if the headquarters of the Fund was transferred to Europe.

45. The accumulation of unused cash balances at a time when the urgent needs of the developing countries were still not fully met was a subject for criticism. At the tenth session of the Governing Council, the view had been reiterated that the Special Fund could now safely move to annual budgets in a form similar to that practised under EPTA. At the same session, two members had stated that provisions of General Assembly resolution 1240 (XIII) had not yet been fulfilled.

46. He could not agree with the view that the Fund was not authorized to deal with the needs of immediate industrialization through programmes connected with national development programmes. By the end of the Development Decade, the combined resources of the Fund and EPTA were expected to total nearly \$800 million and the best use to which they could be put was the industrialization of the developing countries. The training of national specialists was a step in the right direction, but much more should be done. Paragraph 6 of General Assembly resolution 1240 (XIII), part B, provided that projects to be assisted by the Fund might include pilot projects, but that provision seemed to have been ignored.

47. He hoped that the management of the Special Fund would realize that it was in the interests of the developing countries to make the fullest possible use of the technical and scientific resources of the Soviet Union and the other socialist countries. The Managing Director had acknowledged that those countries possessed considerable experience in many technical fields, but only 30 of the 700 experts employed on Special Fund projects were from the Soviet Union. Yet in India and Pakistan, for example, Soviet geologists had already discovered oil, although geologists from other countries had for years searched for it in vain. Moreover, consideration should be given to making more effective use of his government's financial contribution to the Fund. It had already contributed 5 million roubles, which had not been spent, and although a list of seventeen projects in which Soviet experts might have participated had been submitted to the Secretariat, no reply had been received.

48. He reserved his delegation's right to comment later on the draft resolution before the Council and the oral amendment proposed by India earlier in the meeting.

49. Mr. de SEYNES, Under-Secretary for Economic and Social Affairs, said he thought that the views expressed

by a number of delegations on the merger of EPTA and the Special Fund were based on a rather inaccurate interpretation of the Secretary-General's intentions. At no time had the Secretary-General wished to minimize the role of the *ad hoc* Committee of Ten; but there were some subjects which no United Nations body had the exclusive right to discuss. The Secretary-General, who addressed the Council once a year on problems of co-ordination, had not unnaturally made known to him his thoughts on a matter which was currently under discussion by a number of United Nations bodies, and which was in course of development. He had done so after consultation on two occasions with ACC. He did not expect any final stand to be taken at that stage.

50. The Secretary-General did not wish to make any alteration either in the very distinct characteristics of the two programmes or in the regulations governing their administration or their functions, which were equally distinct and answered different needs.

51. The Secretary-General's thoughts were based essentially on considerations affecting the future growth of United Nations activity in matters of aid. There was reason to wonder, in the light of experience acquired during the twelve years in which the United Nations had discussed the establishment of a capital investment fund, whether the future development of such activity, both in volume and quality, would not benefit from a unified administration which would offer the world a picture of a stronger and more comprehensive set of machinery to which there would naturally be a greater tendency to confide new activities.

52. Mr. CVOROVIC (Yugoslavia) thanked the Under-Secretary for his explanation, but remarked that his delegation's comments on the merger of EPTA and the Special Fund had not been based solely on the Secretary-General's statement, because the matter was indeed being discussed currently by a number of United Nations bodies.

53. Mr. RESTREPO (Colombia) said that his delegation had been following with keen interest the development of the operations of the Special Fund and noted with particular satisfaction the assistance which the Fund had provided to the Latin American Institute for Economic and Social Planning. Colombia was one of the countries which had derived considerable benefit from the Fund, particularly in the exploitation of its natural resources. He hoped that States would increase their contributions to the Fund and was confident that the Fund would supply governments with more information on the way its services were organized, and on the manner in which governments could apply for assistance.

54. His delegation supported the draft resolution before the Council.

The meeting rose at 1.15 p.m.