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Agenda item 5:

Report of the Governing Council of the Special Fund . . . 139

President : Mr. C. W. A. SCHURMANN (Netherlands).*Present* :

Representatives of the following States: Afghanistan, Brazil, Bulgaria, Chile, China, Costa Rica, Denmark, France, Japan, Netherlands, New Zealand, Poland, Spain, Sudan, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Venezuela.

Observers for the following Member States: Australia, Belgium, Canada, Czechoslovakia, Ghana, Greece, Hungary, Indonesia, Israel, Italy, Pakistan, Romania, United Arab Republic, Yugoslavia.

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, International Bank for Reconstruction and Development.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 5

Report of the Governing Council of the Special Fund (E/3398, E/3401 and Corr.1)

1. The PRESIDENT invited the Council to consider the report of the Governing Council of the Special Fund on its third and fourth sessions (E/3398) and the annual report of the Managing Director of the Special Fund for 1959 (E/3401 and Corr.1).

2. Mr. HOFFMAN (Managing Director, Special Fund) said that the Pledging Conferences of 1958 and 1959 had provided the Special Fund with the equivalent of \$63 million. In 1959 and the first six months of 1960 the Governing Council had approved seventy-four projects directly affecting forty-nine countries and territories, at a gross cost of \$135 million, of which the Special Fund would contribute \$55 million and the assisted governments the remainder. Approximately one-half of Special Fund allocations to date had been for surveys of resources and feasibility reports, more than one-third for technical education and vocational training and the rest for applied research. Standard agreements had been signed between the Special Fund and twenty-eight governments and with the United Nations and the specialized agencies for

the execution of approved projects. Detailed plans of operation for twenty-one of the approved projects had been agreed between the governments concerned, the executing agencies and the Special Fund. Nearly all of those twenty-one projects were in the stage of implementation, and one had already been completed.

3. Those figures reflected encouraging facts. Seventy-five governments had demonstrated in the most practical way possible — by putting up money — their solidarity and their confidence in the potentialities of the Special Fund's pre-investment assistance in speeding up economic development. The governments concerned had shown deep appreciation of the assistance they were receiving, which covered a wide range of technical investigations. The projects represented the realization of long-held hopes that were being fulfilled only through the Special Fund. The countries receiving that assistance were entering whole-heartedly into the spirit of that assistance, which rested on the principle that the projects were projects of the country concerned and were merely being assisted by the United Nations. All parties were bound to honour their contractual obligations, one of which, for the countries receiving assistance, was to pay their agreed share of project costs when it fell due. Such a system amounted to a business-like partnership between the United Nations and the countries concerned, and the rational and economic use of international funds could be ensured only by means of such an arrangement.

4. The co-operation of the United Nations and the specialized agencies with the Special Fund in the preparation and execution of projects had been commendable. While many of the agencies had vastly increased opportunities for practical action in the field, they had at the same time to support heavy burdens on their headquarters staff and facilities. Those burdens, which they had willingly accepted, would increase steadily in the future. While the Special Fund had been able to pay certain of the additional costs involved, General Assembly resolution 1240 (XIII) did not authorize it to defray all the costs which arose for the agencies in connexion with Special Fund activities in their particular fields.

5. Satisfactory progress had been made in developing sound working relations between the Special Fund and the executing agencies both at headquarters and in the field. The resident representatives of the Technical Assistance Board (TAB) had been successful in fitting projects assisted by the Special Fund into overall country programmes, taking due account of related national, bilateral and multilateral programmes.

6. But all was not perfect. Governments were expecting more and more leadership from the United Nations in the field of economic development. Those heightened

demands could be met only by well-organized, well-staffed United Nations missions headed by persons of outstanding ability. Only through the closest co-operation at headquarters and such missions in the field could the Special Fund act with the necessary speed. Much had already been achieved, but the Special Fund would have to do even better.

7. There had been several encouraging developments in the general field of economic assistance since the Council's twenty-eighth session. There was a growing awareness of the overwhelming importance to all countries of a rapidly expanding world economy and of the particularly pressing need to speed up progress in the low-income countries, with their hundreds of millions of undernourished, ill-housed and frustrated people where the situation was not only intolerable but dangerous. The United Nations could take the lead in mobilizing the resources, talent and enthusiasm that were required to meet the challenge to produce greatly increased amounts of goods, which was a task for all peoples and all nations. Development to satisfactory levels could not be achieved overnight; nor could it be achieved at a satisfactory rate on an uncertain year-to-year basis. It could not be planned mechanically, because there were important psychological factors to be allowed for. Fortunately, there was an increasing awareness that progress towards an expanding world economy could be achieved only on the basis of true partnership; there could be no question of charity. Recent events suggested that many of the advanced countries were coming to see how multinational co-operation could serve their own peoples' best interests, and it was equally heartening to note that the low-income countries were coming to recognize more and more that they themselves were primarily responsible for their own development, and must provide the major effort.

8. Another encouraging trend was the steadily growing appreciation of the importance of pre-investment work. The problem of the supply of investment funds would be a relatively minor one, since thousands of millions of dollars' worth of available capital was begging for suitable placement. The critical needs were for knowledge of where capital from all sources could be most productively placed, and for manpower trained in the knowledge and skills required to develop the riches of nature for mankind's benefit. The Special Fund had its part to play, but could do so only if given the means.

9. There had perhaps been certain advantages in launching the new venture of the Special Fund on a relatively modest scale and in building it up gradually. Now, however, when the purpose and character of Special Fund activities were clearer and calls for its assistance were growing, governments could, in full confidence, substantially strengthen the Special Fund's resources and thereby its activities. If increased support was forthcoming, it would be possible during the 1960s to gain the necessary momentum to ensure that by the end of the twentieth century hunger, illiteracy and chronic disease would be but a memory.

10. Mr. HESSELLUND-JENSENS (Denmark), having emphasized the support which his country had given to

the idea of the Special Fund ever since it had first been mooted, observed that the Economic and Social Council should give the Managing Director of the Special Fund support and advice, since it was able to view the Special Fund's operations in the perspective of other United Nations programmes for assisting the countries in course of development, especially the new Member States.

11. The Managing Director's recognition of the need for flexibility with regard to the line of demarcation between projects to be financed by the Special Fund and those to be executed under the Expanded Programme of Technical Assistance (E/3398, paras. 26 and 27) was welcome. The Danish delegation had never been completely convinced that the somewhat arbitrary figure of \$250,000, chosen as the minimum that would qualify a project for financing by the Special Fund, was the right boundary. That applied particularly to certain feasibility studies which met the other criteria set out in General Assembly resolution 1240 (XIII), but did not call for the minimum expenditure of \$250,000, and yet were too extensive to be accommodated under the Expanded Programme of Technical Assistance. In the Managing Director's annual report (E/3401, para. 13) it was stated that twenty-five requests had been considered too small, although they fell within the established priorities, and that six other requests had been found to be more suitable for other programmes. It would be interesting to know whether the twenty-five small requests were not considered suitable for other programmes, and whether the requesting governments were thereby being deprived of any hope of seeing them met by any member of the United Nations family. A solution to the problem might be facilitated if the Expanded Programme of Technical Assistance, which was considering the matter, introduced programming on a project basis, like the Special Fund. If that came about, and the Special Fund could lower its minimum, it should not be too difficult to find solutions for such border-line cases.

12. The Managing Director had rightly laid stress on the General Assembly's directive that projects should be such as to yield quick results and to have the widest possible impact. It was therefore disturbing to learn from his annual report that he considered it impractical to submit any project to the Governing Council until six to nine months after receipt of the request (para. 18). Since the Governing Council had approved a preparatory allocation of \$250,000 to be used during 1960 to assist governments in the preparation of requests (E.3398, para. 45) and the Managing Director had sent all interested governments a memorandum setting out detailed instructions for the preparation of applications to the Special Fund, the time lag might well be reduced. In the case of requests submitted by new States it might be possible for the Managing Director to present such projects as he considered to be of particular merit to the Governing Council without delay, and, if the latter's approval was necessary, to consider convening an emergency session to process such requests promptly.

13. The current rule that total commitments should not exceed by more than one-third the total amount of cash in hand and pledges on the books (*ibid.*, para. 79) seemed to reflect a rather conservative financial policy. The Ex-

panded Programme had for many years been successfully pursuing a much more liberal financial policy; most Special Fund projects were for a period of five years. Contributions to the Special Fund were expected to increase. It was therefore gratifying to note that the Managing Director had been requested by the Governing Council to continue his study on that subject (*ibid.*, para 78).

14. The Danish delegation could not agree that reimbursable assistance within the scope of the Special Fund should be linked with the question of the establishment of a reserve fund. The reimbursable assistance procedure had been highly successful with the Expanded Programme, and might well be useful to the Special Fund. His delegation would, however, refrain from pressing the point until it received further information from the Managing Director about the number of receiving countries which had formally requested aid in that form.

15. One of the fields in which the Special Fund could be particularly helpful to countries in course of development was the establishment of agricultural institutes. If the efficiency of agricultural production could be enhanced, valuable resources would be released for use in industrialization and the diversification of production. It was gratifying to find that no less than twenty-seven requests related to assistance for agriculture, livestock, soil surveys and agricultural institutes. Agricultural institutes would be particularly valuable to the new African States.

16. Recalling the observations made by the Danish Minister for Foreign Affairs at the 1120th meeting, he reiterated his delegation's hope that all Member States appreciated the need to support the Secretary-General and the Managing Director of the Special Fund in their pleas for additional funds, to enable assistance rendered by the United Nations to be extended to the new countries without reducing help to other Member States which had a legitimate claim to continued assistance. Denmark, although a small country requiring foreign investment, was prepared to consider substantially increasing its contributions to the United Nations programmes of pre-investment and technical assistance.

17. Mr. de GAAY FORTMAN (Netherlands) said that it had become apparent that the General Assembly had provided the Special Fund with an excellent framework for its operations. Co-operation with the United Nations, TAB and the executing agencies was good, and close co-operation might be expected in due course with the International Development Association, possibly through the Consultative Board of the Special Fund. The average period of six months that elapsed between the approval of a project and the beginning of its execution was satisfactory.

18. The projects approved so far conformed to the original main objectives: surveys of resources, feasibility studies, applied research, manpower training and technical education. It was gratifying to note that, as suggested by the Netherlands' delegation at the Council's twenty-eighth session (1081st meeting), projects in the social field had since been included. For example, the regional labour institutes in India (E/3401, annex, section 20) would make a practical contribution to the improvement

of productivity by studying the social and psychological aspects of industrialization. In the early stages of industrialization in Europe there had been a tendency to disregard its social and psychological aspects and it was good to see that some of the mistakes of the past were now being avoided with the help of the Special Fund.

19. The Governing Council's approval of a mineral survey for Surinam (E/3398, annex II, section 19) was welcome. The project was a classic example of a pre-investment study, and it was gratifying that the International Bank for Reconstruction and Development (Bank), which had prepared an excellent study of Surinam's prospects of economic development some time previously, was to act as executing agency.

20. One of the great advantages of the Special Fund was the way in which receiving governments contributed to each project between two and three dollars for each dollar provided by the Special Fund. Such a mobilization of resources could hardly have been achieved bilaterally, and was one more argument in favour of multilateral assistance.

21. The urgency of the needs met by the Special Fund could be seen from the fact that the value of projects approved during 1959 alone had exceeded the total amount of pledges for that year. It was to be hoped that in 1961 pledges for the Expanded Programme and the Special Fund would reach the initial target of \$100 million set by the General Assembly in its resolution 1219 (XII).

22. The decision to establish the Special Fund had been wise and timely. It had not yet been possible to establish a United Nations capital development fund, although the idea was still alive. The pre-investment activities of the Special Fund covered a large and legitimate field of international assistance, supplementing both technical assistance in the narrower sense and large-scale capital aid.

23. Mr. DUDLEY (United Kingdom) was gratified to hear that the Managing Director had been able to speak not only of needs, but also of achievements. The Special Fund was proceeding as rapidly as it could with projects that would show an early return. Although the reports before the Council were far fuller and clearer than they could have been at the twenty-eighth session, the fruit of the work would be largely harvested in the future, and the Council was not yet seized of the broad issues with which it might be faced in time. The Governing Council had been able to deal effectively with the issues attending the launching of the Special Fund. The United Kingdom delegation to the Governing Council had stated its own views in detail there, but that body and the Managing Director would no doubt welcome any guidance from the Economic and Social Council.

24. One of the questions on which such guidance might be appropriate was the criteria adopted for projects to be recommended by the Managing Director. The United Kingdom delegation, for its part, was fully satisfied with the guiding lines laid down in the Managing Director's annual report for 1959 (E/3401, para. 11). It agreed with the Managing Director that the criteria should not be regarded as inflexible and with the suggestion

that the Special Fund should entertain projects dealing with secondary education. The Economic and Social Council might well review the minimum size of Special Fund projects; he was inclined to agree with the Danish representative that \$250,000 was too arbitrary a lower limit. Such revision might also entail consideration of the kind and size of projects suitable for the Expanded Programme of Technical Assistance; but that was a matter for the new Committee on Questions relating to the Special Fund and the Expanded Programme. It would be well if that Committee could in future finish its work before the topics of the Expanded Programme or the Special Fund were taken up in plenary meeting.

25. As for the questions of earmarking funds for projects and the establishment of a reserve fund, the United Kingdom delegation agreed with the Managing Director that decisions on them should be deferred until more experience had been gained.

26. The United Kingdom Government was more than satisfied by the way in which the Special Fund was working. Its decision to increase its contribution in 1959 had been in the nature of an act of faith, which had been justified. It was to be hoped that there would be a substantial increase in contributions in 1961 and 1962.

27. Mr. KAKITSUBO (Japan) said that the initial performance of the Special Fund had been impressive indeed. The only limiting factor on further expansion was shortage of funds. Of 200 projects requested, as many as 136 were not recommended — mainly for lack of funds. Member States had accordingly been urged to increase their voluntary contributions, and the Japanese Government was considering doing so in 1961.

28. The Special Fund's pre-investment activities constituted, so to speak, the spade-work for the long process of economic development. The work should not be allowed to stop there, but should be followed up by capital investment projects. It was also important that close contact be maintained between the Special Fund and the financial institutions intended to supply development capital inside and outside the framework of the United Nations, such as the Bank, the International Development Association, the International Finance Corporation and the Inter-American Development Bank. It was gratifying to learn from the United States representative's remarks at the 1117th meeting that the Development Assistance Group was to discuss the pre-investment type of technical assistance at its forthcoming session in October 1960 and that the United Nations and the appropriate specialized agencies were to be invited to attend.

29. Close co-operation should also be maintained with the Expanded Programme and the regular technical assistance programmes in order to avoid overlapping and duplication. The Special Fund should concentrate on relatively large projects intended to stimulate investment. The difficulties of formulating regional projects were fully appreciated, but it was to be hoped that the Managing Director would recommend many more such projects in the future in view of the great benefits they brought.

30. The need for a more liberal application of the established criteria for the approval of requests in exceptional cases was obvious. The Special Fund should extend its activity to the training of secondary-school teachers in the most under-developed countries, especially in Africa. Although such projects did not hold out the prospect of leading to capital investment in the near future, they would strengthen such countries' capacity to absorb investment. Unless such exceptional requests were receivable, the most under-developed countries would be unable to benefit by the Special Fund.

31. The present position of the geographical distribution of projects gave no grounds for concern, as a better distribution would undoubtedly be attained in the long run.

32. The Japanese delegation intended to submit a draft resolution by which the Economic and Social Council would take note with appreciation of the report of the Governing Council of the Special Fund and the Managing Director's annual report for the calendar year 1959¹.

33. Mr. KOTSCHNIG (United States of America) observed that the Special Fund was a well-conceived operational programme. No other programme devised by the United Nations in the economic field had gone to work so speedily or so effectively. His delegation fully agreed with the criteria and priorities established, and shared the Managing-Director's belief that projects must be projects of the countries concerned, with only assistance from the Special Fund. Participation by the receiving countries from the outset made for true partnership.

34. The emphasis laid on surveys for genuine pre-investment activities was to be commended, since pre-investment was essential to sound financing of projects.

35. The question of the lower limit for Special Fund assistance, especially for feasibility surveys, was really a matter for the Committee on Questions relating to the Special Fund and the Expanded Programme of Technical Assistance, which would undoubtedly be able to lay down a satisfactory line of demarcation. The broadening of the criteria to include secondary education, especially teacher-training institutes, was welcome. His delegation also approved the preparatory allocation of \$250,000 to assist governments in the preparation of requests for Special Fund assistance.

36. He had been impressed by the Governing Council's report on the close relations between the Special Fund and the executing agencies in preparing the formulation of project requests in priority fields. All those positive achievements had been due to the dedication and deep concern with human values shown by the Managing Director and his staff. The United States delegation was encouraged by their practical approach and also by the full support given by the specialized agencies and the International Atomic Energy Agency.

37. But actions must speak louder than words. The Special Fund needed more money. It had been impossible to carry out some obviously deserving projects for lack of funds. Instead of merely praising the Special Fund's

¹ See E/L.881, distributed subsequently.

activities, governments should give their appreciation tangible form by increasing their contributions. The real test would come not with any resolutions the Council might adopt, but at the Pledging Conference in the autumn.

38. He would support the Japanese draft resolution. It might include an appeal to governments to increase their contributions. However, such appeals having already been embodied in two resolutions adopted by the Council at the 1116th and 1127th meetings, the draft resolution might well be confined to expressing its appreciation.

39. Mr. CHA (China) expressed his delegation's gratitude to the Managing Director of the Special Fund for the effective way in which he had brought to light the magnitude of the needs of the countries in course of development and had inspired governments to increase their contributions to the Special Fund at a rate that could not have been foreseen at the time of its establishment. The Governing Council's latest report (E/3398, paragraph 17) indicated that for the next two or three years an annual outlay of some \$200 million — twice the amount of the initial target laid down by the General Assembly for the Special Fund and the Expanded Programme together — was envisaged. That estimate augured well for the Special Fund's continued success.

40. The Managing Director had estimated that over the period 1960-1969 the needs of the developing countries would require an annual outlay of \$7,000 million, \$5,000 million of which was likely to come from the current flow of capital to the developing countries and from increased private investment and bank loans. The capitalization at present proposed for the International Development Association, \$1,000 million, to be spread over five years, was obviously inadequate to bridge the gap, and it was to be hoped that governments would increase their contributions to the Special Fund accordingly. As total pledges for the Special Fund and the Expanded Programme for 1960 had fallen short of the target by nearly \$30 million, the need for an immediate increase in contributions was clearly urgent.

41. His delegation approved the policy adopted by the Governing Council of the Special Fund at its fourth session that for the next twelve months the total level of outstanding commitments for approved projects to completion, including a reasonable allowance for the 15 per cent liability on contingencies, should not, at any given time, exceed by more than one third the total amount of cash in hand and pledges already made (*Ibid.*, para 79). That was a prudent measure in view of the fact that there was no reserve fund for meeting contingencies and that it was still not the general practice to pay up contributions early in the year. It was to be presumed that, if the situation improved in the latter respect, the Managing Director would be in a position to undertake commitments above that limit.

42. The Chinese delegation also endorsed the 15 per cent contingency allocation that would enable the Managing Director to implement projects of an urgent nature in the newly independent and emerging countries without awaiting action by the Governing Council.

43. He would like to know the exact effect of the concept of "gross project costing" as defined in the Governing Council's report (para. 41) on the matching formula adopted by the largest contributor to the Special Fund.

44. It was right that the emphasis in the Special Fund's work should be placed on pre-investment surveys; nevertheless, assistance in the setting up of institutes for training the necessary technical staff, which was covered by General Assembly resolution 1240 (XIII), should not be neglected. In that particular case there would be special need for co-ordination between the Special Fund and the Expanded Programme, to eliminate duplication and overlapping.

45. The question of currency utilization had been raised many times in connexion with the Expanded Programme. His delegation hoped that, after the exhaustive discussions within the United Nations, contributors would refrain from creating difficulties for the Special Fund in that respect. If large contributions in certain national currencies had to be used solely to provide assistance in the form of experts and equipment, the result would be indistinguishable from bilateral assistance provided under cover of the Special Fund's multilateral system; that would be highly objectionable. If such contributors were unwilling to make funds available in usable currencies, the Special Fund would be placed in the position of either having to refuse such contributions or of having to serve as a shield for the ulterior motives of the contributor. If that question became acute, his delegation would consider suggesting that the Council set up a special body to investigate and report on it.

46. Although a number of Special Fund projects, involving large sums were situated in Asia and the Far East, only a small number of countries were benefiting from that work. India was the chief beneficiary, having so far been allocated some 15.5 per cent of the total resources of the Special Fund. Other needy countries were to be found in the same region, and in Latin America and Africa. There were therefore sound grounds for revising that policy, taking due account of the principle of equitable geographical distribution.

47. His delegation welcomed the proposed liberalization of the criteria governing the selection of projects. The existing stipulated minimum of \$250,000 required to bring the Special Fund into operation meant that certain projects were ruled out for consideration either by the Special Fund or by the Expanded Programme. It was to be hoped that, once the minimum requirement had been abolished, it would be possible to act upon such requests without delay.

48. Mr. GREEN (New Zealand) said that the Special Fund was in the process of integration into the United Nations family of agencies providing economic assistance for countries in process of development. The Council now had a plainer understanding, through the Special Fund's work, of the concept of the economic "breakthrough" to the stage of self-perpetuating growth. The Special Fund had once again demonstrated the importance of joint financing, in which the assisted government itself bore a large part of the cost of a project, thus helping to ensure that international assis-

tance was always directed towards activities of high priority.

49. The most interesting feature of the Special Fund's activities had, however, perhaps been the sharper definition of the function of pre-investment assistance. Under the Managing Director's guidance, it was possible to see much more clearly than previously the importance of creating conditions that would lead as directly as possible to capital investment, and the developing countries' need for substantial financial aid at that stage of their development. The virtue of the accent on pre-investment activities lay in their tendency to link the separate sectors of development into one continuous productive process. Two most important implications followed from that broader view. The first was that in the transitional stage priorities should be selected with a view to achieving increases in productivity, and hence improved living standards, as rapidly as possible. The second was that a better basis was offered for co-ordination of assistance to the under-developed countries that would enable awkward impediments and loss of drive between the successive stages of technical assistance, pre-investment and the provision of capital to be avoided.

50. The need for the closest collaboration with the executing agencies in laying down priorities was well appreciated, as the statement in paragraph 16 of the Governing Council's report showed. The problem was most acute in the new States such as the Republic of the Congo, where lack of trained personnel made it difficult for the government to establish unaided a sound basis for development projects. His delegation had commented in earlier discussions on the part which the resident representatives of TAB could play in that respect, and was gratified that the Council had given recognition to that role in the resolution adopted at its 1127th meeting on international co-operation on behalf of newly independent countries. Given the special difficulties of that group of countries, his delegation welcomed the proposed liberalization of the Special Fund's criteria concerning the minimum qualification for a Special Fund contribution to the cost of feasibility studies (E/3398, para. 13).

51. The relatively large size of the Special Fund might lead to some distortion in the programmes and staffing structures of the executing agencies and there was clearly a need for close co-ordination in the planning and execution of projects. The fact that the Special Fund had no direct link with the governing bodies of the Bank and the International Development Association raised obvious problems of co-ordination. As the leader of his delegation had stated in the Council's ministerial meetings (1119th meeting), New Zealand would like to see the question of a closer link between the United Nations and the Industrial Development Association explored more fully.

52. The Governing Council had acted wisely in deciding not to aggregate financial reserves equal to the unspent value of its approved projects. It remained to be seen how far the Special Fund could go in the direction of approving complete projects of several years' duration without maintaining substantial working reserves, and his delegation proposed to revert to that question in the

Committee on questions relating to the Special Fund and the Expanded Programme of Technical Assistance. As to the use to which reserves might be put his delegation supported the view that the Fund should continue to concentrate on grants-in-aid and should not engage in making loans.

53. Mr. AUBOIN (France) said that his delegation attached much importance to the report of the Governing Council because it reflected the initial trends of the Special Fund and marked the launching of more than sixty pre-investment projects. His delegation had been struck by the contemplated expansion of the Special Fund's activities: from 1962 onwards the normal number of projects in course of execution would be 250, to an aggregate value of \$450 million. Heavy responsibilities, especially that of selecting the most appropriate projects to speed up economic development, would thus be laid on the Special Fund. To meet the intensification of its activities, the Special Fund's executive bodies would have to solve two types of problem.

54. Problems of the first type belonged to the organizational sphere and had already been tackled boldly and effectively. The new methods introduced had already begun to make themselves felt in the far-reaching reforms being undertaken in the Expanded Programme, especially those concerning the establishment of programmes on a project rather than on an annual or two-yearly basis.

55. His delegation hoped that, in the financial sphere, the Special Fund would from the outset gain a reputation for strict financial management justifying the confidence placed in it by contributing and receiving governments. The decision to authorize the Managing Director to assume commitments exceeding by one-third the amount of the cash in hand plus that of contributions pledged was based on a detailed balance-sheet. Generally speaking, it would be necessary for programmes presented in the future and having financial implications extending over several years to be supported by balance-sheets showing the exact extent of the commitments entered into, since the Special Fund's resources would continue to be fixed year by year.

56. With regard to the co-ordination of activities between the Special Fund and the executing agencies, his delegation was happy to note that agreements with each of the agencies had been concluded on the way in which the various projects would be executed. It considered, however, that in the middle term new issues would arise which the Governing Council would have to tackle. The size of its programmes meant that the Special Fund would give a new dimension to the activities of some of the specialized agencies, and it was essential that the co-ordination of implementation procedures should be assured. Since every project undertaken had to be assigned its proper place in the development plans of the countries concerned, it was difficult to imagine each specialized agency working in isolation.

57. The second type of problem created by the development of the Special Fund was that of project planning. Should the Special Fund merely distribute the available funds among the receiving countries, leaving it to them to plan the projects, or should it inspire and

encourage requests? In the French delegation's view, the Special Fund could not leave it to the executive agencies alone to help the receiving countries to submit sound projects. It would have to go on laying down priorities, in categories that were sufficiently flexible to meet the real needs of the various countries, and it would have to make sure that each project had its place in the economic development of the requesting country; in that way, it would be supplying the driving force which should be the essential feature of its activity. Having thus acquired valuable experience of pre-investment work, the Special Fund should appreciate what impetus it was called upon to provide if that experience was to benefit all countries and adapt its administrative structure to that conception of its role.

58. The Managing Director had appealed both for an increase in contributions and for their payment in convertible currencies. He could assure the Council that the French Government would give those two questions the closest and constructive consideration. Convinced as it was of the importance of the Special Fund in United Nations activities as a whole, his government had published a booklet about it, the main purpose of which was to bring the Special Fund to the notice of the main French governmental departments and to that of the rulers of those States of the Community that were already or soon would be, independent. It was doing its utmost to encourage those new States to make fuller use of the Special Fund's facilities pending the time when, as Members of the United Nations, they would have more direct knowledge of the Special Fund and its machinery.

59. His delegation wished to convey to the Governing Council and Managing Director of the Special Fund its satisfaction with the work done in the opening stage. If succeeding stages of the Special Fund's work were carried out equally realistically and with equal enthusiasm, there could be no doubt that the Special Fund would play a decisive part in the development of the countries that appealed to it for assistance.

60. Mr. PENTEADO (Brazil) congratulated the Managing Director on the good work done by the Special Fund during the past year. Despite its recent creation, the Special Fund had already an impressive list of accomplishments to its credit, not least of which was the very great confidence which had been engendered in its work. The public recognition of the exceptionally valuable work being done was to some extent surprising, since little attempt had been made to publicize the Special Fund's activities. Nevertheless, its prestige was steadily growing, and the way in which the Managing Director and the Executive Chairman of TAB had worked together to avoid overlapping and duplication in the activities of the Special Fund and the Expanded Programme was a fine example of collaboration at its best.

61. His delegation hoped that the forthcoming Pledging Conference would justify, and even outrun, the Managing Director's optimistic expectations.

62. Mr. MAKEEV (Union of Soviet Socialist Republics) observed that the discussion had provided a better understanding of the work being done by the Special Fund

and enabled the Council to discern the main trends of its future activity. The point at issue was how the Special Fund could be enabled to make its most effective contribution to the economic development of the under-developed countries. So far, the main emphasis in the Special Fund's practical work had been on pre-investment activities, consisting mainly in surveys of natural resources and feasibility reports. Such activities did not suit the best interests of countries in course of development; as they were in fact of greater benefit to the highly developed countries, which had large amounts of private capital to export. Indeed, it seemed that the Special Fund's machinery was being used for work profiting private credit institutions and commercial undertakings that should be carried out at their own expense rather than at that of the voluntary contributors to the Special Fund. Moreover, that trend was not in complete conformity with the provisions of General Assembly resolution 1240 (XIII), which laid down wider tasks for the Special Fund more in keeping with the interests of the developing countries.

63. The Soviet Union delegation therefore associated itself with those other delegations which had urged that the Special Fund should give greater prominence to experimental pilot projects, connected with industrialization, transport and similar facilities, which were more likely to benefit the economic development of the under-developed countries. Representatives of the under-developed countries had themselves urged that larger allocations should be made for the industrial and other equipment that their countries so urgently needed. It could hardly be regarded as right that virtually none of the projects so far approved by the Governing Council of the Special Fund would directly promote industrialization; if it were to realize its full effectiveness, that policy would have to be modified. The Special Fund should concentrate more on relatively large projects coming within the compass of General Assembly resolution 1240 (XIII), at the same time striking a harmonious balance between pre-investment and investment activities. In that connexion, his delegation supported the proposal made at the fourth session of the Governing Council that a reserve fund be set up. It also endorsed the view expressed on that occasion that the Special Fund should not be regarded as a permanent institution; in time, it must develop into the Special United Nations Fund for Economic Development.

64. The Soviet Union attached great importance to the training of specialized national personnel, and accordingly supported the proposed extension of Special Fund assistance to secondary education. The basic aim should be to train the engineers, technicians and skilled labour needed for developing the economy of the under-developed countries. At the same time, it should be borne in mind that that work would to some extent duplicate the Expanded Programme projects, and his delegation would not wish to see the importance attached to the Expanded Programme's work in the educational field in any way impaired. Serious consideration should therefore be given to the delimitation of responsibilities between the two in that sphere. The Special Fund might be used to finance larger projects in secondary education that were too broad in scope for the Expanded Programme, or

which entailed comparatively large capital investment. Closer co-ordination of the work of the two programmes was also essential.

65. In view of the importance attached by the under-developed countries to the activities of the Special Fund, it was important that they should be strictly controlled by the Governing Council. To that end, it was desirable that the Managing Director should provide the Governing Council with more information on what was being done, and particularly on the reasons underlying the rejection of requests. That would enable the Governing Council better to shape future policy. It would be desirable, too, to enlist to a greater extent than before the help of national authorities in the execution of Special Fund projects. The last word on all projects should lie with the beneficiary country, on which no pressure of any kind should be exerted through the Fund's machinery, either when requests were being formulated or when they were being executed. The Managing Director should also give constant attention to simplifying the Special Fund's machinery and should submit specific proposals to the Governing Council for its improvement.

66. The Special Fund should pay more attention to the needs of the new States of Africa, without prejudice to the interests of other receiving countries. That objective

might be reached by a more rational reallocation of available resources, by a reduction of the unduly high administrative costs, by revising the allocations made at the request of the highly developed countries to meet the needs of their non-self-governing territories and through an increase in the voluntary contributions of such colonial countries. Independent countries in the process of development were being deprived of much-needed help by the allocation of a substantial proportion of the Special Fund's resources to the colonial powers.

67. The Governing Council should also take up the question of local costs at one of its forthcoming sessions, with the object of reducing them to the minimum. The amounts allocated for local costs were too high, and the Special Fund should benefit from the Expanded Programme's experience.

68. The Soviet Union delegation had no objection to the draft resolution to be submitted by Japan, subject to the reservations made during consideration at the fourth session of the Governing Council, when it had considered the Managing Director's annual report for 1959 and had adopted its report on its third and fourth sessions.

The meeting rose at 1 p.m.