



**GOVERNING COUNCIL OF THE SPECIAL FUND**  
**REPORT ON ITS TWELFTH SESSION**

(15-22 June 1964)

**ECONOMIC AND SOCIAL COUNCIL**  
**OFFICIAL RECORDS : THIRTY-SEVENTH SESSION**  
**SUPPLEMENT No. 11A**

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NOTE

Symbols of United Nations documents are composed of capital letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.



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OFFICIAL RECORDS

THIRTY-SEVENTH SESSION

SUPPLEMENT No. 11A

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**Report to the Economic and Social Council on its twelfth session (15-22 June 1964)**

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INTRODUCTION

1. At the invitation of the Government of the Netherlands, the Governing Council held its twelfth session in The Hague from 15 to 22 June 1964. It was opened on 15 June in the Kurhaus, Scheveningen by the Chairman, Mr. D. Cosío Villegas (Mexico). The Council heard an address by the Netherlands' Secretary of State for Foreign Affairs, His Excellency Mr. I.N.Th. Diepenhorst. After welcoming the delegates, the Secretary of State pledged the continuing support of the Netherlands to the Special Fund. He pointed to the demonstrated effectiveness of the Special Fund and stressed the role of the increasing importance the Fund was destined to play as a bridge between the supply of and demand for investment capital. The Managing Director thanked the Secretary of State for Foreign Affairs for his very kind invitation and paid tribute to the people of the Netherlands.

2. The present report was adopted by the Governing Council at its meeting on 22 June 1964, for presentation to the Economic and Social Council (thirty-seventh session) in accordance with paragraph 12 of part B of General Assembly resolution 1240 (XIII).

## CHAPTER I

### ORGANIZATION OF THE SESSION

#### Attendance

3. The list of duly accredited representatives to the twelfth session is attached as annex I.

#### Officers

4. The officers for the twelfth session of the Governing Council were Mr. D. Cosío Villegas (Mexico), Chairman; Mr. M. Franzi (Italy), First Vice-Chairman; and Mr. J.B.P. Maramis (Indonesia), Second Vice-Chairman. The officers were elected at the eleventh session of the Governing Council in January 1964. Mr. Charles Delgado (Senegal) was reappointed Rapporteur.

#### Agenda

5. The agenda adopted for the twelfth session was the following:

1. Opening of the session.
2. Adoption of the agenda.
3. Review of activities:
  - (a) Statement by the Managing Director;
  - (b) Report on the implementation of the programmes approved by the Governing Council at its second through eleventh sessions (SF/L.105 and SF/L.105/Corr.1).
4. Financial questions:
  - (a) Statements on the status of contributions (SF/L.77/Rev.12, SF/L.77/Rev.12/Corr.1, SF/L.97/Rev.3 and Corr.1, SF/L.106/Rev.1);
  - (b) Statements on financial status of projects (SF/L.102);
  - (c) Preparatory assistance (SF/L.104);
  - (d) Revision of the Provisional Financial Regulations (SF/L.103, SF/L.103/Corr.1, SF/L.103/Amend.1, SF/L.107).

5. Consideration of the programme recommendations of the Managing Director (SF/R.9 and Corr.1, SF/R.9/Amend.1, SF/R.9/Add.1-14, SF/R.9/Add.14/Corr.1; SF/R.9/Add.15-28, SF/R.9/Add.28/Corr.1; SF/R.9/Add.29-42, SF/R.9/Add.42/Corr.1; SF/R.9/Add.43-47, SF/R.9/Add.47/Corr.1; SF/R.9/Add.48-50).
6. Final report of the Ad Hoc Committee established under Economic and Social Council resolution 851 (XXXII) on co-ordination of technical assistance activities (E/3862; E/3886, paras. 29-33).
7. Date of the thirteenth session.
8. Draft report of the Governing Council to the thirty-seventh session of the Economic and Social Council.
9. Other matters.

Summary records of meetings

6. Summary records of the twelfth session were issued as documents SF/SR.69 to 76.

CHAPTER II  
REVIEW OF ACTIVITIES

7. Under item 3 of its agenda, the Governing Council considered:

(a) a statement by the Managing Director at the opening of its twelfth session (SF/L.108);

(b) A report by the Managing Director on the implementation of Programmes approved by the Governing Council at its second through eleventh sessions (SF/L.105 and SF/L.105/Corr.1) 1/ submitted in pursuance of paragraph 43 of Part B of General Assembly resolution 1240 (XIII). In Part I of the report the Managing Director described noteworthy developments in fifty-three of the 374 pre-investment projects approved by the Governing Council in 121 low-income countries and territories. In Part II the over-all progress in project implementation was analysed. Summary data on the status of each of the 374 projects were contained in annex II of the report.

Statement by the Managing Director

8. The Managing Director declared that the Special Fund had successfully passed through the experimental stage; its objectives were of key importance to peace, and its operating principles had proved to be valid.

9. The Fund's Implementation Report and recent publication Impact<sup>2/</sup> indicated the exciting potentialities of the 250 projects under way in over 100 developing countries; some 125 more were about to be initiated.

10. By the end of 1963, approximately 45,000 nationals had completed advanced training at seventy-eight training institutions assisted by the Special Fund, an achievement which would have a distinct multiplier effect on development. Twenty-three surveys and feasibility studies had already been completed. Follow-up was taking place and eleven of these surveys had already generated more than half a billion dollars from local and external investment, with sizeable additional investments in advanced stages of negotiation. Meanwhile, research at fifty Fund assisted institutes was helping to improve agricultural productivity and accelerate industrial growth in thirty countries.

11. The Managing Director said that the real impact of Special Fund assistance could not be measured in statistics, but that its effects were being felt in

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1/ Previous reports on the status of approved projects are contained in documents SF/L.22, SF/L.32, SF/L.38, SF/L.49, SF/L.63 and Add.1, SF/L.76, SF/L.82/Corr.1 and Add.1, and SF/L.92.

2/ United Nations Publications, Sales No. 1964.1.12.

the daily lives of people who were eating more food, using more manufactured products, enjoying improved public services, and finding increased employment with rising incomes. He gave two new examples of ways in which the Fund was helping achieve key objectives of the United Nations Conference on Trade and Development.

12. In Chile, the Forestry Institute established in 1961 with the help of the Special Fund and the Food and Agriculture Organization of the United Nations (FAO) had become the centre of a dynamic effort to develop valuable, but long-neglected woodlands. Enthusiastically supported by industry and Government, it had helped improve and expand existing mills. European markets for Chilean pine had been found for the first time, and exports had risen spectacularly. The introduction of new lamination methods permitted hitherto unsuitable timber to be used for construction. Two large modern saw mills had been built and the construction of other mills and of plywood and pulp and paper factories was under active consideration. The over-all further investment might amount to between \$40 - \$50 million, creating thousands of new jobs in badly depressed areas and earn Chile \$20 million of foreign currency a year.

13. In Mexico, the forest inventory carried out with Special Fund and FAO assistance was already generating \$47 million of domestic and external investment for the construction of sawmill and plywood and pulp and paper plants together with road and forestry improvements. Negotiations were in progress for financing a \$16 million hydro-electric plant to supply power for the pulp and paper mill.

14. Gratifying as the impact of its work might be, the Special Fund's ground-breaking endeavours required constant evaluation if the very significant progress of the past were to be maintained and surpassed in the future, the Managing Director said.

15. He stressed the importance of sound pre-operational work for the effective implementation of approved projects. This involved the most intimate collaboration between the Government, the executing agency and the Special Fund to ensure that resources scheduled to go into a project would be available where and when needed, and would be utilized in the most expeditious, effective way. The length of the interval between project approval and the date of authorization for field work to begin was far less important than assuring that the necessary pre-operational tasks were performed thoroughly and well. It was nevertheless gratifying that that interval was being reduced. The advance appointment of Project Managers, had helped projects to get off to a better start and had improved field implementation. The country Directors of Special Fund Programmes were also helping to resolve local problems.

16. The United Nations family of agencies had, on the whole, been meeting quite well the challenging responsibilities of being executing agencies for Special Fund assisted projects; yet all activities which might increase the efficiency of implementation needed to be urgently and continually intensified, the Managing Director said. He was concerned that several agencies were still suffering from a shortage of specialized personnel, organized to cope effectively with the operational responsibilities. However, the number of projects experiencing serious set-backs primarily attributable to executing agency performance was, in fact, small and the agencies were working to overcome difficulties as rapidly as possible.

17. The Special Fund, which had its own important share of responsibility for implementation of the programme, was holding more frequent and intensive consultations with the executing agencies. The annual reviews had been expanded in depth and range and had led to a keener mutual appreciation of problems, needs and opportunities. They were supplemented by face-to-face discussions and joint missions to the field to deal with specific difficulties as they arose.

18. The Managing Director recalled that an essential element in project success was the availability of qualified senior personnel from the developing countries to work alongside the international experts and to take over responsibility for continuing the work of the project after Special Fund assistance ended. It often was difficult for the governments to make trained personnel available in the numbers, and within the time, required for proper project implementation. The Expanded Programme of Technical Assistance was given valuable assistance in this respect by providing fellowships to help prepare counterpart personnel. One problem which the governments of the developing countries alone could resolve, was that of providing pay scales and conditions of employment adequate to attract and retain local personnel of the quality that the projects required.

19. Another problem in implementation was the timely provision of buildings. These need not be lavish but should be adequate. The Directors of Special Fund Programmes were prepared, when so requested, to do what they could to obtain help from other sources for project buildings. But here again, primary responsibility necessarily rested with the governments concerned for appropriate budgetary, legislative and other arrangements.

20. While he had dwelt at some length upon difficulties of project implementation, the Managing Director stressed that the over-all record was a good one. Concern about some 10 per cent of the projects under way should not conceal the fact that at least 90 per cent were proceeding in a generally satisfactory manner.

21. The Special Fund was giving increased attention to ensuring that there was effective follow-up by the Governments of projects which it had assisted. It was prepared, where requested and required, to help governments to contact sources of their choice for follow-up investments. In some cases this might be but an extension of the Fund's regular help to governments to obtain assistance from other sources - bilateral and multilateral, private and public - for Fund supported projects. A future avenue of such associated aid might involve the provision of essential housing for experts in countries where its shortage was critical.

22. Thanks were due to Governmental and private programmes which had provided and paid for the services of associate experts and junior professional personnel for work in projects and field offices. Once on the job, they were fully absorbed in the project team and were in every respect international civil servants.

23. The Managing Director said that the Fund was trying to be flexible in its approach toward meeting the urgent, changing and differing needs of the individual, developing nations. The Special Fund's own participation at the earliest stages of government formulation of assistance requests had been intensified. The first in a new series of "Project Guidelines" has been issued for wide dissemination. The provision of direct assistance by Special Fund headquarters, and field staff and consultants had been intensified. One objective was to get requests for highest priority projects. The use of the preparatory allocation had been liberalized and the number of preliminary investigations increased.



The Governments and Executing Agencies had appreciated the more active and intimate involvement of the Fund, especially its endeavour to look at the whole and to go to the heart of economic needs.

24. No radical new directions of Special Fund activity were planned in the near future although new emphasis and new approaches could be expected, the Managing Director said. A number of projects in preparation would increase the Special Fund's efforts to bring about the intensified application of science and technology to development. A number of requests in preparation would aim at the utilization of the internal heat of the earth. Exploiting low-cost geothermal sources of energy would permit big savings of foreign currency by cutting down the need for imported fuels.

25. The Special Fund was already assisting one institute concerned with the promotion and organization of continuous applied research in exploiting opportunities arising from the existence of lakes resulting from dam construction. It anticipated additional requests for such assistance.

26. In view of its desire to help develop rural areas, the Special Fund welcomed initiatives to promote sound programmes for the improvement of road, rail and water transportation, the Managing Director declared. Land reform was another area of profound concern to the Special Fund as it sought to improve rural life and agricultural production.

27. Efforts to develop an increasing number of industrial projects which went beyond infra-structure and training were beginning to show real promise. The Fund was particularly looking forward to receiving concrete proposals for feasibility studies and pilot and demonstration projects for processing raw materials locally, for creating new manufacturing plants, and for setting up development centres geared to uncover new industrial opportunities and assist in their practical realization.

28. Several new projects were shaping up which focused on those specific aspects of pre-investment which would carry the Government into the first phase of actual investment. To meet the wishes of some Governments, Fund-provided experts would be called upon to take part in operational control and supervision, while they carried on the training of their successors.

29. Under investigation were requests for assistance in the establishment of a pilot fertilizer industry scheme, the erection of an industrial unit on an industrial estate, the construction of a demonstration plant in food technology, and pilot low-cost housing. Work was proceeding more vigorously on pilot and demonstration schemes for agriculture, including those to follow up large-scale irrigation surveys. Some such projects would call for engineering works and other facilities which would move the Fund's activities a step beyond pure pre-investment. Where possible and as appropriate, contracts would be drawn up for the provision of assistance on a refundable basis.

30. Many of the future requirements for Special Fund assistance in the all-important field of advanced education and training would be along the lines of those in the past, though for some countries new types of programmes might be assisted. One example was training in entrepreneurship, a skill quite different from that required to manage going operations.

31. The real challenge, the Managing Director continued, was to help the developing countries to design programmes which met their most urgent needs. In many training projects, this would call for enlarging the scope of existing centres so as to obtain a much higher than present use of personnel, equipment, buildings and other facilities.

32. Within the Fund's legislation and the Governing Council's decisions, the fields of work of the Special Fund should be as broad as the needs of countries in the process of dynamic development.

33. The Managing Director invited the views of the members of the Council on means for the economical dissemination of the findings of Special Fund assisted projects. Brief abstracts of the final reports on the projects would be prepared for the information of members of the Council and other interested parties.

34. Fortunately, the quickening pace of change gave new means to move ahead with greater swiftness and surety. The workshops of modern technology were providing more and more efficient tools to help the developing nations build sound self-supporting economies, and the world's creative brain power was beginning to turn some of its energies away from better bombs and towards the betterment of all the world's people.

35. To take advantage of all that is good in so much that is new, the Managing Director continued, the United Nations must conform its own structure to the structure of a world in change. As part of this effort, the Secretary-General had proposed the creation of a new United Nations Development Programme which would embrace the best features of the Expanded Programme of Technical Assistance and of the Special Fund, and enlarge the effectiveness and scope of United Nations family work. The Secretary-General, the Executive Chairman of the Technical Assistance Board and the Managing Director were unanimous in the conviction that efficiency and the ability to meet the urgent needs and opportunities of development would be greatly enhanced by the establishment of the proposed Programme.

36. The General Assembly had agreed to study at its nineteenth session new targets for financing the work of the Expanded Programme and the Special Fund [resolution 1833 (XVII)]. The minimum - not the maximum - amount needed to carry out essential activities in 1965 was, the Executive Chairman of the Technical Assistance Board (TAB) and the Managing Director believed, \$200 million. By 1970, double that amount would be required. They were convinced that the ends sought fully justify the means requested.

#### Summary of discussions

37. The Governing Council welcomed the Managing Director's statement and his report on the implementation of the programmes approved by it during its second to eleventh sessions.

38. The Council noted with satisfaction the continued progress in Special Fund activities, in particular, the growth in the number of projects under field execution, the improvement in the rate of project implementation, and the satisfactory results obtained from completed projects.

39. Certain members of the Council noted the slowness in the implementation of approved projects, which leads to the freezing of resources of the Special Fund. The Council was pleased to note that the recent measures taken by the Managing Director to speed up the start of project operations were helping to reduce the time lag between the approval of projects and the commencement of field work. Members particularly welcomed the increasing practice by executing agencies of appointing project managers who, by actively participating in the drafting of plans of operation and in the working out of the detailed arrangements with the Governments concerned, generally assured a better start and more effective implementation of projects.

40. At the same time, many members concurred with the Managing Director that there was need for reducing still further the time between the approval of projects and the actual commencement of field work. It was generally agreed, however, that the reduction in time should not be made at the expense of sound and thorough pre-operational work, a prerequisite for successful project implementation.

41. While a number of members commented favourably on the fact that over 90 per cent of the projects under execution were proceeding satisfactorily, several members felt that it would be helpful for the Council to be furnished with information on the specific projects that were experiencing serious operational difficulties. They also suggested that the Council might wish to take up these individual projects at its future sessions in closed meetings. In reply to a question asked by one member as to why there had been serious difficulties in the execution of certain projects, the Managing Director stated that the problems were mainly attributable to difficulties arising in the beneficiary countries such as political disturbances, inability of the Governments to meet their counterpart contributions, and re-appraisal of the scope and the organization of projects at the request of the Governments concerned.

42. The report of the Managing Director had noted that one of the major obstacles in the timely and effective implementation of projects was the shortage of adequately qualified local personnel who could work alongside the international experts and eventually take over responsibility for continuing the work of the projects after Special Fund assistance came to an end. While recognizing the difficulties of developing countries in providing such personnel, several members concurred with the Managing Director that the active participation of counterpart personnel was a cardinal principle of Special Fund assisted projects and that it should not be weakened. One member felt that the Governments concerned could go a long way towards improving the situation by offering its employees better salaries, security of tenure, and adequate pensions. Another member felt that it would be unfortunate to withhold approval of projects or authorization of their commencement because of the existing scarcity of counterpart personnel, and welcomed the efforts of the Managing Director to provide advance training as well as training during and after the full-scale project operations, for the junior and senior successors to international experts. Still another member urged the increased use of fellowships to help alleviate the situation. In reply to the latter's observation, the Managing Director stated that while not neglecting fellowships, the Special Fund was concentrating on helping countries to develop their own educational systems since the needs for training were so great that, except in a few cases, they could only be met through indigenous institutions.

43. The Council was informed that a number of Member Governments had recently undertaken to provide free of cost, the services of associate experts and other junior professionals which were being used in many projects and in a number of the country offices of Directors of Special Fund Programmes. It was generally agreed that these young people would make a significant contribution to the programme.

44. Members of the Council noted the increasing volume of work being carried out by consulting firms and organizations under sub-contract to executing agencies. Many members viewed this development favourably, stating that such organizations often provided technical and economic advantages in project implementation as compared with the direct recruitment of individual experts. Some members felt that there should be a more equitable distribution of sub-contracts for firms and organizations among member countries, and observed that there were in their countries a number of specialized organizations which were competent and willing to serve in Special Fund assisted projects. The Managing Director, in reply, stated that the choice of sub-contractors was guided by the quality and cost of the service they could supply to the executing agencies, and that it was accordingly for the Governments concerned to encourage them to provide to those agencies information concerning their availability and qualifications.

45. The report of the Managing Director showed that the number of experts serving in Special Fund assisted projects had increased from 901 as of 31 March 1963 to 1,302 a year later. One member noted that with the growth of development assistance under bilateral and multilateral programmes, recruitment of high level experts and technicians was becoming more and more difficult and that international organizations and Governments alike should give their concerted attention to ways of overcoming this shortage. He suggested that the problem could be somewhat alleviated by accelerated training of young technicians and by the increased use of services offered by established technological and research institutes. Reference was also made to the low number of experts recruited from socialist countries. Some members felt that more experts should be sought from developing countries, but others expressed concern that extensive recruitment of such personnel by international organizations would make serious inroads into the already very limited supply of technicians in their own countries.

46. The Council noted that 24 projects had been completed by 31 March 1964 and expressed its satisfaction that 11 of the 23 completed surveys and feasibility studies had already generated \$475 million of investment. A number of members pointed out that while investment was an immediate objective of many Special Fund assisted projects, the Council should not err in measuring the effectiveness and impact of completed projects by the investment yardstick only. It was observed, for example, that there were already cases where the findings of feasibility studies recommended against investment in certain projects. In the view of one member, these should be considered positive rather than negative findings since they advise against the use of scarce resources in potentially unproductive undertakings. It was furthermore noted that a number of projects were concerned with infra-structure for which investment capital was usually not so readily available as for projects which could repay the capital through their earnings; this, however, should not justify underestimating the importance of infra-structure projects in the programme of Special Fund assistance. One member cautioned against having too many surveys lead to prompt investment since this would merely prove that the Fund was concentrating too much of its resources on "safe" projects. In his view, it was important that the Fund also support more venturesome undertakings that could produce other very rewarding results if not actual investment.

47. As an increasing number of projects were nearing completion, several members felt it was necessary for the Special Fund to help Governments in the follow-up of these projects. They, therefore, welcomed the arrangements made by the Managing Director to provide Governments, upon request and as required, with assistance in contacting sources of their choice for follow-up investment and with technical consultants for a period following the completion of projects. One member thought it would be most helpful if the Governing Council were kept informed on a continuing basis of important follow-up developments on completed projects.

48. The Council noted that some twenty final reports on completed projects were expected to be prepared by the end of 1964, and discussed the use to which these reports could be put. Many members felt that the findings would not only benefit the Governments concerned but would also be most useful to the work of the Governing Council and for potential investors; the information would also contribute to the growing body of knowledge of the development process. A number of members expressed the hope that the Governments concerned would agree to the prompt removal of restrictions on the final reports and asked that the findings be widely distributed. One member especially welcomed the proposal of the Managing Director to issue abstracts of completed projects.

49. The subject of the convertibility of contributions by net donor Governments was raised in the course of the general review of project implementation. Several members urged that contributions be made in convertible currencies in order to permit the widest choice of international experts, consulting organizations and project equipment; on the other hand, it was pointed out that payment in non-convertible currencies tended to restrict the recruitment of experts from developing countries and the placement of fellows, and they did not help defray overhead and administrative costs of the Special Fund and the Executing Agencies. Several members differed with this view, stating that the central issue was the most effective and maximum utilization of the resources available in the donor countries including experts, consulting organizations and equipment. A number of members urged the Managing Director to explore all possible ways of obtaining this objective and at the same time to press for maximum convertibility.

50. Several members inquired as to why the programme being recommended for approval by the Governing Council at its present session did not provide for the full utilization of the funds made available as a result of the liberalization of earmarkings authorized by the Governing Council in January 1964 at the eleventh session. The Managing Director stated in his reply that the immediate reason for this situation was that the Special Fund had relatively little time since the last session in which to consider the best and surest way to utilize the augmented volume of funds at its disposal. He was confident, however, that the subsequent programmes to be recommended to the Governing Council would show a much higher utilization of available resources as many high-priority requests were at present under study by the Special Fund and many more were in preparation. The Managing Director underlined the key role being played by Directors of Special Fund programmes in assisting Governments in formulating requests. He noted in this connexion that the number of field offices had risen from 32 in 1959 to 70 in 1964, and would probably soon reach 80. A number of members pointed out that the Directors of Special Fund Programmes were uniquely situated to help Governments in planning development assistance requests. They concurred with the Managing Director that the field offices should be further strengthened and augmented.

51. Many members expressed support for the Managing Director's proposal to increase the current ceiling of funds earmarked for assisting governments in preparing project requests. It was generally agreed that the use of experts to help governments prepare, revise and reformulate requests, and of consultants to investigate and evaluate requests, would contribute to the quality of projects eventually approved.

52. At the same time, the Council noted that the first in a new series of "Project Guidelines" had been recently issued to executing agencies as well as to the Directors of Special Fund Programmes, who had been asked to ensure their widest dissemination among the governments to which they are accredited. It was hoped that this would further contribute to the preparation of sound, high-priority project requests.

53. There was considerable discussion on the distribution of projects among the main fields of Special Fund activity and on the directions which assistance may take in the future. As regards the former, a number of members noted with satisfaction the steady growth in the number of approved projects for Africa. Appreciation was also expressed that the number of regional projects was increasing. One member stated that the Special Fund should encourage more regional projects involving participation of English and French-speaking African countries.

54. Many members stressed the importance of industrial projects for developing countries and hoped that the upward trend in the number of projects for this sector of the economy would be continued. One member thought that projects in this field should be focused on the growth and diversification of export-type industries while another member thought that the Fund should also undertake the financing of factories and other industrial facilities.

55. A number of members welcomed the Managing Director's intention to seek an increase in the number of projects in the industrial field that go beyond infrastructure and training, particularly for pilot factories and demonstration centres. One member suggested that the Fund explore the possibility of setting up, as a separate Special Fund project, teams of experts who would assist developing countries in the formulation of industrial-type projects. The Managing Director stated in reply that this suggestion was under active consideration by the Fund.

56. While recognizing the importance of industrial projects, a number of members stated that the rational development of the agricultural sector must continue to be a prime objective of low-income countries. Increased agricultural productivity would enable developing countries to increase their food output which, according to one member, was of critical importance because of the sharply rising growth of population in most of these countries; moreover, it would stimulate the expansion and diversification of agriculture-based industries and enrich the nutritional content of the national diet.

57. Other members felt that sound economic development was predicted on the balanced growth of agriculture and industry and that project requests should be viewed from that vantage point.

58. Training and education to provide skilled manpower for the agricultural, industrial and other vital sectors of the economy were emphasized by several members as warranting the continued support of the Special Fund.

59. A number of members felt that it would be inappropriate for the Special Fund to designate a priori fields of activity meriting priority consideration. Projects should, in their opinion, reflect national priorities and constitute key, integral elements of national development programmes or objectives.

60. Considerable attention was devoted to possible new areas for Special Fund assistance. Many members who had attended the recently concluded United Nations Conference on Trade and Development considered it important that the Fund examine its possible future activities in light of the recommendations made at the Conference, especially the one related to the gradual transformation of the Special Fund. There was general agreement that the Fund should assist developing countries in the execution of projects that would promote their exports and improve their balance of trade as well as the conditions under which they trade. The Managing Director assured the Council that the Conference's recommendations would be given careful consideration.

61. While there was general support for the various suggestions contained in the Managing Director's statement on possible new areas for Special Fund assistance, several members cautioned against too sophisticated, or prestige-type projects which, in their view, would not contribute significantly to development.

62. One member reiterated the view expressed by his delegation at previous sessions of the Governing Council that the Fund should undertake a study of the long-term needs of developing countries for pre-investment assistance, particularly in the fields of training, education, and resource surveys. Such a study would not only show the scale of pre-investment needs; it would also be useful to the Fund in deciding its own policies and priorities. A number of members supported this suggestion. One member felt that increasing stress should be laid on assistance in the broad fields of economic development planning and public administration. The Managing Director agreed that the question of long-term needs and priorities in pre-investment assistance required more thorough investigation in the not too distant future.

63. Referring to the question of associated aid, one member mentioned that the possibility might be explored of joint planning of bilateral projects and Special Fund projects. In this way it might become possible to implement simultaneously one or more bilateral projects complementary to a central project undertaken under the auspices of the Special Fund.

64. A number of members felt that while the directions of Special Fund Assistance were satisfactory, the volume of pre-investment assistance it was able to provide fell far short of that needed by the developing countries. They urged that a new and higher target for financing Special Fund work be established.

65. In this context some members pointed to the need for higher contributions from Governments as the principal method of increasing the resources of the Fund. One member felt that it would be useful, at the next session, to "shave off the rest of the unnecessary fat" in the cash balance. Further, he asked for the views of other Governments and that of the Managing Director on the feasibility of pledges for more than one year from developed countries. He believed that at least some countries could use this method without any constitutional or legal difficulties and that it might help to speed an increase in the resources of the Fund. Without committing themselves, several delegates thought the idea worth

considering, although some of them felt hesitant believing that contributions from certain major contributors would tend to become static over the period of the pledge. The Managing Director expressed the view that, while the proposed method offered certain advantages, it also had certain disadvantages; the programme was a dynamic one and as new priority needs opened up, the Fund should be in a position to respond flexibly. It was his view that until the programme became stabilized the Fund should continue with annual pledges.

66. Most of the members commented briefly on the proposal to create a new United Nations Development Programme incorporating activities of the Special Fund and the Expanded Programme of Technical Assistance and made further statements on the subject when it was discussed under item 6 of the agenda.

67. At the conclusion of the discussion of item 3 of its agenda, the Governing Council decided:

- (a) to take note of the statements made by the Managing Director;
- (b) to take note of the Managing Director's report on the implementation of the programmes approved by the Governing Council at its second to eleventh sessions (SF/L.105 and SF/L.105/Corr.1.).



### CHAPTER III

#### FINANCIAL QUESTIONS

68. Under item 4 of its agenda, the Governing Council considered:

(a) The final statement of contributions pledged and paid for the year 1963 as at 31 December 1963 (SF/L.77/Rev.12, SF/L.77/Rev.12/Corr.1); the status of contributions pledged to the Special Fund for 1964 as at 30 April 1964 (SF/L.97/Rev.3 and Corr.1); and the contributions outstanding for years 1959, 1960, 1961, 1962 and 1963 as at 30 April 1964 (SF/L.106/Rev.1);

(b) The statements on the financial status of projects at 31 December 1963 (SF/L.102);

(c) A note by the Managing Director on preparatory assistance (SF/L.104);

(d) Revision of the Provisional Financial Regulations of the Special Fund (SF/L.103 and Corr.1 and SF/L.103/Amend.1), together with the comments of the Advisory Committee on Administrative and Budgetary Questions (SF/L.107).

#### Summary of discussion

69. Under item 4(a) the Governing Council took note of the three statements on the status of contributions (SF/L.77/Rev.12, SF/L.77/Rev.12/Corr.1; SF/L.97/Rev.3 and Corr.1; and SF/L.106/Rev.1).

70. Under item 4(b) the Governing Council took note of the statements on the financial status of projects at 31 December 1963 (SF/L.102).

71. Under item 4(c) the Associate Managing Director introduced a proposal to combine under a single authority for "preparatory assistance" the two types of expenditures, hitherto incurred under the heading of "preparatory allocation" and "preliminary investigation", which have been used in assisting governments in the preparation, revision and reformulation of requests for Special Fund financing and in conducting further investigation and evaluation of such requests. The Managing Director had found that the use of both types of assistance in many cases had resulted in requests of higher quality which could be recommended for approval by the Governing Council. He was convinced that a further increase in the modest expenditure for these kinds of preparatory assistance would also pay high dividends to the countries concerned both from the point of view of the execution of the projects and of the final results.

72. To finance the revised preparatory authority, the Managing Director proposed that the Governing Council increase the previous earmarking of \$250,000 (for preparatory allocations alone) to \$750,000 to cover outstanding allocations for both types of preparatory assistance. As soon as the Governing Council had approved a project, any preparatory assistance costs related to that project

request would become a charge to the project budget. But in the case when a request was either rejected or withdrawn by the Government, all related expenditures for preparatory or evaluation costs would become a charge to the administrative budget, thereby replenishing resources available under the earmarking.

73. Many members of the Council expressed satisfaction at the Managing Director's action to render an increasing level of aid to Governments in preparing and reformulating requests. There was general agreement that chances for the eventual success of a project were enhanced by a more careful preparation of the project in the planning stage. There was also general approval that for the time being a \$750,000 maximum authority was appropriate.

74. Certain members felt that some of the preparatory assistance given in the formulation of Special Fund-assisted projects should be provided under the Expanded Programme of Technical Assistance. While agreeing that it was essentially in the nature of technical assistance, the Associate Managing Director pointed out that assistance was already being rendered under the Expanded Programme and that the authority requested would be used to supplement assistance from other sources.

75. Several members pointed to the comments of the Advisory Committee on Administrative and Budgetary Questions wherein it expressed the hope that strong administrative discipline be maintained over the expenditures of preparatory assistance to prevent increased charges against the administrative budget for non-maturing projects. However, it was pointed out that the proposed arrangements would allow the Council, through its periodic review of earmarkings and its approval of the Managing Director's budget estimates, to exercise an even greater measure of control than heretofore over these expenditures.

76. Accordingly, the Governing Council decided to increase the present earmarking to \$750,000 to cover outstanding allocations for both types of preparatory assistance at any one time and authorized the Managing Director to allocate funds, within the limit of the increased earmarking, to cover:

(a) assistance to Governments in the preparation, elaboration and revision of requests for Special Fund financing;

(b) investigation and evaluation of requests for Special Fund financing.

It was agreed that, for financial statement purposes, residual expenditures under previous preparatory allocations should be classified as if they had been charged to the administrative budget. In this connexion two members of the Governing Council expressed the opinion that, in utilizing these resources, the Managing Director should ensure that experts for employment in the preparation of requests and the preliminary examination of projects are recruited on the basis of the principle of equitable geographical distribution accepted in the United Nations.

77. Under item 4(d) the Associate Managing Director presented to the Governing Council a revised text of the provisional financial regulations of the Special Fund as well as the comments of the Advisory Committee on Administrative and Budgetary Questions. Recalling that the Governing Council at its eleventh session had postponed the item for further consideration, he indicated that comments received during the interim period from members of the Council, the

United Nations Board of Auditors, the executing agencies and the United Nations Controller had resulted in certain improvements and modifications in the proposed text. The postponement had also allowed the Advisory Committee to review the draft revision and to render its comments for the guidance of the Governing Council.

78. Following the suggestions of the Advisory Committee, the Council decided that the financial regulations of the Fund need no longer be "provisional". Proposals by the Advisory Committee for the deletion of article 15.5 and for drafting revisions of article 1, article 7 and article 19 were accepted by the Council.

79. Substantive amendments, proposed by members of the Council, were adopted to specify the conditions under which donations from non-governmental sources may be accepted by the Managing Director (article 9), to define more clearly the terms under which Special Fund monies may be invested by the Secretary-General (article 11), and to provide for an annual report to the Governing Council with information on currencies (article 18). Minor amendments were also agreed upon to articles 1 and 19.

80. Accordingly, the Governing Council approved the text of the financial regulations of the Special Fund (see Annex II to this report).

81. During the consideration of other possible amendments, one member of the Council requested that, during the Council's consideration of each new programme, the Managing Director's statement on the financial status of the Fund's resources, earmarkings and allocations, should include estimates of resources and allocations as of 30 September that year, being the date just prior to the Pledging Conference when the balance of unallocated resources would be at its low point for the year. The Managing Director indicated his willingness to comply with this request.

82. Another member of the Council presented an amendment to article 24 which would require the executing agencies to submit annually to the Managing Director provisional financial statements for the preceding year at the same time they submitted their accounts to the external auditors, and would require the United Nations Controller to present the consolidated position of the Special Fund based on those provisional financial statements in time to allow the Managing Director to transmit these reports to members of the Governing Council by 30 April of the following year. The amendment was withdrawn on the understanding that the Managing Director would consult with the executing agencies and the Controller as to whether the above proposal was practically possible and would report on these consultations to an early session of the Governing Council. It was so agreed.

CHAPTER IV

PROGRAMME RECOMMENDATIONS OF THE MANAGING DIRECTOR

83. As reported to the Governing Council at its eleventh session, up to 30 September 1963, 681 requests for project assistance had been submitted to the Special Fund by Governments, calling for an expenditure of over \$640 million by the Special Fund. Between 1 October 1963 and 31 March 1964 a further seventy requests were received, bringing the total number of requests received to 751 and the total amount requested to approximately \$704 million.

84. The seventy new requests were in the following fields of activity:

Table 1

<u>Subject area</u>	<u>No. of requests</u>	<u>Amount requested</u>
<u>Surveys</u>		
Mineral and geological	5	3,500,000
Water power, hydraulic and meteorological	1	2,100,000
River basin	2	1,900,000
Land and water use, including forestry	15	13,500,000
Transport and communications	4	3,200,000
Fisheries	3	2,700,000
Others	2	3,400,000
Sub-total	32	\$30,300,000
<u>Research</u>		
Agricultural, forestry, veterinary and fishery	11	12,600,000
Manufacturing, mining and power	2	1,000,000
Other	2	1,700,000
Sub-total	15	\$15,300,000
<u>Training</u>		
Agricultural, forestry, veterinary and fishery	9	4,700,000
Industrial	5	4,900,000
Transport and communications	3	2,300,000
Secondary school teacher	3	2,800,000
Other	2	3,100,000
Sub-total	22	\$17,800,000
<u>Miscellaneous</u>		
Economic development planning	1	600,000
Sub-total	1	\$600,000
<u>Total</u>	70	\$64,000,000

85. The geographical distribution of the new requests, as well as the cumulative total of all requests received, was as follows:

Table 2

<u>Geographical area</u>	<u>Requests received 1 October 1963 to 31 March 1964</u>	<u>Requests previously received</u>	<u>Cumulative total to 31 March 1964</u>
Africa	26	196	222
The Americas	20	169	189
Asia and the Far East	16	191	207
Europe	5	35	40
Middle East	3	88	91
Inter-regional	-	2	2
	<hr/>	<hr/>	<hr/>
Total	70	681	751

86. Of the 166 requests under consideration between 1 October 1963 and 31 March 1964, forty-nine were recommended for approval by the Governing Council at its twelfth session: in eleven cases the Governments concerned were informed that their projects were not being kept under review; ten were withdrawn by the requesting Governments; and as of 31 March 1964, ninety-six projects were under consideration for possible inclusion in future programmes to be recommended to the Governing Council.

Programme recommendations

87. Pursuant to paragraph 35 of part B of General Assembly resolution 1240 (XIII), the Managing Director submitted a programme of forty-nine new projects and a supplementary earmarking for one previously approved project to the Governing Council at its twelfth session. The programme represented a total of \$85,178,600, which involved Special Fund earmarkings of \$39,855,600 and counterpart contributions by recipient Governments amounting to \$45,323,000.

88. A list, showing the Governing Council earmarkings and Government counterpart contributions for the forty-nine new projects together with a supplementary earmarking and Government counterpart contribution for one previously approved project, is contained in Annex III of this report.

89. The distribution of the recommended projects by field of activity was as follows:

Table 3

Field of activity	Previous Programmes		Present Programme		Cumulative	
	Number of Projects	Earmarking \$	Number of Projects	Earmarking \$	Number of Projects	Earmarking \$
<u>Surveys</u>						
Mineral and geological . . . . .	27	22,397,400	5	3,995,800	32	26,393,200
Water power, hydraulic and meteorological . . . . .	17	12,043,700	1	1,067,200	18	13,110,900
River basin . . . . .	14	12,084,800	2	2,532,000	16	14,616,800
Land and water use . . . . .	65	46,251,500	7	5,229,200	72	51,480,700
Transport and communication . . .	10	6,613,600	3	1,500,700	13	8,114,300
Manufacturing industries . . . . .	3	2,857,900	-	-	3	2,857,900
Fisheries . . . . .	7	6,896,700	1	990,700	8	7,887,400
Other . . . . .	5	2,353,400	2	1,714,300	7	4,067,700
Sub-total . . . . .	148	111,499,000	21	17,029,900	169	128,528,900
<u>Research</u>						
Agricultural, forestry, veterinary and fishery . . . . .	42	37,570,600	4	3,476,000	46	41,046,600
Manufacturing, mining and power . . . . .	27	24,356,100	1	954,800	28	25,310,900
Other . . . . .	8	5,371,200	2	1,222,800	10	6,594,000
Sub-total . . . . .	77	67,297,900	7	5,653,600	84	72,951,500
<u>Training</u>						
Agricultural, forestry, veterinary and fishery . . . . .	24	20,925,200	6	4,581,300	30	25,506,500
Industrial . . . . .	77	75,690,600	7	6,284,500	84	31,975,100
Transport and communication . . .	22	22,490,700	2	2,361,100	24	24,851,800
Secondary school teacher . . . . .	17	20,078,000	-	-	17	20,078,000
Public administration and other. .	3	2,741,500	5	3,513,500	8	6,255,000
Sub-total . . . . .	143	141,926,000	20	16,740,400	163	158,666,400
Economic development planning . . . .	6	14,558,700	1	431,700	7	14,990,400
<u>Total</u> . . . . .	374	335,281,600	49	39,855,600	423	375,137,200

90. The distribution of the projects by geographical region was shown both for the present programme and cumulatively for the previously approved programmes as follows:

Table 4

<u>Geographical regions</u>	<u>Previous programmes</u>		<u>Present programmes</u>		<u>Cumulative</u>	
	<u>Number of projects</u>	<u>Earmarking</u> \$	<u>Number of projects</u>	<u>Earmarking</u> \$	<u>Number of projects</u>	<u>Earmarking</u> \$
Africa . . . .	106	99,297,200	26	20,699,800	132	119,997,000
The Americas .	102	87,832,300	8	5,454,400	110	93,286,700
Asia and the Far East . . .	111	103,939,300	11	9,504,700	122	113,444,000
Europe . . . .	20	15,568,500	3	3,206,000	23	18,774,500
Middle East . .	34	24,778,300	1	990,700	35	25,769,000
Inter-regional	1	3,866,000	-	-	1	3,866,000
<u>Total</u>	<u>374</u>	<u>335,281,600</u>	<u>49</u>	<u>39,855,600</u>	<u>423</u>	<u>375,137,200</u>

91. There were two notable features in the programme: firstly the preponderance of projects in Africa, and secondly the smaller average size of projects in the programme as a whole. The first was a reflection of the fact that Africa was beginning to catch up with other regions of the world in project preparation. In the early years of the Special Fund's operations, many of the present thirty-five nations of Africa were not yet independent. The newly independent Governments required time to establish development policies and priorities, and to create the necessary machinery for the preparation and co-ordination of requests for foreign assistance. As a consequence, in the last two years there had been a considerable increase in the number of requests received from Africa, many prepared with assistance of experts under the Expanded Programme of Technical Assistance. As an illustration of this trend in the programme, there were projects for three African nations which had not previously received Special Fund assistance, and for three more which had previously only had one project approved.

92. The smaller average size of projects was a reflection of the relatively large number of surveys in the programme: surveys tended to be less costly than either research or training projects because of their nature and their shorter duration. The larger proportion of surveys was however not the result of deliberate policy on the part of the Special Fund, but reflected the pattern of requests received in the recent past.

93. In the programme, two projects representing new departures had been included. The first of these was the request of the Government of India for assistance in a programme of research and training in the use of satellite communications. The project would assist the sub-continent of India in finding the most economic means of improving its telecommunication links with the rest of the world and training telecommunication engineers and personnel in the advanced techniques of satellite tracking and relay.

94. The second request which would bring the Special Fund into a new area of activity was a pre-investment survey for the reconstruction of the city of Skoplje in Yugoslavia which was largely destroyed by an earthquake in 1963. This project was complemented by a project for the training of supervisory and skilled personnel for the building industry in the Skoplje area.

Executing agency costs

95. Information was also provided by the Managing Director regarding the level of the executing agency costs (SF/R.9, paras. 18 to 20). A tabular summary of estimated executing agency costs for the approved projects and those recommended for approval was shown as follows:



Table 5

Agency	Previous Programmes		Present Programme		Cumulative	
	Project Costs <sup>a/</sup>	Executing Agency Overhead Costs	Project Costs <sup>a/</sup>	Executing Agency Overhead Costs	Project Costs <sup>a/</sup>	Executing Agency Overhead Costs
United Nations	\$ 60,280,100	\$ 4,164,300	\$ 9,212,700	\$ 802,700	\$ 69,492,800	\$ 4,967,000
ILO	32,871,725	2,936,675	4,593,900	437,400	37,465,625	3,374,075
FAO	108,666,000	9,431,400	16,248,600	1,444,800	124,914,600	10,876,200
UNESCO	67,980,150	5,241,750	3,379,300	288,700	71,359,450	5,530,450
ICAO	9,777,500	620,200	1,266,900	126,300	11,044,400	746,500
WHO	2,718,000	136,800	435,400	32,300	3,153,400	169,100
IBRD	11,228,000	356,300	-	-	11,228,000	356,300
ITU	12,465,000	1,067,700	860,100	52,500	13,325,100	1,120,200
WMO	4,036,900	279,200	616,300	57,700	4,653,200	336,900
LAEA	953,500	70,400	-	-	953,500	70,400
<u>Total</u>	<u>\$310,976,875</u>	<u>\$24,304,725</u>	<u>\$36,613,200</u>	<u>\$3,242,400</u>	<u>\$347,590,075</u>	<u>\$27,547,125</u>

<sup>a/</sup> Includes Special Fund direct costs.

### Cancellation of projects

96. The Government of the Republic of Viet-Nam informed the Managing Director of its concurrence with the proposal that the project for a mineral survey (SF/L.26/Add.29), approved by the Governing Council in December 1959, should be cancelled because conditions in the area immediately concerned precluded project operations.

97. After successive consultations with the Government of Burma on the draft Plan of Operations concerning a project for mineral and groundwater survey in Burma (SF/R.4/Add.3), approved by the Governing Council in January 1962, the Managing Director concluded the Government did not wish to have the project implemented in the form approved.

98. The Managing Director therefore requested the approval of the Governing Council to cancel all unobligated earmarkings for both of these projects.

### Decisions of the Governing Council

99. In accordance with rule 4 of its rules of procedure, the Council decided to examine in closed session the projects recommended by the Managing Director.

100. At the conclusion of the discussion on the programme recommendations of the Managing Director, the Governing Council reconvened in open session and, subject to observations and reservations in the closed meeting, expressed on individual projects, the Governing Council decided:

- (a) to approve the proposed programme;
- (b) to earmark for each of the projects listed in Table 3 of documents SF/R.9 and SF/R.9/Corr.1 the sum shown in the first column of that table;
- (c) to authorize the Managing Director to make the appropriate arrangements with Governments and executing agencies for the execution of those projects;
- (d) to earmark an additional \$3,985,500 (equivalent to 10 per cent of the total shown in the first column of table 3) as a reserve for the Managing Director's contingency authority; and
- (e) to authorize the Managing Director to cancel all unobligated earmarkings for the projects referred to in paragraphs 96 and 97.

## CHAPTER V

### FINAL REPORT OF THE AD HOC COMMITTEE ESTABLISHED UNDER ECONOMIC AND SOCIAL COUNCIL RESOLUTION 851 (XXXII) ON CO-ORDINATION OF TECHNICAL ASSISTANCE ACTIVITIES

101. Under this item the Chairman invited comments of the members of the Governing Council on the issues raised in the final report of the Ad Hoc Committee on Co-ordination of Technical Assistance Activities, 3/ especially those on the question of the merger of the Expanded Programme of Technical Assistance and the Special Fund. Also available to members was a draft resolution prepared by the Secretary-General for consideration by the Economic and Social Council 4/ which incorporated the recommendations of the Ad Hoc Committee. The Council had before it the twenty-ninth report of the Administrative Committee on Co-ordination which recorded the agreement reached by the Secretary-General and the Executive Heads of the specialized agencies and the International Atomic Energy Agency on the advantages of a merger of the Expanded Programme and the Special Fund, as well as their complementary recommendations. 5/ The Chairman explained that the Governing Council was not called upon to take any specific action with respect to this item but might wish to record briefly the positions of its members with a view to assisting the Economic and Social Council in the consideration of this matter.

102. The Governing Council first heard statements by the Under-Secretary for Economic and Social Affairs, the Managing Director of the Special Fund and the Executive Chairman of the Technical Assistance Board. They strongly supported the establishment of the new proposed United Nations Development Programme. It was their view that the United Nations system of technical and pre-investment assistance was confronted with an urgent need for re-organization to enable it to meet the growing requirements of developing countries. Reference was made to the recent discussions at the United Nations Conference on Trade and Development, held in Geneva, which had dramatically evidenced that international economic development urgently demands concerted action which should be promoted through more integrated international development assistance.

103. The Governing Council further heard the following message from the Secretary-General of the United Nations:

"I should like the Governing Council to know that I attach the greatest importance to the consolidation and effective co-ordination of all United Nations pre-investment assistance. That is why I have so earnestly sought the establishment of a new United Nations Development Programme which will not only include the best elements of the Expanded Programme of Technical Assistance and the Special Fund, but have an added strength of its own. Besides improving the services our United Nations Family can provide, the creation of this new Programme, I am convinced, is essential if we are to mobilize the larger resources required by the urgent needs of the developing countries. Far from limiting the possibilities of a United Nations capital investment programme, the proposals should enhance those possibilities.

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3/ Official Records of the Economic and Social Council, Thirty-Seventh Session, Annexes, agenda item 19, document E/3862.

4/ Ibid., document E/3899.

5/ Ibid., agenda item 6, document E/3886, paras. 29 to 33.

"I am glad to report that as a result of extensive consultation with the executive heads of the specialized agencies and the International Atomic Energy Agency, we are all now agreed on the proposals which are recommended by me in the draft resolution which has been prepared for the Economic and Social Council and which reflects agreements recorded in the ACC report. These proposals contain only one modification of substance from the recommendations of the Committee of Ten, and that is in the Secretary-General's view on management, in which members of the Administrative Committee on Co-ordination concur. A unified management is proposed for the new Programme, with the present Managing Director of the Special Fund serving as Administrator, and the present Executive Chairman of the Technical Assistance Board serving as Co-Administrator until 31 December 1966."

104. The twenty-three members of the Governing Council who were present then expressed their views on the question of the merger of the Expanded Programme and the Special Fund. An overwhelming majority of the members supported the principle of a merger although several of these had certain reservations and one stated that his Government was not yet in a position to accept it. Two members opposed a merger.

105. The several representatives who had reservations stated that their Governments were not yet entirely convinced that a merger of the Special Fund and the Expanded Programme offered all the advantages attributed to it. Many were nevertheless in favour of a reorganization consisting of placing these technical co-operation programmes of the United Nations under the supervision of a single inter-governmental body and benefitting from the advice of a new consultative body composed of all participating organizations. Such a reorganization should preserve the autonomy of the two programmes. Many reserved explicitly the positions which their Governments would wish to take in the Economic and Social Council and/or the General Assembly on the other aspects of the merger. One member stated that the final position of his delegation might be influenced by a favourable decision on the transformation of the Special Fund into a capital development fund, along the lines of the recommendation recently approved by the United Nations Conference on Trade and Development.

106. The two members opposing the merger felt that such a move was at this time premature; such a step should only be taken after the most careful study, and for this, further information was required as to the views of the developing countries and the possible consequences of the merger, some of which might be unfavourable. The question of a merger of the Expanded Programme and the Special Fund should be considered in relation to the future of the regular technical assistance programmes of the United Nations and its related agencies, and especially to the question of the creation of a United Nations Capital Development Fund. They insisted that the distinct characteristics of the Expanded Programme and of the Special Fund should be maintained and at the same time their opinion was expressed that the merger of the Regular Programme with the Expanded Programme would be the most suitable plan for the reorganization of technical assistance.

107. Most of the Council members, while reserving their right to adopt a final position at the forthcoming sessions of the Economic and Social Council and the General Assembly, supported in principle the idea that the Expanded Programme and the Special Fund should form parts of a single United Nations Development Programme. While deeply appreciative of the accomplishments of each of the existing programmes, these members believed that their structures would be rationalized and their

effectiveness improved by a merger. Among other advantages foreseen were those of a greater administrative efficiency, increased effectiveness in the services rendered to the developing countries by facilitating inter alia the submission of their requests for assistance and prospects for increased resources for technical and pre-investment assistance through the United Nations system.

108. A number of the representatives recalled that many organizational details remained to be worked out, and that the Governing Council was not the place where this should be done. They expressed, however, their preferences regarding certain issues. With respect to the new inter-governmental body, some members stressed that its membership should follow the pattern of the Special Fund by giving equal parity to the developing countries and to the industrialized countries. Speakers who commented on the new inter-agency consultative board stressed that it should function in an advisory capacity only; the Development Programme would thus benefit from the rich experience of the agencies but the authority of the management would be preserved. Several members stated that under the new Development Programme the role of the Resident Representative in the developing countries should be strengthened. The importance of considering possible future relations with the regional economic commissions was also stressed.

109. There was general agreement that any action taken with respect to a merger need not prevent or delay an extension of activities into the field of capital investment. There was also a consensus that essential characteristics of the Expanded Programme and of the Special Fund should be maintained; but in this connexion several members stressed that the decision on the merger should not include features which would weaken prospects for achieving the objectives that were sought.

110. While some members wished to study further the issue of a unification of management, other members firmly supported the position of the Secretary-General, concurred with by the executive heads of the specialized agencies and the International Atomic Energy Agency, that the Programme should be directed by an Administrator to be appointed by the Secretary-General after consultation with the Governing Council and subject to confirmation by the General Assembly, provided that as a transitional measure on adoption of this resolution the present Managing Director of the Special Fund shall become the Administrator of the Development Programme and the present Executive Chairman of the Technical Assistance Board shall become the Co-Administrator of the Development Programme, each to serve until 31 December 1966 or such later date as may be determined by the Secretary-General after consultation with the Governing Council.

111. Several members stressed that the merger should be looked upon as a further stage in the continuous strengthening of the capacity of the United Nations to increase the quality and quantity of the assistance to be provided to the developing nations; it would constitute not merely an administrative reform, but a dynamic new departure in international co-operation.

112. At the conclusion of its consideration of item 6 of its agenda, the Governing Council decided to take note of the report of the Ad Hoc Committee on Co-ordination of Technical Assistance Activities (E/3862) and the twenty-ninth report of the Administrative Committee on Co-ordination (E/3886).

CHAPTER VI

DATE OF THE THIRTEENTH SESSION

113. The Governing Council decided to hold its thirteenth session at United Nations Headquarters, in New York, from 11 to 18 January 1965.

## CHAPTER VII

### OTHER MATTERS

114. In view of the Governing Council's decision to convene its thirteenth session from 11 to 18 January 1965, the Council authorized the Managing Director to maintain, during the first part of January 1965, a rate of expenditure in respect to the Special Fund's administrative budget at a level not to exceed that approved for 1964, pending approval of the Governing Council of the administrative budget for 1965 at its thirteenth session.

ANNEXES

ANNEX I

List of delegations

MEMBER STATES

Argentina

Brazil

H.E. Mr. Jayme Sloan Chermont,\* Mr. Carlos dos Santos Veras,\*\*  
Miss Marina Vasconcellos\*\*

Canada

Mr. J.G. Harris\*

Denmark

Mr. Hans Erik Kastoft\*

Federal Republic of Germany

Mr. Wilhelm-Gunther von Heydon,\* Dr. Werner Lamby,\*\* Dr. Harald Heimsoeth,\*\*  
Mr. Hans W. Kamberg\*\*

France

Mr. Maurice Viaud,\* Mr. André Lewin,\*\* Mr. Bernard Pecriaux,\*\*\*  
Mr. Jean Hesse\*\*\*

Ghana

Mr. J.K.D. Appiah,\* Mr. I.K.B. Ansah\*\*

India

Mr. J.R. Hiremath,\* Mr. S.K. Bhutani\*\*

Indonesia

Mr. J.B.P. Maramis\*

Italy

Mr. Mario Franzi,\* Mr. Vittorio Zadotti\*\*

Japan

Mr. Hiroshi Yokota,\* Mr. Ryozo Mogi\*\*

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\* Representative  
\*\* Alternate Representative  
\*\*\* Adviser



Mexico

H.E. Dr. Daniel Cosío Villegas,\* Mr. Jorge Espinosa de los Reyes\*\*

Nepal

Mr. B.B. Thapa,\* Mr. Ram C. Malhotra\*\*

Netherlands

Dr. J.H. Lubbers,\* Mr. F.R.A. Walraven,\*\* Mr. A. van der Goot\*\*

Norway

Mr. Torbjørn Christiansen,\* Mr. Herman Christiansen\*\*\*

Philippines

H.E. Dr. Jacinto C. Borja,\* Mr. Hortencio J. Brillantes\*\*

Poland

Mr. Włodzimierz Natorf\*

Senegal

H.E. Mr. Cusmane Socé Diop,\* Mr. Charles Delgado\*\*

Sweden

Mr. Richard Sterner,\* Mr. Tor Lindqvist,\*\*\* Mr. Erik Hulten,\*\*\*  
Mr. Bertil Bolin\*\*\*

Tunisia

Dr. Chedly Ayari\*

Union of Soviet Socialist Republics

Mr. H. Okhotin,\* Mr. M. Tarasov,\*\* Mr. H. Lavrentyev,\*\*\* Mr. V. Lapin\*\*\*

United Kingdom of Great Britain and Northern Ireland

Mr. Keith Unwin,\* Mr. A.A.W. Landymore,\*\* Mr. J.R.S. Guinness\*\*

United States of America

Mr. Walter Kotschnig,\* Mr. Clarence Blau,\*\* Miss Majorie Belcher,\*\*\*  
Mr. James Gorman\*\*\*

Uruguay

Mr. Federico Grünwaldt Ramasso\*

- 
- \* Representative
  - \*\* Alternate Representative
  - \*\*\* Adviser

OBSERVERS FROM MEMBER STATES

Austria

Dr. Edgar K. Selzer

Belgium

Mr. A. Rens, Mr. G. vander Espt

Finland

Mr. Jaako Iloniemi

Thailand

Mr. Padung Padamasankh

SPECIALIZED AGENCIES

International Labour Organisation

Mr. R.M. Lyman

Food and Agriculture Organization of the United Nations

Mr. J.L. Orr

United Nations Educational, Scientific and Cultural Organization

Mr. P. Bertrand

World Health Organization

Dr. M.R. Sacks

International Bank for Reconstruction and Development

Dr. Enrique López Herrarte

World Meteorological Organization

Mr. K. Parthasarathy

SECRETARIAT

Mr. Paul G. Hoffman, Managing Director of the Special Fund;  
Mr. Roberto M. Heurtematte, Associate Managing Director of the Special Fund;  
Mr. Myer Cohen, Director, Bureau of Operations, Special Fund;

Mr. David Owen, Executive Chairman, Technical Assistance Board;

Mr. Philippe de Seynes, Under-Secretary, Department of Economic and Social Affairs;  
Mr. Victor Hoo, Commissioner for Technical Assistance;

Mr. Georges Dumontet, Secretary of the Governing Council.

ANNEX II

Financial Regulations of the Special Fund

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## Article 1 - Definitions

Article 1.1 - For the purpose of these regulations, the following definitions will apply:

- (a) "Government" means the government of a State which is eligible to participate in the Special Fund, that is any of the States Members of the United Nations or members of the specialized agencies or of the International Atomic Energy Agency.
- (b) "Voluntary contribution" means the voluntary payment to the general financial resources of the Special Fund made by a participating Government in accordance with paragraphs 45 and 47 of resolution 1240 (XIII) of the General Assembly, as distinct from Governments' direct payments toward the cost of specific or Governments' payments relating to such assistance as may have been provided on a refundable basis.
- (c) "Counterpart contribution" means the cash payment or the items of services and facilities in kind provided by a recipient Government for utilization on a specific project being carried out with the assistance of the Special Fund.
- (d) "Payment towards local operating costs" means the cash payment by a recipient Government of amounts assessed by the Special Fund in a local currency, or in such currencies as may be specified in the plan of operation, to the Special Fund Account toward certain local operating costs incurred on projects by the Special Fund.
- (e) "Donation" means a gift to the Special Fund Account from a non-governmental source.
- (f) "Project" means a separately identified assistance activity requested by one or more Governments to be financed in whole or in part by the Special Fund and executed through an executing agency or contracted directly by the Managing Director.
- (g) "Executing agency" means an entity whose services have been contracted for by the Managing Director to execute projects.
- (h) "Plan of operation" means the formal document covering each individual project, which is signed by the recipient Government or Governments, by the Special Fund and by the Executing Agency designated for that project, and which provides a detailed statement of the obligations of all parties involved.
- (i) "Resources" available to the Special Fund include:
- (1) Pledges of voluntary contributions made by participating Governments;
  - (2) Such counterpart contributions in cash as are included in gross project budgets - at the time of signature of the plan of operation or when specifically approved as such by the Governing Council;
  - (3) Recipient Governments' payments toward local operating costs to be made in respect of projects approved by the Governing Council;

- (4) Donations from non-governmental sources, and
- (5) Miscellaneous income which has accrued to the Special Fund.

(j) "Earmarking" means the designation and reserving of resources by the Governing Council to cover:

- (1) The estimated total cost to completion of an approved project which is chargeable to the Special Fund;
- (2) A reserve for the contingency authority granted by the Governing Council for use by the Managing Director;
- (3) A reserve for the preparatory authority granted by the Governing Council for use by the Managing Director; and
- (4) A provision for the Managing Director's administrative budget.

(k) "Allocation" means the provision of funds by the Managing Director to cover:

- (1) The full cost of projects for which plans of operation have been signed;
- (2) The cost of preparatory assistance authorized by the Managing Director, and
- (3) The Managing Director's annual administrative budget.

(l) "Commitment" means the full amount of any legal obligation (other than that to a recipient Government or to an Executing Agency under the provisions of a plan of operation) entered into by the Managing Director or by an Executing Agency within the established allocation.

#### Article 2 - Applicability

Article 2.1 - These regulations shall govern the financial administration of the Special Fund.

#### Article 3 - Financial Year

Article 3.1 - The financial year shall be the period 1 January through 31 December.

#### Article 4 - The Special Fund Account

Article 4.1 - There shall be established a Special Fund Account to which shall be credited all voluntary contributions, counterpart contributions in cash provided under gross project budgets, payments towards local operating costs, donations and miscellaneous income for the Special Fund and against which all payments on behalf of the Special Fund shall be charged.

Article 4.2 - Payments received from Governments for such assistance as may have been provided to them on a refundable basis, in accordance with paragraph 56 of Part B of General Assembly resolution 1240 (XIII), shall be credited to the Special Fund Account and shall be separately identified for reporting purposes.

## Article 5 - Custody of Funds

Article 5.1 - The Secretary-General shall act as custodian of the funds in the Special Fund Account and shall designate the bank or banks in which such funds shall be kept.

## Article 6 - Voluntary Contributions

Article 6.1 - Voluntary contributions may be pledged either on an annual basis or for a number of years.

Article 6.2 - Voluntary contributions shall be made in currency readily usable by the Special Fund consistent with the need for efficiency and economy of the Fund's operations, or convertible to the greatest possible extent into currency readily usable by the Fund. To this end, Governments are urged to make available as large a percentage as they may find possible of their contributions in such currency or currencies as the Managing Director may indicate are required for the execution of the Fund's programme.

Article 6.3 - Voluntary contributions shall be made without limitation as to use by specific executing agency or in a specific recipient country or for a specific project. No contributing Government shall receive special treatment with respect to its voluntary contribution nor shall negotiations for the use of currencies contributed to the Special Fund Account take place between contributing and recipient countries.

Article 6.4 - The Managing Director shall, as he deems necessary, report to the Governing Council the extent to which the flexibility, efficiency and economy of the Fund's operations have been affected by restrictions which may have been maintained on the use of voluntary contributions.

## Article 7 - Counterpart Contributions

Article 7.1 - Recipient Governments shall be expected to finance part of the cost of projects, at least that part payable in local currency. This general principle may, however, be waived by the Governing Council on the recommendation of the Managing Director in the case of countries deemed financially unable to make even a local currency payment.

Article 7.2 - Counterpart contributions shall be made by Recipient Governments in accordance with the provision of project plans of operation.

Article 7.3 - Counterpart contributions made in kind shall be in the form of services and facilities provided to individual projects in quantities and at times specified in the plans of operation for those projects.

Article 7.4 - Such counterpart contributions in cash as are included in gross project budgets shall be paid to the Special Fund in accordance with payment schedules specified in the plans of operation. Such funds shall be administered by the Special Fund, through its designated Executing Agencies, to provide the services and facilities specified in the plans of operation.

Article 7.5 - Such counterpart contributions in cash as are not included in gross project budgets shall be paid directly to the Executing Agency in accordance with payment schedules specified in the plans of operation. Such funds shall be administered by the Executing Agency concerned to provide the services and facilities specified in the plan of operation and the Executing Agency shall account for such funds both to the Government concerned and to the Managing Director.

Article 7.6 - Counterpart contributions in cash shall normally be administered in accordance with the financial regulations, rules, policies and practices of the Executing Agency concerned.

#### Article 8 - Payments toward local Operating Costs

Article 8.1 - Payments toward local operating costs shall be made in cash by recipient Governments to the Special Fund in accordance with payment schedules specified in plans of operation for individual projects.

Article 8.2 - The Governing Council shall approve the basis for calculating assessments on recipient Governments toward local operating costs of projects.

#### Article 9 - Donations

Article 9.1 - The Managing Director may accept donations from non-governmental resources subject to the approval of the Governing Council.

Article 9.2 - No limitation may be imposed by the donor on the use of donations by a given executing agency, in a given recipient country or for a given project, except as otherwise decided by the Governing Council.

#### Article 10 - Miscellaneous Income

Article 10.1 - All income of the Special Fund except:

- (a) Voluntary contributions;
- (b) Counterpart contributions in cash;
- (c) Payments toward local operating costs;
- (d) Donations;
- (e) Payments by Governments under Article 4.2;
- (f) Direct refunds of expenditures;
- (g) Revenue derived from the Staff Assessment Plan credited to the administrative budget of the Special Fund shall be classed as miscellaneous income for credit to the Special Fund account. Exchange adjustments as defined in Article 21 are charged or credited as miscellaneous income.



Article 10.2 - Miscellaneous income accruing in the accounts of Executing Agencies may be retained by them until the end of the financial year, when it shall be transferred to the Special Fund Account.

#### Article 11 - Investments

Article 11.1 - Monies not required immediately may be invested by the Secretary-General in a manner consistent with the financial regulations and policies of the United Nations, account being taken of the objectives of the Special Fund and of the special requirements of its operations.

Article 11.2 - Income from investments shall be credited to the Special Fund Account as miscellaneous income.

#### Article 12 - Reserve Fund

Article 12.1 - A reserve fund may be built up gradually by earmarking a percentage of the total contribution of each year up to an amount to be determined by the Governing Council on the recommendation of the Managing Director.

Article 12.2 - Advances or expenditures from such a reserve fund shall be made only for such purposes as the Governing Council may approve on the basis of recommendations from the Managing Director.

#### Article 13 - Charges against the Special Fund Account

Article 13.1 - The Special Fund Account shall be charged with costs incurred in connexion with projects approved by the Governing Council, and costs incurred under the administrative budget as approved by the Governing Council.

#### Article 14 - Earmarking of funds by the Governing Council

Article 14.1 - Each project submitted by the Managing Director for approval by the Governing Council shall be accompanied, inter alia, by a budget estimate showing the financial implications of the project in its entirety, including a statement on the costs which would be borne by the recipient Government(s).

Article 14.2 - At the time of submission to the Governing Council of project proposals accompanied by budget estimates, the Managing Director shall also submit a statement of the financial status of the Special Fund Account, showing, inter alia, resources available to the Special Fund, earmarkings by the Governing Council and allocations by the Managing Director.

Article 14.3 - After considering the estimated project budgets, and after taking into consideration the statement of the financial status of the Special Fund Account submitted by the Managing Director, the Governing Council may approve such projects and earmark the necessary funds. The Governing Council shall establish policies governing the relationship of total earmarkings to the total resources of the Fund.

Article 14.4 Project earmarkings shall consist of:

- (a) the estimated project budget, and
- (b) a provision for contingencies equal to a percentage of approved project budgets, which shall be established by the Governing Council.

Article 14.5 - Each provision for contingencies shall be added to a reserve for contingencies to be included in the Special Fund Account.

Article 14.6 - The Governing Council shall also earmark funds to cover the Managing Director's preparatory authority and his administrative budget.

Article 14.7 - The earmarking of funds by the Governing Council shall constitute an authorization to the Managing Director to allocate funds in accordance with Article 15.

Article 15 - Allocation of Funds by the Managing Director

Article 15.1 - Within the level determined by the Governing Council the Managing Director may allocate the necessary funds to cover the full cost to completion of projects, the cost of preparatory assistance rendered under his preparatory authority, and his administrative budget. The Managing Director may also allocate cash counterpart contributions within the limit of the amounts to be provided by the Governments for those projects for which these contributions are made under the provision of Article 7.4.

Article 15.2 - The allocation for the administrative budget shall be made annually at the beginning of the year for the full amount of the approved budget and shall constitute a first charge against funds on hand.

Article 15.3 - The total allocation for any individual project shall be limited to the amount of the project budget contained in the plan of operation for that project and, excluding any allocation of cash counterpart contributions, shall not exceed by more than 25 per cent the earmarking by the Governing Council for that project, subject to the over-all limitation on the reserve for contingencies provided under Article 14.4 (b).

Article 15.4 - Allocations shall constitute a ceiling on commitments to be incurred chargeable to the Special Fund Account in respect of the project budgets to which they apply, of the preparatory assistance authorized by the Managing Director, and of the administrative budget.

Article 15.5 - Upon the termination of the Special Fund's assistance toward a project, funds allocated in excess of commitments incurred in respect thereof shall become available for allocation for other purposes in accordance with Article 15.1. Funds allocated for the administrative budget in excess of commitments incurred in respect of any particular year shall revert to the Special Fund Account at the end of that year.

## Article 16 - Preparatory Assistance

Article 16.1 - The Managing Director may allocate funds, within limits established by the Governing Council, to cover:

- (a) assistance to Governments in the preparation, elaboration and revision of requests for Special Fund financing, and
- (b) investigation and evaluation of requests for Special Fund financing.

Article 16.2 - If such a request for Special Fund financing results in a project subsequently approved by the Governing Council, the cost of any preparatory assistance authorized by the Managing Director under Article 16.1 shall be included in and charged to the project budget. If the request does not result in a project approved by the Governing Council, the cost of any preparatory assistance authorized by the Managing Director under Article 16.1 shall be charged to the appropriate part of the Managing Director's administrative budget.

Article 16.3 - To facilitate the prompt commencement of project implementation as soon as possible after approval of the Governing Council the Managing Director may authorize the commitment or expenditure of funds for project costs in advance of signature of plans of operation and may authorize the advance purchase of standard items of equipment.

## Article 17 - The Managing Director's Administrative Budget

Article 17.1 - Annual budget estimates in respect of administrative costs of the Special Fund shall be prepared by the Managing Director with the assistance of the Secretary-General, in a form consistent with United Nations budgetary regulations, rules, policies and practices, and shall cover all foreseen administrative requirements. The budget estimates may include provision for contingencies.

Article 17.2 - The annual budget estimates shall be submitted to the Advisory Committee on Administrative and Budgetary Questions, for its comments, and subsequently to the Governing Council for approval.

Article 17.3 - The budget as approved by the Governing Council, and any comments which the Advisory Committee on Administrative and Budgetary Questions may have made on the budget estimates, shall be submitted to the General Assembly.

Article 17.4 - Supplementary estimates, prepared in a form consistent with the annual budget estimates may be submitted by the Managing Director to the Governing Council whenever necessary, utilizing the procedure laid down in Articles 17.1, 17.2 and 17.3 above.

Article 17.5 - The budget approved by the Governing Council shall constitute an authorization to the Managing Director to incur obligations and to authorize payments for the purposes and up to the amounts for which the budget was approved.

## Article 18 - Utilization, Exchange and Conversion of Currencies

Article 18.1 - The Managing Director shall endeavour to make the fullest possible use of available currencies. He may indicate to contributing Governments the currency or currencies which are required for the execution of the Special Fund's programme and may negotiate with a contributing Government regarding convertibility of its voluntary contribution.

Article 18.2 - In the absence of any relevant exchange restrictions imposed by contributing Governments, currencies in the Special Fund Account may be utilized to purchase other currencies when required.

Article 18.3 - With the agreement of the Managing Director, the Secretary-General, in his capacity as custodian of the funds of the Special Fund, may exchange currencies between the Special Fund and the Expanded Programme of Technical Assistance, when such exchange would facilitate utilization of currencies under both programmes, and with the agreement of the contributing Governments concerned, may exchange currencies with other funds for which the Secretary-General is also the custodian, when such exchange would facilitate utilization of currencies in the Special Fund Account.

Article 18.4 - The report which the Managing Director shall provide annually to the Governing Council pursuant to paragraph 48 of the General Assembly resolution 1240 (XIII) shall provide information on currencies received during the preceding year, currencies purchased and exchanged and the purposes for which currencies were expended, together with any comments the Managing Director may deem desirable.

## Article 19 - Commitments, Obligations and Expenditures

Article 19.1 - For projects executed by executing agencies the regulations, rules, policies and practices of the executing agency relating to the commitment and expenditure of funds shall apply to the extent that they are appropriate.

Article 19.2 - For projects contracted directly by the Managing Director the appropriate regulations, rules, policies and practices of the United Nations relating to the commitment and expenditure of funds as an executing agency of the Special Fund shall apply.

Article 19.3 - For the Managing Director's administrative budget, the appropriate regulations, rules, policies and practices of the United Nations relating to the obligation and expenditure of funds shall apply.

Article 19.4 - For projects executed by executing agencies commitments and expenditures shall be accounted for to the Managing Director in accordance with such terms as are included in agreements entered into under Article 23.2.

Article 19.5 - For projects executed by executing agencies, commitments may remain valid and expenditures may be made after completion of the project for such periods as are stipulated in the agreements entered into under Article 23.2.

## Article 20 - Rates of Exchange

Article 20.1 - For the purpose of recording voluntary contributions and cash donations in the Special Fund Account, the official par values or other appropriate exchange rates agreed between the Secretary-General and the contributing Governments shall be used.

Article 20.2 - For the purpose of recording receipts from both counterpart contributions in cash and payments towards local operating costs in the Special Fund Account, the United Nations operating rate of exchange in effect on the date that the payment became due under the plan of operation or the date of payment, whichever was later, shall be used.

Article 20.3 - Operating exchange rates established by the United Nations Controller shall apply to the recording of all transactions in the Special Fund Account other than those specified in Article 20.1.

Article 20.4 - In cases where a Government makes available a special rate of exchange to be applied under specified conditions, the Managing Director may, with the concurrence of the United Nations Controller, authorize the use of such rate simultaneously with the normal operating rate of exchange, specifying the transactions where the special rate is to be applied.

## Article 21 - Accounting for Adjustments in Exchange Rates

Article 21.1 - Exchange adjustments arising as a result of variation between the rate applicable to a voluntary contribution and the operational exchange rate in effect at the time of receipt of that contribution shall be recorded separately in the Special Fund Account and applied as a reduction or increase in the amounts available for allocations.

Article 21.2 - When an operational exchange rate for a particular currency is revised, the United Nations Controller shall revalue the cash balance and any other assets or liabilities in that currency remaining in the Special Fund Account and shall charge, or credit, the exchange adjustment to a central account, the balance of which will be netted at the year-end against miscellaneous income accumulated in the Special Fund Account.

## Article 22 - Financial Procedures and Practices

Article 22.1 - The Managing Director shall arrange with the Secretary-General for the establishment of appropriate financial procedures and practices, including those relating to internal control and internal audit. Unless otherwise provided by these financial regulations, these procedures and practices shall accord with the normal financial policies and practices of the United Nations.

Article 22.2 - In regard to any matter not specifically covered by these regulations, the appropriate provisions of the United Nations Financial Regulations and Rules shall apply.

## Article 23 - Financing and Execution of Projects by Executing Agencies

Article 23.1 - Projects shall be executed, whenever possible, by the United Nations, by the specialized agencies concerned, or by the International Atomic Energy Agency. The Managing Director is also authorized to contract for the services of other

agencies, private firms or individual experts in case the services of the organizations mentioned are wholly or partly unavailable or inadequate.

Article 23.2 - For such projects, an agreement shall be entered into between the Managing Director and the executing agency in which the terms and conditions which are to govern the financing and execution of the project are specified.

Article 23.3 - Each agreement shall provide:

- (a) arrangements for the Managing Director to follow the execution of the project;
- (b) arrangements for disbursements of funds to the executing agency, within the total allocation issued by the Managing Director in respect of the project budget;
- (c) such reporting, audit and other requirements in respect of accountability for Special Fund monies disbursed to the executing agency as the Managing Director may deem appropriate, with due regard to Articles 25.2 and 25.3.

Article 23.4 - The Managing Director may include in an agreement a provision under which, subject to a suitable notice period, the financing arrangements of the agreement can be revised at his discretion.

Article 23.5 - Arrangements for the execution of projects shall be subject to the approval of the requesting Government or Governments, and shall be specified in an agreement with these Governments. Such arrangements shall contain provisions regarding the cost, including any local costs, which the requesting Government will assume and those services and facilities it will provide.

#### Article 24 - Accounts and Financial Reports

Article 24.1 - The Managing Director shall report to the Governing Council on the financial status of projects.

Article 24.2 - The accounts of the Special Fund Account shall be maintained in U.S. dollar equivalents, and shall include accounts for:

- (a) voluntary contributions pledged and received;
- (b) payments by Governments under Article 7.4;
- (c) payments by Governments under Article 8.1;
- (d) donations received under Article 9.1;
- (e) miscellaneous income;
- (f) exchange adjustments;
- (g) allocations;
- (h) remittances to executing agencies;
- (i) commitments incurred against the allocations for projects executed by the Managing Director;

- (j) commitments incurred against the allocation for the administrative budget;
- (k) currencies on hand at banks and invested and other assets, and liabilities of the Special Fund Account;
- (l) reserve fund.

Article 24.3 - At the intervals to be agreed with the Managing Director, the Controller of the United Nations shall prepare and submit to the Managing Director:

- (a) financial statements showing the status of the Special Fund Account;
- (b) reports on the over-all consolidated financial position of the Special Fund;
- (c) reports on the collection of voluntary contributions counterpart contributions in cash and payments toward local operating costs.

Article 24.4 - The Controller of the United Nations shall prepare and certify as correct the annual accounts showing the status of the Special Fund Account, and the Secretary-General shall submit them as approved by him to the Board of Auditors not later than 31 March following the end of the financial year.

#### Article 25 - External Audit

Article 25.1 - The executing agencies shall transmit to the Managing Director for submission to the Governing Council and to the United Nations General Assembly annual accounts showing the status of all funds either allocated to them by the Managing Director for the execution of projects or made available to them by Governments as counterpart contributions in cash in accordance with project plans of operation. Such accounts shall bear audit certificates from the executing agency's external auditors and shall be accompanied by their reports, if any.

Article 25.2 - The annual accounts showing the status of the Special Fund Account and those showing the status of funds of the administrative budget of the Managing Director, with audit certificates from the United Nations Board of Auditors and their reports, if any, shall be transmitted to the United Nations General Assembly.

Article 25.3 - The annual accounts showing the consolidated financial position of the Special Fund, with audit certificate from the United Nations Board of Auditors and their report, if any, shall be transmitted to the United Nations General Assembly.

Article 25.4 - The planning of the audits and co-ordination between the audits required by Articles 25.1, 25.2 and 25.3 above shall be the responsibility of the Panel of External Auditors of the United Nations and specialized agencies.

Article 25.5 - The annual accounts, certificates and reports referred to in Articles 25.2 and 25.3 shall be transmitted to the Governing Council by the Managing Director.

Article 26 - Effective Date

Article 26.1 - These regulations shall, after review by the Advisory Committee on Administrative and Budgetary Questions and approval by the Governing Council, enter into force upon promulgation and may be amended by the Governing Council in accordance with the procedure of paragraph 53 Part B of General Assembly resolution 1240 (XIII).



## ANNEX III

Projects approved by the Governing Council at its twelfth session

<u>SF/R.9</u> <u>Add.</u>	<u>Country</u>	<u>Project Title</u>	<u>Governing</u> <u>Council ear-</u> <u>marking a/</u>	<u>Estimate of</u> <u>counterpart</u> <u>contribution</u> <u>by Government a/</u>	<u>Estimate of</u> <u>total cost</u> <u>of project</u>
1	AFGHANISTAN	Survey of a Direct Road from Kabul to Herat	\$ 811,000	\$ 184,000	\$ 995,000
2	AFGHANISTAN	Survey of Irriga- tion Possibilities in the Hari-Rud and Upper Kabul River Basins	1,835,700	712,000	2,547,700
3	ALGERIA	National Vocational Training Service for Industry	1,075,500	1,684,000	2,759,500
4	ALGERIA	Training of Engineers, University of Algiers	1,137,300	4,126,000	5,263,300
5	ARGENTINA	Institute of Urban and Regional Planning, Rosario	640,700	315,000	955,700
6	BRAZIL	Institute of Sanitary Engineer- ing, Guanabara	467,700	1,158,000	1,625,700
7	CAMBODIA	Forest Survey of the Lowlands west of the Cardamomes Mountains	480,700	314,000	794,700
8	CENTRAL AFRICAN REPUBLIC	Forestry Training and Demonstration Centre	534,900	119,000	653,900
9	CEYLON	Mahaweli Ganga Irrigation and Hydro-power Survey	1,154,900	837,000	1,991,900
10	CHILE	Soil Studies at the Institute of Agricultural Research, Santiago	752,400	723,000	1,475,400

<u>SF/R.9</u> <u>Add.</u>	<u>Country</u>	<u>Project Title</u>	<u>Governing</u> <u>Council ear-</u> <u>marking a/</u>	<u>Estimate of</u> <u>counterpart</u> <u>contribution</u> <u>by Government a/</u>	<u>Estimate of</u> <u>total cost</u> <u>of project</u>
11	COLOMBIA	Institute of General Administra- tion, Bogotá	\$ 581,600	\$ 500,000	\$ 1,081,600
12	CONGO (LEOPOLDVILLE)	Civil Aviation Training Institute, Leopoldville	1,393,200	2,623,000	4,016,200
13	CONGO (LEOPOLDVILLE)	Meteorological Training Centre, Leopoldville	674,000	772,000	1,446,000
14	CONGO (LEOPOLDVILLE)	National Institute of Vocational Training	1,476,200	1,824,000	3,300,200
15	GUINEA	Forestry Training and Demonstration Centre	1,041,400	894,000	1,935,400
16	INDIA	Centre for Research and Training on the Use of Satellite Communications, Admedabad	582,100	412,000	994,100
17	INDIA	Refining and Petrochemical Division, Indian Institute of Petroleum, Dehra Dun	1,083,800	1,250,000	2,333,800
18	IVORY COAST	Mineral Survey in the South-West	1,040,900	850,000	1,890,900
19	JAMAICA	Groundwater Survey in Two Areas of the Interior	810,100	344,000	1,154,100
20	KENYA	Animal Health and Industry Training Institute, Kabete	453,800	473,000	926,800
21	KENYA	Surveys and Pilot Demonstration Schemes leading to Reclamation of the Yala Swamp	649,000	316,000	965,000
22	LIBERIA	Assistance to the National Planning Agency	431,700	75,000	506,700
23	MADAGASCAR	Railway Survey	359,200	151,000	510,200

<u>SF/R.9</u> <u>Add.</u>	<u>Country</u>	<u>Project Title</u>	<u>Governing</u> <u>Council ear-</u> <u>marking <sup>a/</sup></u>	<u>Estimate of</u> <u>counterpart</u> <u>contribution</u> <u>by Government <sup>a/</sup></u>	<u>Estimate of</u> <u>total cost</u> <u>of project</u>
24	MAURITANIA	Agricultural Training and Exten- sion Centre, Kaédi	929,500	1,137,000	2,066,500
25	NEPAL	Feasibility Study of Irrigation Development in the Terai Plain	133,000	30,000	163,000
26	NIGER	Livestock Produc- tion and Associated Water Resources Development in Eastern Niger	877,300	302,000	1,179,300
27	NIGERIA	Aeromagnetic Survey of Minerals in the North-West	566,500	491,000	1,057,500
28	PAKISTAN	Strengthening of the Dacca Branch of the Survey of Pakistan	687,500	400,000	1,087,500
29	PARAGUAY	Telecommunications Survey	330,500	70,000	400,500
30	PERU	Development of the Central Huallaga, Chiriyacu and Nievas River Basins	1,377,100	1,600,000	2,977,100
31	PHILIPPINES	Strengthening Agricultural Training at the Mindanao Institute of Technology, Kabacan	1,119,600	1,060,000	2,179,600
32	SENEGAL	Institute of Food Technology, Dakar	954,800	605,000	1,559,800
33	SOMALIA	Institute of Public Administration, Mogadiscio	1,102,700	174,000	1,276,700
34	SUDAN	Management Develop- ment and Productivity Centre, Khartoum	531,800	520,000	1,051,800
35	SUDAN	Strengthening of the Soil Survey Division	694,900	1,500,000	2,194,900

<u>SF/R.9</u> <u>Add.</u>	<u>Country</u>	<u>Project Title</u>	<u>Council ear-</u> <u>marking <sup>a/</sup></u>	<u>Estimate of</u> <u>counterpart</u> <u>contribution</u> <u>by Government <sup>a/</sup></u>	<u>Estimate of</u> <u>total cost</u> <u>of project</u>
36	TANGANYIKA	College of African Wildlife Management, Mweka	502,100	536,000	1,038,100
37	TANGANYIKA	Mineral Exploration of the Lake Victoria Goldfield	625,500	385,000	1,010,500
38	THAILAND	Experimental and Demonstration Farm for Irrigated Agriculture, Kalasin	336,300	400,000	736,300
39	TRINIDAD AND TOBAGO	Management Develop- ment and Productivity Centre, Port of Spain	494,300	391,000	885,300
40	TUNISIA	Reforestation Institute, El Soukra	1,142,300	1,204,000	2,346,300
41	TURKEY	Sheep and Goat Diseases Laboratory, Pendik	1,245,000	1,052,000	2,297,000
42	UNITED ARAB REPUBLIC	Vocational Training for the Egyptian Railways	967,900	7,065,000	8,032,900
43	UNITED KINGDOM BRITISH SOLOMON ISLANDS PROTECTORATE	Aerial Geophysical Surveys	952,800	586,000	1,538,800
44	UNITED KINGDOM FEDERATION OF SCUTH ARABIA	Fishery Development in the Gulf of Aden	990,700	506,000	1,496,700
45	UNITED KINGDOM MAURITIUS	Land and Water Resources Survey	558,600	136,000	694,600
46	YUGOSLAVIA	Skoplje Urban Plan	1,475,400	3,372,000	4,847,400
47	YUGOSLAVIA	Training Centre for Building Construction Personnel, Skoplje	485,600	661,000	1,146,600

<u>SF/R.9</u> <u>Add.</u>	<u>Country</u>	<u>Project Title</u>	<u>Governing</u> <u>Council ear-</u> <u>marking a/</u>	<u>Estimate of</u> <u>counterpart</u> <u>contribution</u> <u>by Government a/</u>	<u>Estimate of</u> <u>total cost</u> <u>of project</u>
48	REGIONAL CAMBODIA AND THE REPUBLIC OF VIETNAM	Meking River Delta Model Study <u>b/</u>	\$ 327,300	55,000	382,300
49	REGIONAL DAHOMAY AND TOGO	Electric Power Development Survey	739,900	309,000	1,048,900
50	REGIONAL KENYA, TANGANYIKA AND UGANDA	Plan for the Development of Livestock in East Africa	238,900	120,000	358,900
		TOTAL	<u>\$39,855,600</u>	<u>\$45,323,000</u>	<u>\$85,178,600</u>

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a/ The Government's cash payments towards local operating costs are included under the Governing Council earmarking and not in the Government counterpart contribution.

b/ An allocation of \$642,800 for this project was originally approved by the Governing Council at its sixth session in May 1961 (See document SF/R.3/Add.42).

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