



CONTENTS

Agenda item 18:

Reports of the Governing Council of the Special Fund . 59

President : Sir Ronald WALKER (Australia)

Present :

Representatives of the following States, members of the Council: Algeria, Argentina, Australia, Austria, Chile, Colombia, Czechoslovakia, Ecuador, France, India, Iraq, Japan, Luxembourg, Senegal, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America, Yugoslavia.

Representatives of the following States, additional members of the sessional Committees: Cameroon, Ghana, Indonesia, Iran, Italy, Mexico, United Arab Republic, United Republic of Tanganyika and Zanzibar.

Observers for the following Member States: Canada, Central African Republic, China, Finland, Hungary, Ireland, Norway, Pakistan, Philippines, Poland, Romania, Uganda, Uruguay.

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

Representatives of the following specialized agencies: International Labour Organisation, United Nations Educational, Scientific and Cultural Organization, International Bank for Reconstruction and Development, International Monetary Fund, World Health Organization, Universal Postal Union, World Meteorological Organization, Inter-Governmental Maritime Consultative Organization.

The representative of the International Atomic Energy Agency.

AGENDA ITEM 18

Reports of the Governing Council of the Special Fund
(E/3854, E/3889)

1. Mr. HOFFMANN (Managing Director, Special Fund), introducing the reports of the Governing Council of the Special Fund on its eleventh and twelfth sessions (E/3854 and E/3889), recalled that the essential purposes of the Fund were to help developing countries to acquire knowledge in depth of their resources, establish research institutes for applying modern technology to develop-

ment, and train local personnel to make effective use of national resources, and thus to attract investment and be able to use it productively so as ultimately to become self-sufficient. The results achieved by the Special Fund's pre-investment policy were set forth in the Fund's Implementation Report (SF/L.105 and Corr.1) and in its publication, *Impact*.

2. Experience had taught the Special Fund three things: first, that the world was immensely rich in agricultural, industrial and human resources — even the comparatively limited survey work thus far completed had uncovered a potential that was literally beyond calculation. Secondly, in the advanced education and technical training centres to which the Fund had given substantial impetus, it had seen demonstrated the intelligence, the capability and the eagerness to learn which characterized people in the developing countries. Thirdly, it had found that well-placed pre-investment surveys could foster capital investment in large volume with small delay. It had been hoped that \$50 million spent on pre-investment surveys would eventually produce \$1,000 million of capital investment. But it had been found that twelve surveys costing the Special Fund only \$5.8 million had already resulted in investments totalling over \$750 million. In other words, the ratio of return on outlay was not 20 : 1, as expected, but 120 : 1. The proportion would perhaps not remain quite so high, but it was nevertheless impressive. In that connexion, mention should be made of the help given by IBRD which had participated in much of the financing and had worked out the necessary arrangements with other investors.

3. Some idea of the real extent of Special Fund assistance could be obtained by looking at certain specific projects. For example, IBRD and a consortium of Governments had recently signed agreements providing a loan of over \$140 million, in addition to domestic investments of \$68 million, to implement the recommendations of a survey which had cost the Special Fund a little over \$700,000. That loan was for building a multi-purpose dam on the Niger river; it would be the cornerstone of Nigeria's current \$1,900 million development plan.

4. Twenty-eight surveys had been made concerning the prospects of mining industries in a number of countries, including Burma (lead and zinc) and Pakistan (coal and iron ore). In six Central American republics, a Fund-assisted survey of communications requirements had enabled an extensive programme to be launched. In Tunisia, the Special Fund and FAO were helping to develop systems of agriculture suited to a particularly erratic climate and had already established two experi-

mental farms the results of which had greatly impressed local farmers.

5. Many Special Fund projects applied modern scientific techniques to increase industrial efficiency. Modest but up-to-date research institutes were serving specific branches of industry: for example, mechanical engineering in India, fishing industries in Latin America, leather and grain-processing industries in Colombia.

6. In every sector, skilled people were needed; accordingly, every Fund-assisted project had a training component, whilst education and technical training were the primary purpose of 170 Special Fund projects. Institutions assisted by the Special Fund had trained 45,000 technicians in low-income countries. Those results had been obtained by the tripartite association of Governments, executing agencies and the Special Fund. Credit was due to Governments for supplying the buildings, services and counterpart personnel required for the projects and also to the United Nations agencies entrusted with their implementation. In connexion with Israel's industrialization programme, for example, ILO had helped to establish a central training institute at which, by the end of 1963, over 1,400 students were in training, and in Pakistan UNESCO was co-operating on a project for training engineers.

7. Turning to the Special Fund's future activities, he recalled that members of the Governing Council had stressed the importance of field offices, the number of which would increase to 72 by the end of 1964, as compared with 35 at the end of 1959, whilst 11 new correspondents would be serving in 11 additional countries. The greatest desire of the Special Fund was to respond promptly to the most pressing needs of Governments, including their requests for new types of assistance. It hoped to be able to start more projects in the field of industrial feasibility studies. It also hoped that its resources would permit a substantial increase in the field of public health, in which WHO had remarkable achievements to its credit and deserved more vigorous support; only a people in good health could develop a country. Transport was another area in which many developing countries needed additional pre-investment assistance; the Special Fund was ready to help them to study the economic and technical possibilities of improving their national transport facilities and services.

8. In training, the availability of larger resources would permit the Special Fund to move into additional fields where Governments felt that urgent work was required. He had already approached the Director-General of UNESCO concerning the possibility of the Special Fund assisting in certain as yet unspecified ways in a campaign against adult illiteracy. Requests from Governments desirous of obtaining Special Fund assistance for that purpose would be examined with sympathy as well as care.

9. In pre-investment studies the Special Fund was considering the possibility of going beyond the present range of work, for example in the sphere of land reform, and hoped to assist Governments to collect the information and experimental data required and also to set up the

social and economic institutions essential to the success of their land reform programmes.

10. Assistance to Governments in developing inexpensive housing was another pressing matter. Hitherto the Fund's help had been confined to research into local materials and building methods and to establishing institutional services, but it might well be extended to pilot projects.

11. The Special Fund which had already had considerable success in finding new supplies of fresh water, was also interested in the possibility of desalinizing sea water for water-short areas in developing countries. That was a field where assistance could be given in the form of pilot plants as well as surveys.

12. Lastly, the Special Fund was investigating requests for assistance in establishing a pilot fertilizer industry scheme, the erection of an industrial unit on an industrial estate and the construction of a demonstration plant in food technology. It was taking an active part in working out pilot and demonstration schemes for agriculture, some designed as a follow-up to large-scale irrigation surveys and others requiring engineering works and other facilities. There, too, the Fund's activities would go beyond pure pre-investment.

13. The success so far achieved ought not to obscure the need for a substantial expansion in the services provided by United Nations institutions to developing countries. The Secretary-General considered that one means of strengthening that work would be to create a new United Nations development programme. The Secretary-General had given intense study to that question over the past two years. The developing countries were fortunate that the United Nations had in its Secretary-General a man who was not only intellectually absorbed by the problems of development, but emotionally committed to their solution as well, for he himself came from a developing country and region. The Secretary-General's proposals therefore had his full support. The creation of a new development programme, with the merger of EPTA and the Special Fund and the unifying of the management of the programmes, would offer innumerable advantages, one being that it would make available for types of activity carried out by the Special Fund the services of the able staff at present working in technical assistance.

14. Mr. BURR (Chile) said that he was deeply impressed by some of the achievements mentioned by the Managing Director of the Special Fund, whose enthusiasm inspired confidence in the results that the United Nations family might be expected to obtain. For instance, it was extraordinary that relatively modest pre-investment surveys, devoted to carefully chosen projects, could produce enormous capital investments in the ratio of 120: 1.

15. He expressed the gratitude of the Chilean Government for the help given by the Special Fund and the technical assistance programmes, mentioning in particular the survey and prospecting of mineral resources in northern Chile, which should make it possible to expand mining output considerably, and the project for training engineers and technicians for private industry at Concepción University. He also referred to the Fishery Institute project and the Forestry Institute to develop woodland resources

and the timber industry, established in 1961 with the help of the Special Fund and FAO (E/3889, para. 12). The additional capital investment required for the Forestry Institute would possibly amount in all to between \$40 million and \$50 million; so far the Special Fund had contributed \$1,136,050 and the Chilean Government, \$1,570,845. All those projects were closely linked with the ten-year economic development plan. The Ministry of Foreign Affairs, the Production Development Corporation, and the authorities of the Special Fund had worked out an adequate procedure for the rapid co-ordination of technical assistance programmes.

16. The Chilean delegation noted with satisfaction that the Special Fund was giving increased attention to ensuring that there was effective follow-up by Governments of projects to which it had given assistance, and that it was ready to help them to contact sources of their choice for follow-up investment. It also noted with interest that new emphasis and new approaches could be expected in some activities; and that some of the projects in preparation made provision for the intensification of efforts by the Special Fund to enlarge the application of science and technology to development. Moreover, the efforts made to implement an ever-growing number of industrial projects which went beyond infrastructure and training were most encouraging.

17. Finally, the Chilean delegation thought that the Special Fund should envisage its future activities in the light of the recommendations made by the United Nations Conference on Trade and Development.

18. Mr. THAJEB (Indonesia), referring to the Special Fund's impressive performance, noted in particular that the Fund had broadened its field of action and increased the amount of its assistance; the Managing Director was to be congratulated on those results.

19. He noted with satisfaction that pre-investment studies were now recognized as an important aspect of Special Fund work. While, however, the number of requests for assistance was increasing appreciably each year and covering new fields, the Special Fund's resources were going up more slowly. The Special Fund should therefore adapt itself to requirements and make sure that its resources were effectively used.

20. The Indonesian delegation was entirely in favour of the proposal to merge the Special Fund with EPTA. It was satisfied with the position taken on that subject by the Managing Director. Any re-organization of that kind, however, could represent no more than a stage. Indonesia had long been urging long-term planning: the Special Fund should undertake a comprehensive study of pre-investment requirements which would make it possible to establish a scale of priorities and to assess the total funds required. He emphasized the danger of spreading resources over too many fields, and observed that the Conference on Trade and Development had focused attention on projects designed to increase the developing countries' exports. In his opinion, more attention should be paid to industrialization projects, and priority should be given to the most important sectors of national development plans.

21. He welcomed the views expressed by the Managing Director on the subject of long-term requirements and priorities in the field of pre-investment assistance, for they showed that the Special Fund could adapt itself to the developing countries' needs.

22. The Indonesian delegation would continue to follow the work of the Special Fund with the greatest attention.

23. Sir Keith UNWIN (United Kingdom) observed that the reports before the Council, listing the results achieved, showed that the objectives of the Special Fund were a vital factor in the cause of peace. His delegation attached the greatest importance to the Special Fund, not only because of its achievements but also because of the part it played as a catalyst. Eleven pre-investment studies carried out by the Special Fund had already generated investments amounting to \$500 million, and the Managing Director had just mentioned an even higher figure. He had also referred to the extremely favourable relationship which had been achieved between the cost of pre-investment studies and the amount of the investments themselves. No less important were feasibility studies that did not lead on to investment, as those resulted in savings of millions of dollars.

24. His delegation noted with interest that 374 pre-investment projects had been approved by the Governing Council up to the end of March 1964, and that it had approved a further 49 projects since that date. It noted with satisfaction the balance that the Managing Director was trying to achieve between two apparently incompatible requirements — namely, the need to reduce the time lag between the approval of projects and the signature of plans of operation and the need for carrying out projects that were sound.

25. The United Kingdom delegation was most impressed by the dynamism of the Special Fund, its Managing Director, and its staff. The number of projects was increasing, their scope was being expanded, and their impact on development was growing. The volume of available resources was growing at the same time, although at a slower rate than requirements. In that connexion, he recalled that at the twelfth session of the Governing Council, his delegation had announced that the United Kingdom Government was increasing its contribution to EPTA and the Special Fund.

26. As to future activities, his delegation noted with interest that the Special Fund was prepared to assist Governments desiring to embark on agrarian reform programmes. His Government still opposed the idea of transforming the Special Fund into a capital development fund, since that transformation would inevitably have an unfavourable effect on pre-investment activities, a field in which the work of the Special Fund was irreplaceable.

27. His delegation again thanked the Netherlands Government for its generous hospitality to members of the Governing Council.

28. Mr. VIAUD (France) said he would refrain from discussing the Special Fund's activities in detail, since France had already presented its observations on that subject at the Governing Council's twelfth session. He

would like to say, however, that the Special Fund's projects were in general satisfactory; and he expressed the hope that the Managing Director would submit a study or present his personal views on the impact of projects on the economies of the developing countries.

29. There were aspects to the Special Fund's work that called for some support on the part of the Council. First, as to its future work the needs to be met were so immense as to necessitate a choice. In that regard the opinion expressed by the Managing Director that room should be made for projects with the emphasis on industrialization was noteworthy. The Special Fund should not turn its back on new fields on the pretext that its resources would be inadequate. Its activities should be directed towards the development of the physical and human resources of the backward countries. A qualitative rather than a quantitative choice should be made, or in other words a balance should be maintained between projects relating to physical resources and those relating to human resources. Secondly, in the preparation of projects, the activities of the Special Fund should be co-ordinated with those of other technical co-operation bodies. Greater resort to EPTA experts, for example, could be of value in the preparation of applications. Furthermore, the link between the Special Fund and Governments providing bilateral assistance should be strengthened. That link already existed, but did not always produce the desired results.

30. Through its participation in the Special Fund's activities, France had demonstrated the importance it attached to the sound operation of the Fund, and the expansion of its work. It was in the same spirit that France was at present studying ways and means of increasing its contribution.

31. Mr. PATIÑO (Colombia) said that, although his country was one of the major beneficiaries of the Special Fund's activities, he felt that national considerations should be subordinated to the general interests of the United Nations. He approved the Special Fund's activities, which had produced some extremely useful results.

32. The Governing Council's reports showed that the Special Fund was one of the most important bodies established by the United Nations. As such, it should be wholeheartedly supported by the Council. His delegation thanked the members of the Governing Council for their work.

33. Mr. LUCIC-LAVCEVIC (Yugoslavia) said that, during the past year the activities of the Special Fund had expanded both in scope and depth. At the eleventh and twelfth sessions of the Governing Council, 49 new projects representing a total of over \$85 million had been approved, making to date a total of 423 projects, representing more than \$375 million.

34. However, the needs of the developing countries were much greater still, as the figures given in the reports showed: the total number of requests made up to 31 March 1964 had been 751, the total amount involved being about \$704 million. Even the modest target of \$100 million which the Special Fund had set itself and

not yet been reached. The resources made available to the Fund must therefore be increased. For that purpose, it was desirable that the Council should call on all Member States and, primarily, the industrialized countries, to re-examine the possibility of considerably increasing their contributions.

35. He noted from the reports that visible progress had been made in the assistance given by the Special Fund to the developing countries. That was reflected in the reduction of the time lag between project approval and the start of field work as well as in the speeding up of work already in hand. Amongst the difficulties confronting the Fund, he noted particularly the lack of trained national personnel. EPTA and the Special Fund should devote even more attention to the training of such personnel. Furthermore, increased use should be made of the services of experts from the developing countries.

36. As to the projects approved by the Special Fund, the Yugoslav delegation took the view that more attention should be given to projects which could help to speed up industrialization in the developing countries. In that connexion, the Fund should begin to expand its activities gradually into the field of investment proper, so as to meet the developing countries' requirements.

37. His delegation would present its views in greater detail on the proposed merger of the Special Fund and EPTA, when the proposal was discussed in the Co-ordination Committee.

38. His delegation thanked the Managing Director and the Governing Council of the Special Fund for the projects for the reconstruction of the city of Skopje, and for the additional project relating to the training of personnel for the building industry in that area.

39. Mr. YOKOTA (Japan) welcomed the joint action by the Special Fund and EPTA in the execution of projects. It was impossible to over-emphasize the need to co-ordinate technical assistance activities and pre-investment aid so as to make the best possible use of United Nations resources. In that connexion, he supported the proposal that the position and role of the resident representatives should be strengthened.

40. The Japanese Government attached particular importance to pre-investment studies, which were an essential preliminary to investment. It was noteworthy that 11 of the 24 projects completed by 31 March 1964 had already given rise to investments amounting to \$475 million.

41. A number of representatives had suggested that the Special Fund should concentrate on the development of trade and industry. While recognizing the importance of those sectors, the Japanese delegation thought that infrastructure and plant were equally essential to the industrial development of developing countries, and considered that the United Nations should ensure that the one sector was not developed at the expense of the other. Each country should lay down an order of priority of projects, taking account of its climatic and economic conditions and the natural and human resources available to it.

42. Despite the excellent results obtained by the Special Fund, a number of problems still remained to be solved. Beneficiary Governments needed help in selecting projects and in formulating their requests. He therefore wholeheartedly supported the Managing Director's proposals regarding the strengthening of preparatory work.

43. His delegation would state its views on the possible merger of EPTA and the Special Fund in the Co-ordination Committee. It could, however, already say that it would support the merger provided that the composition of the intergovernmental committee was similar to that of the Governing Body of the Special Fund, that the functions of the proposed inter-agency body were purely consultative, and that the special characteristics of EPTA and the Special Fund were maintained.

44. Mr. KOTSCHNIG (United States of America) said he was happy to note that the activities of the Special Fund provided an admirable illustration of what international co-operation ought to be. That was largely due to the devotion and realism of the Managing Director, one of whose greatest achievements was perhaps that he had been able to make all concerned understand that they were partners and not either donor or beneficiary countries. He hoped the Special Fund would continue to extend the range and increase the volume of its activities. Much remained to be done, particularly, for example, in the fields of industrialization and of the application of science and technology; and in view of the impossibility of meeting all requests, it was important to make a wise selection of projects to be carried out. He therefore supported the Indonesian representative's suggestion that an order of priorities should be established.

45. The merger of the Special Fund and EPTA would enable technical assistance activities to expand in scope and effectiveness. He presented his Government's views on that subject to the Co-ordination Committee.

46. He hoped the public impact would be widely circulated, so that public opinion should know that United Nations resources were being wisely used. He congratulated the Managing Director on having so ably explained the activities of the Special Fund in that publication.

47. Mr. MIGONE (Argentina) said that the impressive achievements mentioned by the Managing Director in his statement opened up vast prospects for all the developing countries. The United Nations Conference on Trade and Development had brought out the importance of technical assistance and the responsibilities of the Special Fund in that connexion. The developing countries accordingly hoped that, with Special Fund assistance, they might at last be able to take full advantage of their natural and human resources.

48. He would explain in the Co-ordination Committee his Government's views on the merger of EPTA and the Special Fund.

49. He congratulated the Managing Director and his assistants on the breadth of vision shown in carrying out their task; and he particularly thanked them for the assistance given to his country.

50. Mr. BENAMAR (Algeria) associated himself with the tributes paid to the Managing Director of the Special Fund and his colleagues.

51. He pointed out that some surveys had been carried out in a few developing countries, including Algeria, before their accession to independence, and he wondered whether the Special Fund could not resume those surveys, adapting them to the changed circumstances.

52. He would give his Government's views on the merger of EPTA and the Special Fund in due course.

53. Mr. PACHACHI (Iraq) observed that the investments which had followed upon the completion of certain projects showed how fruitful the activities of the Special Fund had been. In his view, the Fund was called upon to play an increasingly important role in United Nations activities as a whole. For that reason, his Government was considering increasing its contribution to the Special Fund once again, as from the autumn of 1964.

54. In view of the limited resources at the disposal of the Fund, he supported the Indonesian representative's suggestion that an order of priorities for the various projects be established. He also shared the view of the French representative that equal importance should be accorded to human resources and to natural resources. His delegation would give its views on the subject of the merger of EPTA and the Special Fund in the Co-ordination Committee.

55. Mr. VOHRA (India) joined with previous speakers in congratulating the Managing Director of the Special Fund and his colleagues on the excellent work they had accomplished. In the economic and social fields, the development of the less developed countries remained the prime objective; he was therefore glad to hear that the merger of the Special Fund and EPTA was designed to extend the scope of United Nations activities in that sphere. In that connexion, he would point out that the United Nations Conference on Trade and Development had stressed that the Special Fund should not confine itself to pre-investment activities. He hoped that that recommendation would be taken into account.

56. Mr. ZEVALLOS (Ecuador) drew attention to the wide variety of activities undertaken by the Special Fund in order to meet the growing needs of the developing countries. The work of the Special Fund during the past year had yielded better results than in previous years. In order to enable the Special Fund to continue its assistance to the least favoured regions, it was necessary not only to establish an order of priorities for the various projects but also to lay down criteria to ensure a wise selection. Furthermore, Member States should increase their contribution to the Special Fund.

57. On behalf of his Government, he thanked the Managing Director and his colleagues for the valuable assistance given to his country in the fields of iron and steel, fishing, forestry and education. He emphasized the importance for the developing countries of projects in vocational training and agrarian reform.

58. The Government of Ecuador had already expressed its views on the subject of the merger of EPTA and the Special Fund.

59. Mr. FRANZI (Italy) thanked the Netherlands Government for kindly acting as host to the Governing Council of the Special Fund at the Hague.

60. With regard to the activities of the Special Fund, he saw no point in repeating the views expressed by

the Italian delegation at the twelfth session of the Governing Council, which were noted in the report submitted to the Council. He would give his Government's views on the question of the merger of EPTA and the Special Fund in the Co-ordination Committee.

The meeting rose at 1 p.m.