



CONTENTS

Agenda item 14:	<i>Page</i>
Reports of the Governing Council of the Special Fund ( <i>concluded</i> ) . . . . .	121

*President* : Mr. A. MATSUI (Japan)

*Present* :

Representatives of the following States, members of the Council: Algeria, Argentina, Austria, Canada, Chile, Czechoslovakia, France, Gabon, Iraq, Japan, Luxembourg, Pakistan, Peru, Romania, Union of Soviet Socialist Republics, United Kingdom of Great Britain and Northern Ireland, United States of America.

Representatives of the following States, additional members of the sessional committees: Denmark, Ghana, India, Iran, Madagascar, Mexico, United Arab Republic, United Republic of Tanzania.

Observers for the following Member States: Greece, Norway, Philippines, Sweden, Tunisia.

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

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

The representative of the International Atomic Energy Agency.

AGENDA ITEM 14

Reports of the Governing Council of the Special Fund (E/3996, E/4072) (*concluded*)

1. Mr. ALI (Pakistan) noted that the significance of the Special Fund's achievements was revealed in the report of the Governing Council on its fourteenth session (E/4072).
2. The useful activities of the Special Fund included the establishment or strengthening of governmental and non-governmental machinery for the planning, administration and stimulation of development activities, and the pro-

motion of manpower development through the implementation of Fund-assisted projects. The Fund's most useful activity was, perhaps, its pre-investment surveys; and it was heartening to note that the definition of such surveys was being broadened to include surveying and mapping, and that pre-investment studies were as far as possible being extended to the point where proper investment decisions could be made. It was also gratifying that some eighteen Fund-assisted surveys had attracted follow-up investments totalling \$990 million, and that the Special Fund had been active in helping the developing countries to obtain investment capital; the Managing Director's personal efforts in that respect were most commendable.

3. His delegation had noted with satisfaction that the Special Fund would consider requests for assistance in connexion with pilot plants in the industrial sector, in accordance with the recommendation of the United Nations Conference on Trade and Development to the effect that the Fund should expand its activities in the "grey" area between pre-investment and capital investment. His delegation agreed with the Fund's suggestion that the mobilization of idle rural manpower was a key to economic development; and it was happy to note that the Fund was preparing to respond to requests for technically sound projects designed to make such manpower productive.

4. His delegation also noted with satisfaction that the Fund would help in applying the benefits of technology to industrial development, that it would support new types of project, such as advisory and pilot projects related to industrialization, and that it would continue the broad effort already undertaken in the field of industrial training at all levels. He was glad to note that the views he had expressed concerning the need for close co-operation between the Special Fund, the Centre for Industrial Development, IBRD and IDA were shared by the Fund.

5. He noted, however, that the present procedure under which projects were approved by the Fund was in some cases time-consuming, and that even under the most favourable conditions more than a year was required to determine whether they would be recommended by the Fund's secretariat for approval by the Governing Council. As to the availability of experts, he noted that experts designated by the Fund's executing agencies were often not available even after the government concerned had approved their appointment. Furthermore, delays were encountered in obtaining experts, and sometimes the experts appointed did not possess adequate qualifications and experience. Indeed, there appeared to be a world-wide shortage of experts in some of the fields which were of

direct and immediate interest to the developing countries, such as fishery, forestry, hydrology, agronomy, drilling operations and soil sciences. His delegation hoped that the Fund would succeed in remedying that situation.

6. His country was particularly grateful to the Special Fund, which had so far approved fourteen projects for Pakistan, valued at over \$15.5 million; applications for other projects were pending.

7. His delegation was rather disappointed, however, to learn that the Fund had been unable to achieve its target of \$100 million for 1965. Pakistan's own modest contribution had been increased from \$105,000 in 1959 to \$380,000 in 1965; the Managing Director's request that Pakistan should raise its contribution to \$500,000 was receiving sympathetic consideration, and he hoped that his country would be able to announce an increased contribution at the level suggested. In that connexion he endorsed the Managing Director's appeal that contributions pledged to the Fund and to EPTA from 1966 should amount to at least \$200 million.

8. In conclusion, he expressed the hope that the merger of the Special Fund and EPTA would increase the scope and effectiveness of United Nations assistance activities.

9. Mr. VIAUD (France) said that the Associate Managing Director of the Special Fund, in his introductory statement, had clearly indicated the magnitude of the Fund's activities and the Fund's ability to achieve co-operation between donor and beneficiary countries in specific projects. Referring to the desire to raise the Fund and EPTA target for contributions to \$200 million, he suggested that the Council might address a recommendation on those lines to the General Assembly, and in that way emphasize the importance it attached to the activities of a body that had done a great deal to assist developing countries.

10. In the view of his delegation, the time had come for the Council to evaluate the merits as well as the shortcomings of the Fund's activities, the administrative aspects of its operations and the control exercised over its work. He noted that the Fund had branched out into a new field by encouraging industrialization, and that the Managing Director had been authorized to submit pilot industrial projects, beginning with certain typical cases. The Governing Council would have been well advised to have drawn up first a set of criteria to provide guidance in the selection and implementation of such projects. His delegation had an open mind in the matter, however, and it was prepared to consider such pragmatic proposals as might be submitted by the Managing Director. In any event, care should be taken to ensure that the Fund did not embark upon any activities which had not been sufficiently studied and prepared. There would be more pitfalls than in the past; and, resisting the temptation to achieve spectacular results, the Fund should avoid dissipating its resources on a large number of minor projects of secondary importance. He was confident however, that the Managing Director's initial steps would be cautious; and that they would enable him to suggest to the Governing Council the type of activities to be carried out by the Fund in the industrial develop-

ment field. Those new activities should not be undertaken at the cost of existing activities in the field of education and training, for many of the projects approved by the Special Fund in that field had already yielded good results. In short, social development and training, on the one hand, and economic development on the other should be promoted in a balanced and harmonious way.

11. He noted that a number of proposals and suggestions for the expansion of the Centre for Industrial Development had been submitted by the Secretary-General and certain delegations; and he hoped that the implementation of those proposals would not have the effect of dissipating efforts in the field of industrial development, but rather result in the concentration of the activities of the United Nations bodies and specialized agencies involved. For example, the Special Fund had decided to embark on studies of pilot projects, and it would be most unfortunate if other international bodies also decided to undertake competing projects. For that reason, the Fund should be closely associated with the examination of the proposals and suggestions made in connexion with the Centre for Industrial Development.

12. Referring to the administrative aspects of the Fund's activities, he noted that the problem of remuneration of the services rendered by the specialized agencies had arisen as a result of the considerable financial and manpower burden imposed on them as executing agencies. Generally speaking, his delegation believed that technical assistance activities in the broad sense should be financed by voluntary contributions and not under the budget. The expenditure incurred as a direct result of the carrying-out of Fund projects should therefore be fully reimbursed by the Special Fund to the executing agencies. Such expenditure should, wherever possible, be identified, and his delegation, which agreed that the executing agencies should receive a fixed amount by way of reimbursement, had accepted the figure of 11 per cent proposed by the Managing Director for that purpose. If, however, the expenditure incurred by the executing agencies as a result of the carrying-out of Fund projects varied, his delegation would not oppose the adoption of different percentages for individual executing agencies; but it could not agree that the figure should be based on the expenditure by the executing agency whose disbursements had been the greatest. For example, if a figure of 13 per cent or more was necessary in the case of a particular agency, that figure should not be applied automatically to the other agencies. The most recent decision of the Governing Council (E/4072, para. 74) should therefore be used as a basis for present purposes, and the Managing Director could determine whether it met the needs of the executing agencies in the light of the number of projects they had to carry out. In any event, the matter could also, if necessary, be examined by the Co-ordination Committee.

13. It was of the greatest importance that the real impact of Fund projects on the economies of developing countries should be determined. That task presented difficulties in the case of projects in the initial stages of execution, and in that connexion his delegation had been surprised to learn that, once the operational plan had been signed, all matters relating to the selection of experts and the pro-

curement of material were left to the executing agency concerned. Surely it was abnormal that such problems could not be raised in the Governing Council and that there was so little contact between the Special Fund and the executing agencies. He earnestly hoped that the situation could be improved.

14. As to evaluation of the impact of Fund projects, his delegation considered that it would be most desirable if a study could be undertaken by the Special Fund along the lines of the one started by TAB over a year previously. In other words, the Special Fund could concentrate on a few selected projects and submit a report to the Governing Council on current and anticipated progress. The Fund could also submit a special report on the progress being made in studies undertaken by the regional institutes for economic development and planning, indicating what difficulties had been encountered in the carrying-out of projects or what difficulties were anticipated when direct Special Fund activities were discontinued. That approach would make it possible to define the action which should be taken in future, when the Special Fund became more centralized and possessed greater resources with which to assist the developing countries.

15. Mr. AKWEI (Ghana) said it was gratifying to note that, within the Special Fund's limited resources, systematic progress was being made in carrying out the programmes approved by its Governing Council, and that follow-up work had begun on twenty-five Fund-assisted surveys and feasibility studies.

16. The Fund's programmes had had a considerable impact on Ghana's economic development, and so far some nine pre-investment projects had been undertaken or approved. Two of those projects were concerned with the development of the potential of the river Volta, whose harnessing was essential to Ghana's industrial development; and Fund assistance in connexion with the development of adjacent lands had already led to the large-scale cultivation of sugar and an investment of \$14 million in a sugar factory. His Government, which was grateful to the Fund and the executing agencies for their assistance, was determined to explore all the avenues of development which Fund surveys had opened up in Ghana.

17. Although significant, the Special Fund's achievements nevertheless fell far short of expectations in the context of the United Nations Development Decade. The major limiting factor had been the inadequacy of financial resources, and he noted with regret that, at the mid-point in the Decade, the combined annual resources of the Special Fund and EPTA had not even reached the target of \$150 million fixed for the beginning of the Decade, much less increased at the rate recommended by the General Assembly. His delegation therefore proposed that the Council should endorse the Governing Council's recommendation that Member States, and particularly the developed countries, should endeavour to pledge a total of \$200 million at the next Pledging Conference, and that that recommendation should be submitted to the General Assembly for appropriate action.

18. Another factor limiting the activities of the Special Fund had been the alleged shortage of international

experts. He recalled, however, that at almost every session of the Governing Council representatives of the socialist countries had complained that very little use was being made by the Fund of their experts and other technical personnel; they had also referred to the discrimination practised against them in the purchase of technical equipment for the Fund's projects. Although it was unclear from the replies to those complaints whether responsibility for the situation rested with the Special Fund or with the executing agencies, the time had come when the management of the Special Fund should tackle the matter in consultation with the countries which had drawn attention to it. If that suggestion was acceptable, his delegation would be prepared to submit specific proposals for the management's consideration. The problem must, in any case, be solved, since the task of economic and social development was of such magnitude that all available resources should be tapped, for in the long run it would be the developing countries that would suffer from their under-utilization.

19. He noted that possible solutions to the problem of the growing gap between the industrialized countries and the developing countries had been clearly identified in the Final Act of the United Nations Conference on Trade and Development,<sup>1</sup> and his delegation suggested that, in future, Special Fund programmes should be increasingly geared to projects which directly reflected the provisions of that Final Act. One of those provisions concerned the establishment of industries that would eliminate, or at least substantially reduce, imports of essential consumer goods by developing countries, and the assistance of the Special Fund in that connexion would therefore be most pertinent. His delegation accordingly welcomed the Managing Director's statement, referred to in paragraph 47 of the report on the Governing Council's fourteenth session, and recalled that, together with other delegations of developing countries, it had been urging that the Special Fund should assume investment activities proper in addition to pre-investment work. That approach was vital if the objectives of the Development Decade were to be fully achieved.

20. Referring to the question of executing agency overhead costs, he said that, although his delegation was of the view that the executing agencies should not be made to suffer undue hardship, the administrative expenses connected with Special Fund projects should be reduced to the minimum so as to permit the concentration of resources on development activities. The Advisory Committee on Administrative and Budgetary Questions had made certain recommendations on the subject, but his delegation was concerned about the way in which the Committee had arrived at the reimbursement rate of 11 per cent, since no arguments had been advanced in favour of that particular figure rather than any other. In that connexion, he endorsed the views expressed by the French representative, and agreed that, once a project had been handed over to an executing agency, the responsibility of the Special Fund should not cease, in respect either of the execution of the project or of the procedures followed in personnel matters. His delegation therefore endorsed the

<sup>1</sup> United Nations publications, Sales No.: 64.II.B.11.

view that the Council should authorize a more comprehensive review of the question of overhead costs in the context of the operations of the United Nations and the specialized agencies as a whole.

21. Mr. WURTH (Luxembourg) said that the achievements of the Special Fund represented one of the rare cases of international co-operation on a really significant scale within the framework of the United Nations. The Director-General of ILO had referred to an increasing degree of co-operation between the specialized agencies, and to the co-ordination of their activities; and it would appear that that trend was due in no small measure to the Fund's activities. Indeed, the co-ordination of the Fund's activities with various other forms of international assistance seemed to herald an even greater international co-operation effort in future.

22. It was in that context that the problem of the reimbursement of executing agencies' overhead costs should be viewed. His delegation welcomed the solution arrived at by the Governing Council at its fourteenth session, and hoped that the new scale would be accepted by all concerned as the final solution for the foreseeable future, since the successful implementation of Fund projects was impossible in the absence of a feeling of joint responsibility. His delegation also supported the suggestion made by several members of the Governing Council that the problem of executing agency overhead costs should, in the final analysis, be regarded as part of the problem of the "integration" of the budgets of the specialized agencies.

23. Referring to the delays in the implementation and completion of certain projects, he noted that experience had shown that in some cases such delays could be eliminated or at least reduced through the better preparation and better co-ordination of the activities of governments, the executive agencies and the management of the Fund. The problem was basically one of synchronization, and it was part of the general problem of the co-ordination of the activities of the United Nations system as a whole. Synchronization was the more necessary since the Special Fund was embarking upon new fields of endeavour, and he hoped that the Managing Director would, at one of the forthcoming sessions of the Governing Council, explain the guiding principles of its policy.

24. His delegation noted with satisfaction that now that Fund activities would be speeded up, the question of the use of cash balances was no longer of special importance. The Fund's annual expenditure would probably increase considerably in the near future, so that a discussion of how fuller use could be made of the contributions of Member States was of merely academic interest. In practice, the crux of the question was to strike a balance between the Fund's cash-in-hand requirements and the need for carrying out as many projects as possible. In that respect the present situation and prospects were satisfactory.

25. In conclusion, he expressed the hope that the organization of the new United Nations Development Programme after the merger of the Special Fund and EPTA would reflect the Special Fund's basic characteristics.

26. Mr. BILLINGHURST (Argentina) said that, speaking as the representative of a country which had directly benefited from Special Fund assistance, he had to express his gratitude for what the Fund was doing to help the developing countries. The projects now being carried out in Argentina were proceeding according to plan and to the satisfaction of the Argentine Government. He hoped that the advantages of the present structure and aims of the Special Fund would be preserved after the proposed merger with EPTA. Care should be taken under the new arrangements to maintain and enhance the high quality of the expert assistance provided, by recruiting qualified people from the developing as well as the industrialized countries. Argentina had made a valuable contribution in that respect, and today there were more Argentine experts working on United Nations technical co-operation programmes than technical assistance experts working in Argentina.

27. He approved of the proposal by the Committee for Industrial Development designed to provide special advisers to offer guidance locally in the preparation of industrial projects (E/4065, chap.VII, draft resolution V). His Government shared the general view that the fullest possible use should be made of existing organs for the provision of assistance for industrial development until such time as an *ad hoc* United Nations body was established. However, there should be no impairing of current efforts in agriculture and in education, which were also important to the developing countries. An initiative of the kind proposed would be helped by the fact that the necessary credits were available for preparatory assistance, to enable projects to be so prepared as to eliminate errors which might cost more to correct than the preparatory assistance itself. Most of the appropriation of \$250,000 approved by the Governing Council, on the proposal of the Managing Director, would almost certainly be spent on industrial development projects.

28. The developing countries' needs were still very great, and the Fund's activities could still not satisfy them all; but he was confident that assistance to the developing countries would continue to increase and that a proper balance would be maintained in the geographical and regional distribution of projects. His delegation fully approved the reports of the Governing Council.

29. Mr. WILLIAMS (United States of America) commended the reports of the Governing Council, as well as the Special Fund's public report, appropriately entitled "Impact". The peoples of the world must be informed of the full extent of human needs and of the efforts being made to meet those needs. Press reports were concerned largely with political differences within the United Nations; there was an urgent need for more publications dealing with United Nations contributions to economic and social progress.

30. The Special Fund could look back on a year of solid accomplishment. The number of projects approved had been 111, and funds equivalent to almost \$111 million had been allocated for their implementation; the programme of the Special Fund now comprised some 530 pre-investment projects, which were expected to cost approximately \$1,200 million. The interest of recipient



governments was evidenced by the fact that their contributions were expected to total nearly \$700 million, as compared with somewhat less than \$500 million contributed by the Special Fund.

31. The projects were well distributed by area as regards both number and allocation of funds. The Managing Director and his staff should be congratulated on succeeding in taking special account of the needs of the emerging African countries without neglecting those of Latin America and Asia. The comprehensive fields of activity covered testified to the flexibility of the Special Fund as an instrument for meeting the pre-investment needs of developing countries.

32. His delegation continued to regret the comparative paucity of projects concerning the manufacturing industry proper due, of course, to the great difficulty of preparing industrialization projects and to the fact that the developing countries had hitherto received comparatively little assistance in that sector. His Government hoped that, as a result of the decisions taken by the Committee for Industrial Development at its fifth session and by the Governing Council at its fourteenth session, the necessary field assistance would henceforth be made available. While activities were naturally dependent on the General Assembly's budgetary decisions, his Government was prepared to support substantial increases in the resources devoted to that purpose. Meanwhile, he hoped that the Managing Director would use his increased authority for preparatory assistance to promote a larger number of industrial projects.

33. The success of the Special Fund's activities could be to some extent measured by the volume of capital attracted from both public and private sources by its pre-investment projects. As reported by the Managing Director to the Governing Council at its thirteenth session, seventeen surveys assisted by the Fund, of which twelve only had been completed, had attracted capital investment both public and private of over \$785 million; and the Associate Managing Director had reported yet another project which had attracted substantial investment. Since those seventeen projects would cost approximately \$17 million, capital investment in them would amount to approximately forty-six times their cost to the Fund.

34. In order not to leave investment to chance, the Special Fund had in some cases adopted the policy of including financial advisers in its pre-investment projects so that investment possibilities could be followed up and recipient governments helped to secure the necessary financing. The advisers should not merely identify possible sources of capital, but should also assist in investment negotiations. The method had so far proved its worth in Nepal and Ethiopia and would probably be used in a number of other cases.

35. The Governing Council, with its balanced representation of net donor and net beneficiary countries, had once again proved its worth as a governmental body charged with examining and approving policies for the conduct of the Special Fund's affairs. The success which it had had over the years offered a reasonable expectation that a similarly constituted governing council for the

prospective United Nations Development Programme would be well equipped to deal with the many problems the programme would face.

36. He congratulated the Managing Director, the Associate Managing Director and their capable staff on another year's useful activity.

37. Mr. YOKOTA (Japan) said it had been heartening to hear the Managing Director of the Special Fund maintain that it was not so much a lack of resources as their under-utilization that was responsible for the grinding poverty of hundreds of millions of people (1370th meeting).

38. The Special Fund had demonstrated the valuable contribution that pre-investment activities could make to economic development. The experience of the Special Fund and EPTA had indicated the fields of activity in which the United Nations was best suited to take the initiative and the kind of work programme that could be most effectively implemented. The Secretary-General's progress report on the Development Decade (E/4033) had given numerous examples of the significance of Special Fund activities.

39. Since the thirteenth session of the Governing Council uncertainties about financing had been dispelled, and the Special Fund had been able to continue its work—which indicated the confidence contributing governments placed in the Fund and their recognition of its achievements. The Fund and the Expanded Programme should continue to play a key role in United Nations economic and social development activities. His delegation shared the Managing Director's faith that greater progress would be made in the second half of the Development Decade. The Japanese delegation had noted with great interest the assurance given by the Managing Director to the United Kingdom representative that the Special Fund was prepared to help to finance not only industrial surveys but also studies to identify in the developing countries the particular types of manufacture which offered the best promise of success (1370th meeting). His delegation had consistently upheld that the Special Fund should pay greater attention to specific proposals for pilot projects directly related to manufacturing industries, and it had been encouraged to learn how much effort the Fund was devoting to industrial development. He welcomed the proposal for survey teams, financed out of the Managing Director's preparatory assistance fund, to work to that end. He had also been pleased to learn that eighteen pre-investment surveys costing \$22 million had already led to investments of \$1,000 million, and that the largest possible amount of Special Fund assistance would be provided for such readily self-liquidating projects.

40. Other infrastructural activities should not be neglected. Measures should be taken to raise the level of agricultural production, to remove a major impediment to economic growth. The training of skilled personnel through counterpart activities was also among the urgent needs of developing countries.

41. With regard to the question of administrative costs, his delegation still believed that the Special Fund should

not impose any undue burden on the executing agencies. It would therefore repeat its request that all relevant information be made available regarding any claim by a participating organization for an increased allocation of funds to cover overhead costs. Only in the light of such information would it be possible to arrive at a fair and reasonable assessment of requests of the kind and reach settlements acceptable to all the parties concerned. The basic difficulty was the technical one of determining the amount of clearly identifiable additional expenses incurred by executing agencies as a result of the facilities they made available for Special Fund projects.

42. The twenty-second report of the Advisory Committee on Administrative and Budgetary Questions to the nineteenth session of the General Assembly (A/5842) had failed to provide the necessary basis for agreement on the appropriate level of allocations. It was stated that most organizations stressed the difficulty of calculating exactly their clearly identifiable additional costs and that any accurate objective breakdown would entail a long and costly analysis; and further, that the interrelation of staff work and the virtually complete integration of all programmes had made it increasingly difficult to identify the precise costs of servicing each of them (*ibid.*, paras. 23 and 30). The Advisory Committee, while not wishing to discourage the detailed costings made by FAO and UNESCO, had not endorsed the results of those studies, and had concluded that the administrative charges to be borne by each programme must continue to be determined on an empirical basis (*ibid.*, para. 30).

43. No other body would be able to do more than the Advisory Committee had already done, and his delegation having confidence in the judgement of the Managing Director of the Special Fund, would accordingly endorse the decision on the matter adopted by the Governing Council (E/4072, paras. 74 and 77).

44. He wished to draw the Council's attention to the statement in the report that the Advisory Committee believed that there were a number of areas, more particularly in relation to Special Fund projects, in which administrative costs could be somewhat reduced (*ibid.*, para. 33). His delegation strongly supported the Advisory Committee's view that administrative costs assumed by executing agencies, as mentioned in paragraph 36 of the report, could not be reimbursed unless the activities to which they related had received the prior approval of the Managing Director. The Managing Director should supply full information about cases in which executing agencies acted without prior approval, together with explanations of how those had occurred, to future sessions of the Governing Council. There was need for adequate expenditure on administration but as a matter of general principle, available funds should be allocated primarily to the implementation of projects.

45. He hoped that all participating organizations would be satisfied with the proposed new formula, that they would bear in mind the points made by the Advisory Committee, and that they would continue to co-operate harmoniously in implementing Special Fund programmes in the interests of the economic development of recipient countries.

46. Mr. LOBANOV (Union of Soviet Socialist Republics) said that the Special Fund had an important role to play in the changing pattern of United Nations assistance, particularly in the vital field of industrial development.

47. He welcomed the wider scope and new orientation given to Special Fund activities, which now included the direct financing of industrial projects and technical training—the true sphere of the Special Fund and one of particular significance at the mid-point of the Development Decade. He hoped that the new policies would be pursued in spite of opposition to them both inside and outside the Governing Council.

48. His delegation welcomed the assurances given that more resources were being devoted to industrial development; however, the Special Fund's actual day-to-day operations gave a less favourable impression, and certain delegations, including his own, had been obliged to make some well-founded and constructive criticisms at the thirteenth and fourteenth sessions of the Governing Council. Since not all members of the Council appeared to be well informed about the discussions at those sessions, he would recall some of the criticisms that had been made.

49. While recognizing favourable aspects of the situation, the delegations concerned had pointed out that there was so far no evidence of an increase in the economic independence of the developing countries, and they had urged that the efforts and resources of the Special Fund should be devoted to fulfilling the purposes laid down in General Assembly resolution 1240 (XIII). The Fund's working capital was considerable, especially in view of the limited resources available for international activity; but it had not always been used to the fullest extent. The time had come to make full use of all available resources including unallocated funds.

50. Despite the claim that assistance for industrial development had been increased, there did not seem to be any positive improvement in the situation, and little progress had been made towards transforming the Special Fund into a capital development fund. Although the Special Fund was no longer a recently established institution, no major industrial project had figured among those reported on to the fourteenth session of the Governing Council. It was therefore clearly necessary that the assurances given should be translated into action.

51. Many, if not most, Special Fund projects were concerned with the development of the economic infrastructure and prepared the way for private foreign investment, which was rarely altruistic in its aims and was not in the interests of the developing countries. That was the light in which the large amount of private capital attracted by pre-investment projects should be viewed. He did not suggest that the absolute allocation of funds for pre-investment projects should be reduced but considered that there should be a reduction in their relative share of total funds, in order to increase the resources available for industrial development. Moreover, such projects should be carefully scrutinized from the standpoint of intrinsic worth and, if necessary, their continuation reconsidered.

52. While his delegation did not object in principle to reimbursable loans as a form of financing, it doubted whether such loans should be linked with the granting of credits for industrial development. A number of countries were unable to avail themselves of funds under that system, although highly interested in obtaining facilities for industrial production. He believed that industrial development should be financed directly by the Special Fund.

53. At the Governing Council's fourteenth session, a number of delegations had commented on the fact that far too few of the Special Fund's projects had been completed. Even allowing for the fact that 40 more projects might be completed by the end of the current year, the total would still amount to only 18 per cent of those approved. The explanations offered did not satisfy his delegation, particularly since the Special Fund was in its seventh year of operation, and the resulting immobilization of large amounts of unallocated capital was regrettable. The Governing Council should in future be given clear explanations of the reasons for such delays.

54. The international character of Special Fund activities had not been properly maintained. He would not repeat the detailed figures which his delegation had presented at the Governing Council's fourteenth session; but it was clear that firms in the United Kingdom and the United States of America had been receiving an unduly high proportion of the orders for equipment placed by the Special Fund. Other industrial countries were at least as well placed to fill such orders and should receive their due share of them in the interests of both the developing countries and the Special Fund itself.

55. The practice of associating Special Fund projects with bilateral assistance had also operated in favour of the economic and political interests of Western countries to the detriment of the developing countries and contrary to the objectives of the United Nations. His delegation reiterated its view that TAB and the Special Fund should avoid associating the United Nations with bilateral programmes, the unfortunate effects of which had been particularly evident in the case of the Congo.

56. He agreed with the representative of Ghana that administrative expenses both at headquarters and in the field should be decreased. He noted that, whereas the number of experts provided had risen by only 22 per cent, there had been a rise of some 55 per cent in the expenses incurred. The concern about such increases expressed by a number of delegations underlined the necessity for the Council to indicate ways of improving the situation. One suggestion which his delegation had made in the past was that resident representatives should be replaced by the national co-ordinating bodies or that experts from the developing countries concerned should be appointed as resident representatives. Another measure which might be useful would be to establish a score or so of sub-regional offices. Not only would expenses be reduced but the contribution of national organizations to EPTA and Special Fund activities would be strengthened.

57. He hoped that the various criticisms he had made would lead to improvements in the activities of the

Special Fund and enable it to give more effective assistance to the developing countries.

58. Sir Keith UNWIN (United Kingdom) said that several speakers had referred to the desirability of setting a new target for voluntary contributions. All governments were aware of the need for increasing their contributions to United Nations technical activities; the United Kingdom Minister for Overseas Development, in her statement to the Council (1375th meeting), had spoken of her hope that it would be possible to increase the proportion of aid through multilateral channels. It was not always easy, however, to convince financial authorities of the urgent need to raise contribution targets when there were unallocated balances from past contributions lying apparently idle. He wondered therefore whether it was really necessary at that particular moment to review contribution targets. Nevertheless, he would not raise any objection if it was the general view of the Council that the target for technical assistance funds as a whole should be raised. But whatever target was established by the Council, it would be for each government to decide what its contribution should be in the light of its possibilities at the time.

59. On the question of executing agency Costs he shared the French representative's views. Those costs should be fully paid for out of voluntary contributions. He recognized, however, the difficulty of establishing the exact amount of those costs, and he had concluded that a fixed rate of reimbursement was the most practical solution. The United Kingdom delegation in the Governing Council had supported the proposal that the rate should be 11 per cent. If any further discussions should be necessary, as some delegations had suggested, in order to establish a firmer basis of reimbursement, the subject could most suitably be considered in the Co-ordination Committee when the agenda item relating to agency budgets was taken.

60. In the field of industrialization, the Special Fund provided a stimulus. It was at once a focus of interest and a co-ordinator of the various activities undertaken by the agencies in that field. His delegation supported the suggestion put forward by the Managing Director that the Special Fund should embark cautiously on a series of pilot projects. Where appropriate, that might be done on the basis of reimbursable loans. He would wish the Council, however, at some stage to consider that policy in the light of more detailed information concerning the terms of repayment of such loans and the further use to which their proceeds were to be put after repayment. He agreed with those who considered that still further efforts in the field of industrialization were desirable. The best focal point for that purpose would be the Centre for Industrial Development acting in close consultation with the Special Fund. Ministerial representatives had stated in the Council that the United Kingdom was prepared to support greater activity in that field both by increased budget allocations and through voluntary contributions. His Government's view was that any United Nations technical assistance activities in the field of industrialization should take the form of pre-investment and not investment proper. The sums spent by the Special Fund

on pre-investment surveys or pilot projects, in co-operation with the agencies or with the Centre for Industrial Development, could be recovered out of investment capital that might become available subsequently as a result of such surveys and projects. The Special Fund was in a position, through its links with banks, to indicate sources of development capital for industrial projects. That was the right approach and past experience showed that a small initial Special Fund outlay had generated capital investment many times greater. But the use of Special Fund resources for direct investment would only reduce the field they could cover.

61. With reference to the USSR representative's remarks about orders for machinery and plant going almost exclusively to two countries, he said that similar complaints had sometimes been made by individual manufacturers in industrialized countries, including his own, who were disappointed that they had not been offered contracts by international organizations. The remedy lay in the manufacturer keeping in touch, through his own agent on the spot, with the purchasing agency, whether that was the Special Fund itself, the executing agency or the government of the country concerned. In short, it was a question of salesmanship, not of waiting to be asked.

62. Mr. HONAVAR (India) said that the Special Fund, which had started with pre-investment surveys and the provision of training facilities, had continuously expanded its activities. He was happy to note that it was to embark on pilot industrial projects. In his view, it would be proper for the Special Fund to devote more of its resources to investment activities, particularly in the field of industrial investment, and he hoped that the transition would be effected fairly quickly. It was his hope, and the hope of many other delegations from the developing countries, that the Special Fund would evolve into a United Nations capital development fund. He therefore welcomed what was in effect a first step toward that goal and hoped that further steps would be taken soon.

63. His country had received substantial benefits from the activities of the Special Fund. Nevertheless, he felt bound to point out that in 1965 the 1961 target of \$150 million for contributions to the Special Fund and to EPTA had not yet been attained. Unless Member States pledged bigger contributions to Special Fund activities, the Fund would not be able to do all it should. He hoped therefore that the developed countries, in particular, would respond to the need. India's contribution had been rising since 1955 despite the obvious limit to the country's resources, and would be maintained in 1965 at the 1964 figure of \$2.15 million.

64. He wished to make a few suggestions which the Special Fund might take into account in its future work. The Special Fund's criteria for extending assistance

to the under-developed and developing countries should be flexibly applied in order to accommodate the specific needs of those seeking assistance. In evaluating their requirements, the Special Fund should always keep in view the economic, industrial, agricultural and mineral development of the countries concerned, and it should try to satisfy their pressing needs as far as possible, regardless of whether its own criteria were fully met or not. In evaluating projects, the Special Fund should bear in mind the stage of development which the country concerned had reached, and particularly the country's needs within the context of its own development plans. It would not be appropriate to apply rigidly a standard approach to the development projects of each country.

65. In the geographical distribution of its projects, the Special Fund should take into account the economic growth of the country seeking assistance, the size of its population and its per capita income.

66. The Special Fund might usefully consider the question of financing contributions to local costs by advancing loans on easy terms out of the contributions paid by the country concerned in non-convertible currency for the execution of its approved projects. That would not only assist the country to overcome its financial difficulties but would put the non-convertible currency held by the Special Fund to more productive use and would help the country to speed up the execution of its Fund-assisted projects.

67. Mr. HEURTEMATTE (Associate Managing Director, Special Fund) said that the penetrating observations that had been made in the course of the discussion would be carefully studied and borne in mind when decisions were taken by the Managing Director of the Special Fund. While he was tempted to comment more fully on those observations, he felt that a more appropriate place would be in the Governing Council of the Special Fund. He wished, however, to point out that the unallocated balances to which the United Kingdom representative had referred amounted to \$47 million, a sum which was needed to cover expenditure on projects that had already been approved. The amount could be expected to diminish as plans of operations were signed.

68. The PRESIDENT proposed that the Council adopt the following resolution:

*"The Economic and Social Council*

*"Takes note with appreciation of the reports of the Governing Council of the Special Fund (thirteenth and fourteenth sessions)."*

*It was so decided.*

The meeting rose at 1.15 p.m.